

JUNE 2015

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

July 13, 2015

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

U.S. equities concluded another choppy trading quarter in June with most of the major indices depreciating for the month. The S&P 500 Index lost 1.9% while the S&P 400 MidCap and NASDAQ Composite fared slightly better, declining 1.3% and 1.6% respectively. Of the indices we follow, only the S&P 600 SmallCap gained in June, appreciating 1.0%. The North Growth U.S. Equity Fund fell 2.8%, underperforming all the mentioned indices. In Canadian dollars, the Fund was down 2.4% for the month versus the S&P 500 Index which declined 1.5%.

While U.S. equities remained broadly unchanged for the quarter, during the first half of 2015, most U.S. stock market indices are up. The S&P 500 Index gained 1.2% while the S&P 400 MidCap, S&P 600 SmallCap and NASDAQ delivered stronger year-to-date returns of 4.2%, 4.2% and 6.0% respectively. The Fund's six-month appreciation of 2.6% puts it ahead of the S&P 500 yet behind the other indices we track. The strong U.S. currency since the beginning of the year boosts the Fund's return to 10.4% in Canadian dollars versus the S&P 500 which is up 9.0% year-to-date in Canadian dollars.

Canadian Equity Fund

As slowing growth for the Canadian economy became more apparent, the S&P/TSX Composite Index fell 2.8% in June and 1.6% in the second quarter. The North Growth Canadian Equity Fund declined 3.7% last month, trailing the S&P/TSX Composite. Year-to-date, the S&P/TSX Composite is up 0.9% whereas the Fund is down 4.4%. Having no exposure to the heavily-weighted financial and resource (gold) sectors is the primary cause of the underperformance of the Fund since the beginning of the year.

Recent Noise—Greece and China

Over the past six months, the U.S. equity markets have been lacking in conviction amidst a lot of noise. Most recently, investors have been focused on global macro events including China's stock market rout and Greece's recurring debt crisis and looming exit from the Euro zone. Despite the incessant media coverage, the Greek economy is miniscule—approximately 2% of the euro zone's GDP (Gross Domestic Product), or about the size of the Miami metropolitan area in the United States. Any impact from a Greek bankruptcy, therefore, would be inconsequential to the global economy.

The worry of broader weakness in Europe has been an ongoing concern since 2010. Meanwhile, the U.S. continues to expand at a moderate pace and recent positive economic data, such as manufacturing, consumer spending and employment statistics, confirm a strengthening in the growth of the U.S. economy.

The fear of China's stock market decline of greater than 30% during the past four weeks spilling over to both its and the global economy has also been a source of angst for U.S. equities. In particular, the steep sell-off in Chinese stocks that include many large solar-power companies has cast a shadow on solar sector funds and ETFs. Since the end of May, the Guggenheim Solar ETF (TAN), Market Vectors Solar Energy ETF (KWT) and iShares Global Clean Energy ETF (ICLN) have plunged around 20%. These ETFs had been heavily exposed to the highflying Chinese solar stock, Hanergy Thin Film Power Group, their largest holding, which has lost over 70% of its market capitalization after a meteoric rise earlier this year.

U.S. solar shares including First Solar (FSLR), a core holding in the U.S. Fund, have suffered alongside the Chinese solar stocks and been hit especially hard relative to the broad U.S. market, even though the issues plaguing the Chinese solar-power players are company-specific. In the long term, we continue to believe the fundamentals for the solar industry and specifically First Solar are favourable.

The U.S. solar industry is in the midst of rapid expansion. In 2014, as much solar power was installed in the U.S. every three weeks as in all of 2008. And on July 7th, President Obama announced a series of executive actions to spur greater use of solar power. The U.S. government set a target of installing 300 megawatts of solar power at federally subsidized housing by 2020, tripling an earlier goal of 100 megawatts. As well, the White House revealed pledges of more than \$520 million to fund community solar farms and energy-efficiency projects for lower income communities. This is in addition to the announcement last month that at least \$4 billion in commitments from private companies and foundations had been secured to invest in clean energy.

The confluence of technology, innovation and scale are bringing down costs to the point where in the long run, it is highly likely further growth in solar energy adoption will be based on pure economics rather than public policy. Certainly, First Solar has made tremendous progress in both cost and efficiency metrics, and we expect the encouraging trends to continue.

