

JUNE 2016

**MANAGEMENT'S MONTHLY
REPORT ON FUND
PERFORMANCE**

July 13, 2016

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

June was an increasingly volatile month for U.S. equities. The stock markets were focused singularly on Brexit—at first speculating on the outcome of the momentous June 23rd referendum in the United Kingdom to determine its membership in the European Union, and then reacting with immediate shock in the aftermath of the U.K. vote to leave the EU. For the month, the major U.S. equity indices excluding the NASDAQ ended up marginally after a dramatic sell-off and subsequent rebound post-Brexit.

In June, the S&P 500 Index gained 0.3%, slightly behind the 0.4% and 0.6% returns of the S&P 400 MidCap and S&P 600 SmallCap respectively, while the NASDAQ Composite declined 2.1%. The North Growth U.S. Equity Fund lost 1.4%, faring better than the NASDAQ but lagging the other indices we follow. As the Canadian currency strengthened by 1.5% against the U.S. dollar, the U.S. Fund returned -2.8% in Canadian dollars versus the S&P 500's monthly performance of -1.2% in Canadian dollars.

Canadian Equity Fund

Similar to the U.S. equity markets, the S&P/TSX Composite Index appreciated slightly by 0.3% in June despite much volatility. Amid the uncertainty surrounding Brexit, resource-related stocks, particularly gold, gained in favour, contributing disproportionately to the S&P/TSX. The North Growth Canadian Fund performed poorly in June, falling 6.1% for the month. In addition to not having exposure to energy or gold, a number of our smaller, less liquid tech and industrial names were hit hard including one of the prior month's winners, Sierra Wireless. Our view that the weaker performance of these names was more related to their trading liquidity than any disproportionate exposure to Brexit is being validated by stronger performance as we move into July.

Brexit Noise

Notwithstanding the short term disruption to the global financial markets from the Brexit vote, the direct impact on the U.S. economy should be minimal. To the United States, the U.K. is the fifth-largest trading partner in terms of exports and the seventh-largest partner in terms of imports. According to Bloomberg economic analysis, the share of overall U.S. exports to the U.K. is less than 4% while the U.K. share of U.S. imports is below 3%. As such, even if a marked slowdown in trade flows between the two countries were to occur, the negative effect on annual U.S. GDP growth would be limited to one-to-two tenths of 1%.

Currently, nothing has changed from the Brexit vote. The mechanics and consequences of Britain's withdrawal from the European Union are far from clear. Theresa May, the successor to U.K. Prime Minister, David Cameron, has yet to trigger Article 50 of the Lisbon Treaty. Following the triggering of Article 50, which details what happens when a member

decides to extricate itself from the bloc, the U.K. and EU have two years to work out exit terms. Within the two-year window after the date Article 50 is enacted, exit terms need to be settled and separately, the two sides must negotiate new agreements on issues including trade, immigration and security. Britain is expected to leave the EU at some time in 2018 or 2019; however, both parties may agree to extend the two-year time frame.

In the present environment where global growth concerns remain elevated and investor sentiment muted, Brexit has added uncertainty. Given the timing of the U.K. referendum during the final week of the second quarter, Brexit has the potential to weigh on near term corporate profits if business deals were held off in the wake of diminished confidence. Broad impact on U.S. economic activity though should be constrained as recent data from the U.S. manufacturing and services industries and labour market have strengthened and support a picture of sustained, moderate growth.

Encouragingly, the FTSE 100 Index representing U.K. equities has rallied substantially following the post-Brexit dip, and similar to the S&P 500 Index, is now trading above the level it was at prior to the referendum. Central banks around the world, including the U.S. Federal Reserve, have been closely monitoring financial market conditions and are prepared to inject further liquidity as needed to maintain financial stability.

No meaningful change to our view

With the altered political landscape in the U.K. resulting from Brexit, in addition to the disconcerting tone of the U.S. presidential campaign, it is difficult to foresee an immediate easing of heightened investor anxiety. Yet, our long term constructive view on U.S. equities remains unchanged. We continue to focus our efforts on individual stock analysis and fundamental company research, adhering as always to our “growth at a reasonable price” philosophy.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended June 30, 2016

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-2.82	-0.41	-5.16	-5.16
S&P 500 in \$CDN	-1.22	1.90	-3.09	-3.09
NGM U.S. Equity Fund \$U.S.	-1.36	0.13	1.62	1.62
S&P 500 \$U.S.	0.26	2.46	3.84	3.84
S&P 400 MidCap \$U.S.	0.42	3.99	7.93	7.93
S&P 600 SmallCap \$U.S.	0.61	3.48	6.23	6.23
NASDAQ Composite \$U.S.	-2.06	-0.23	-2.62	-2.62

Annualized Rates of Return (%) for the Period Ended June 30, 2016

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	3.71	17.65	16.50	9.13	8.33	11.06	12.53
S&P 500 \$CDN	7.55	19.57	18.84	9.00	4.64	7.58	9.47
NGM U.S. Equity Fund \$U.S.	0.28	9.86	9.89	7.55	9.48	11.36	12.35
S&P 500 \$U.S.	3.99	11.66	12.10	7.42	5.75	7.87	9.30
S&P 400 MidCap \$U.S.	1.33	10.53	10.55	8.55	8.80	11.16	12.02
S&P 600 SmallCap \$U.S.	-0.03	10.23	11.20	7.86	8.92	9.81	11.22
NASDAQ Composite \$U.S.	-1.59	13.91	13.28	9.56	6.61	8.20	9.39*

Source: Bloomberg "Total Return Analysis" as of Jul. 1, 2016.