No change to our view

We maintain our constructive outlook for U.S. equities. Our view continues to be supported by the steady improvement in U.S. economic growth, reasonable equity valuations as well as solid company fundamentals.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended June 30, 2015

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-2.36	-2.50	10.42	10.42
S&P 500 in \$CDN	-1.52	-1.12	8.99	8.99
NGM U.S. Equity Fund \$U.S.	-2.77	-1.12	2.56	2.56
S&P 500 \$U.S.	-1.94	0.28	1.23	1.23
S&P 400 MidCap \$U.S.	-1.32	-1.06	4.20	4.20
S&P 600 SmallCap \$U.S.	1.03	0.19	4.16	4.16
NASDAQ Composite \$U.S.	-1.56	2.05	5.99	5.99

Annualized Rates of Return (%) for the Period Ended June 30, 2015

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	21.79	24.18	19.17	8.23	9.61	12.26	12.93
S&P 500 \$CDN	25.75	25.58	21.15	8.10	3.18	8.40	9.56
NGM U.S. Equity Fund \$U.S.	4.04	16.00	15.42	8.02	10.86	12.79	12.91
S&P 500 \$U.S.	7.42	17.31	17.34	7.89	4.36	8.91	9.54
S&P 400 MidCap \$U.S.	6.40	18.60	17.82	9.74	9.32	12.18	12.52
S&P 600 SmallCap \$U.S.	6.72	18.81	18.44	9.28	9.69	11.09	11.74
NASDAQ Composite \$U.S.	14.59	20.98	20.29	10.48	2.52	9.62	9.97*

Source: Bloomberg "Total Return Analysis" as of July 1, 2015.

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

Unit Price: \$ 45.32 CDN
\$ 36.28 USD

Total Assets in Fund \$ 460.9 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended June 30, 2015

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-3.67	-4.26	-4.40	-4.40
S&P / TSX \$CDN	-2.78	-1.63	0.85	0.85

Annualized Rates of Return (%) for the Period Ended June 30, 2015

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	-2.23	15.49	20.22	N/A	N/A
S&P / TSX \$CDN	-1.16	12.77	11.12	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: \$ 19.26 CDN

Total Assets in Fund \$ 40.6 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended June 30, 2015

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.59	0.79	0.84	0.82
30 Day Treasury Bill	N/A	0.83	0.89	0.87

** 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 0.59% 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, 2015

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.44
2.	Apple Inc.	9.26
3.	Anthem Inc.	5.00
4.	St. June Medical Inc.	4.68
5.	Intel Corporation	4.51
6.	Microsoft Corporation	4.04
7.	Gilead Sciences Inc.	3.96
8.	First Solar Inc.	3.67
9.	Electronic Arts Inc.	3.31
10.	Zimmer Biomet Holdings Inc.	3.25
11.	General Electric Company	3.22
12.	Cerner Corporation	3.14
13.	Citrix Systems Inc.	2.98
14.	Rite Aid Corporation	2.91
15.	Texas Instruments Inc.	2.83
16.	Pfizer Inc.	2.79
17.	Amgen Inc.	2.53
18.	American Eagle Outfitters Inc.	2.52
19.	Ethan Allen Interiors Inc.	2.37
20.	Applied Materials Inc.	2.33
21.	Herman Miller Inc.	2.23
22.	Johnson Controls Inc.	2.22
23.	Qualcomm Inc.	2.18
24.	Precision Castparts Corp.	2.07
25.	Varian Medical Systems Inc.	2.05
26.	Pier 1 Imports Inc.	1.87
27.	DSP Group Inc.	1.81
28.	Mohawk Industries Inc.	1.23
29.	Jacobs Engineering Group Inc.	1.21
30.	Itron Inc.	1.04
31.	Gap Inc.	1.03
32.	Bristol-Myers Squibb Company	1.00
33.	Endocyte Inc.	0.13
Total Equities		98.83
Cash		1.17
Total Assets		100.00

Canadian Equity Fund –Holdings as at June 30, 2015

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	9.36
2.	COM DEV International Ltd.	7.25
3.	Avigilon Corporation	6.18
4.	Martinrea International Inc.	5.54
5.	WestJet Airlines Ltd.	5.52
6.	Open Text Corporation	5.12
7.	Ballard Power Systems Inc.	4.80
8.	CAE Inc.	4.75
9.	Celestica Inc.	4.69
10.	Dorel Industries Inc., Class B	4.54
11.	ATS Automation Tooling Systems Inc.	4.31
12.	Heroux –Devtek Inc.	4.17
13.	EXFO Inc.	4.11
14.	MacDonald Dettwiler and Associates Ltd.	3.75
15.	Bombardier Inc., Class B	3.66
16.	Mitel Networks Corp.	3.11
17.	Stantec Inc.	2.88
18.	Jean Coutu Group (PJC) Inc., Class A	2.40
19.	Valeant Pharmaceuticals International, Inc.	2.25
20.	Sierra Wireless Inc.	2.20
21.	TELUS Corporation	1.80
22.	GSI Group Inc.	1.77
23.	ViXS Systems Inc.	0.98
24.	Oncolytics Biotech Inc.	0.22
Total Equities		95.37
Cash		4.63
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.globefund.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>

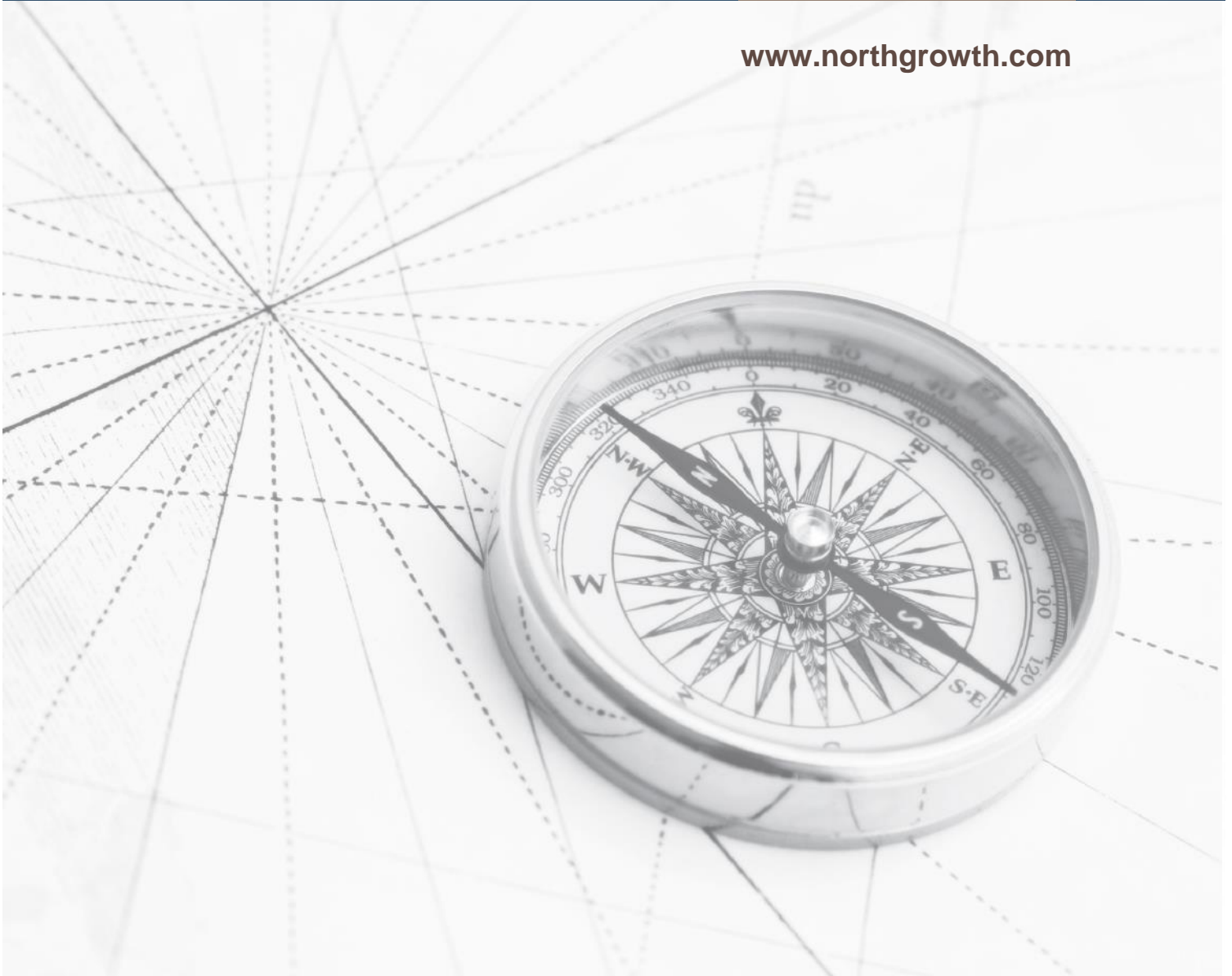


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