*These returns are a simple price appreciation because total return data is not available on Bloomberg.

Unit Price: \$ 45.39 CDN
\$ 35.14 USD

Total Assets in Fund \$ 462.4 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended June 30, 2016

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-6.05	-1.25	-3.93	-3.93
S&P / TSX \$CDN	0.34	5.07	9.84	9.84

Annualized Rates of Return (%) for the Period Ended June 30, 2016

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	-11.71	-7.09	5.60	11.29	N/A	N/A
S&P / TSX \$CDN	-0.20	-0.68	8.27	8.17	N/A	N/A

**The Canadian Equity Fund became a reporting issuer on June 15, 2012. It is not permitted to publish performance data prior to the date it became a reporting issuer.*

Unit Price: \$ 17.00 CDN

Total Assets in Fund \$ 36.3 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended June 30, 2016

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.51	0.49	0.71	0.77
30 Day Treasury Bill	N/A	0.45	0.73	0.80

** The **Current Yield** for the Money Market Fund is the average of the annualized daily yield for the most recent seven day period. This measure is no longer available for the 30 day T-Bill Index.*

We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio is most often less than 30 days. Historically the Fund has generated very competitive yields with this simple approach because the management fee is, and always has been, 0.25%. In today's low rate environment most other money market funds in Canada have cut their management fees and extended their maturities in order to improve yields, as a result the North Growth Canadian Money Market Fund's yields are now below the industry average.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.51% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Holdings as at June 30, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.64
2.	Apple Inc.	7.28
3.	First Solar Inc.	5.18
4.	Intel Corporation	5.01
5.	Microsoft Corporation	4.40
6.	General Electric Company	4.36
7.	Anthem Inc.	4.12
8.	American Eagle Outfitters Inc.	3.78
9.	Cerner Corporation	3.77
10.	Applied Materials Inc.	3.73
11.	Zimmer Biomet Holdings Inc.	3.69
12.	Citrix Systems Inc.	3.66
13.	Gilead Sciences Inc.	3.26
14.	Texas Instruments Inc.	3.04
15.	Electronic Arts Inc.	3.02
16.	Johnson Controls Inc.	2.87
17.	Mohawk Industries Inc.	2.86
18.	Pfizer Inc.	2.70
19.	Amgen Inc.	2.59
20.	Herman Miller Inc.	2.41
21.	DSP Group Inc.	2.35
22.	Ethan Allen Interiors Inc.	2.33
23.	FedEx Corp.	2.25
24.	SolarEdge Technology Inc.	2.11
25.	Boston Scientific Company	2.09
26.	Varian Medical Systems Inc.	2.06
27.	Abbott Laboratories	1.55
28.	Pier 1 Imports Inc.	1.55
29.	Itron Inc.	1.35
30.	Endocyte Inc.	0.08
Total Equities		99.07
Cash		0.93
Total Assets		100.00

Canadian Equity Fund –Holdings as at June 30, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	8.28
2.	Open Text Corporation	7.09
3.	Heroux-Devtek Inc.	6.32
4.	Dorel Industries Inc., Class B	6.18
5.	CAE Inc.	5.58
6.	Sierra Wireless Inc.	5.48
7.	Avigilon Corporation	5.45
8.	EXFO Inc.	5.07
9.	Mitel Networks Corp.	4.78
10.	ATS Automation Tooling Systems Inc.	4.62
11.	Celestica Inc.	4.34
12.	MacDonald Dettwiler and Associates Ltd.	3.87
13.	Ballard Power Systems Inc.	3.79
14.	WestJet Airlines Ltd.	3.78
15.	Martinrea International Inc.	3.71
16.	Bombardier Inc., Class B	3.28
17.	Canam Group Inc.	3.23
18.	Magellan Aerospace Corp.	2.48
19.	TELUS Corporation	2.48
20.	Novanta Inc.	2.07
21.	Evertz Technologies Limited	2.02
22.	Jean Coutu Group (PJC) Inc., Class A	1.79
23.	Stantec Inc.	1.25
24.	Hydrogenics Corp.	1.11
25.	ViXS Systems Inc.	0.57
26.	exactEarth Ltd.	0.38
27.	Oncolytics Biotech Inc.	0.20
Total Equities		99.20
Cash		0.80
Total Assets		100.00

Investing With Us

Investing With North Growth Management

North Growth Management is a focused firm. We are Canada's U.S. Equity Specialist. Our objective is consistent, superior, long term returns on our equity funds based on our "growth at a reasonable price" investment philosophy.

Conducting Transactions

The cut-off time for same-day transactions is 3 p.m. Eastern Time or 12 p.m. (noon) Pacific Time. Orders received after that time will be processed on the next business day. Cheques must be made payable to RBC Investor Services Trust. For security reasons, instructions can only be accepted by mail or by fax to:

North Growth Management Ltd.
Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

Fax: 604-688-5402

Where to Find NGM Fund Prices

Please visit www.northgrowth.com to view the Fund's daily prices or to be added to our e-mail list to receive daily notification of the Fund's prices. Alternatively, the Globe & Mail reports prices on www.globofund.com at the following links:

North Growth U.S. Equity Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=52033&cid=4008>

North Growth Canadian Equity Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=57466&cid=4008>

North Growth Canadian Money Market Fund

<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>

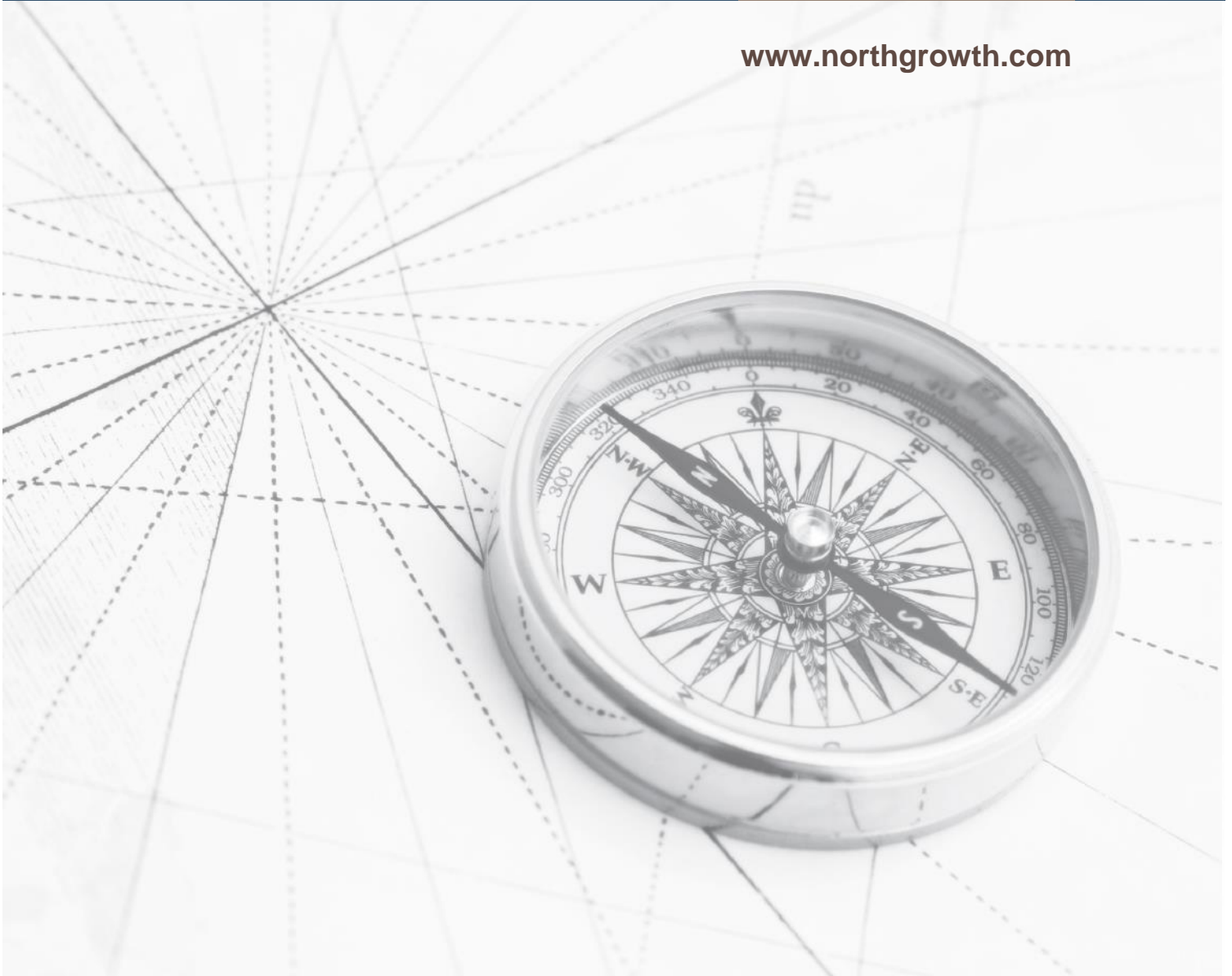


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N O R T H
GROWTH MANAGEMENT LTD.

www.northgrowth.com



Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

T: 604 688 5440
F: 604 688 5402
info@northgrowth.com