

MARCH 2016

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

April 13 , 2016

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

In a dramatic resurgence, U.S. equities rallied strongly in March to conclude a quarter of positive performance despite the rough start to 2016. The S&P 500 Index gained 6.8% for the month, while the NASDAQ Composite was up 7.0% and the S&P 600 SmallCap and S&P 400 MidCap Indices registered even stronger returns of 8.2% and 8.5% respectively. The North Growth U.S. Equity Fund appreciated 7.6% in March, delivering middle-of-the-pack performance among the mentioned indices we regularly follow. Due to the strengthening in the Canadian currency against the U.S. dollar by over 4% last month, the Fund gained 3.3% in Canadian dollars versus the S&P 500 which was up 2.5% in Canadian dollars.

Year-to-date, after falling 10% during the first six weeks to February 11th and then rallying spectacularly to March 31st, the S&P 500 Index is up 1.4%. The S&P 600 SmallCap and S&P 400 MidCap closed the quarter with gains of 2.7% and 3.8% respectively while the NASDAQ Composite declined 2.4%.

In the first quarter, the U.S. Fund advanced 1.5%, beating the S&P 500 slightly by 14 basis points or 0.14%. We are satisfied with the relative outperformance of the Fund, especially in light of the fact that just 19% of mutual funds beat the S&P 500 Index during the quarter, the fewest since 1998, according to research from Bank of America Merrill Lynch. The Canadian dollar strengthened meaningfully since the beginning of 2016, thereby reducing the Fund's year-to-date return in Canadian dollars to -4.8% versus the S&P 500's -4.9% Canadian dollar return.

Canadian Equity Fund

Likewise, March was a strong month for Canadian equities. The S&P/TSX Composite advanced 5.3%, bringing its performance year-to-date to 4.5%. By comparison, the North Growth Canadian Equity Fund gained 3.7% for the month while year-to-date, the Fund is down 2.7%.

The Fed and the Economy

With subdued news flow in March, investors paid much attention to the outcome of the Federal Reserve's FOMC (Federal Open Market Committee) March 16th meeting. As the Fed held interest rates steady, maintaining the target range for the federal funds rate at ¼ to ½ percent and signaling that "the [Fed] funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run", market anxiety appeared to dissipate

somewhat along with the upward movement in equity prices. The Fed is concerned by “recent global economic and financial developments”, or weakening economies abroad, and given that inflation in the U.S. remains below its 2% objective, the Fed is proceeding cautiously in raising rates.

The pause in the interest rate hiking cycle has resulted in continued speculation by market participants on the trajectory of monetary policy. What is clear is that the delayed removal of accommodation bears no relation to the state of U.S. economic growth—the Fed is not holding rates constant because the U.S. economy is softening; in fact, recent data suggest economic growth in the United States will accelerate in the second quarter of 2016.

In a pattern consistent over past years, U.S. GDP (gross domestic product) growth has been persistently weaker during the first three months. Researchers at the Federal Reserve Bank of San Francisco found that a “statistical quirk” probably explained why from 2000 through 2015 first-quarter GDP has averaged 2.3% lower than the remaining quarters. This year appears no different, and economic data of late show a healthy, moderately expanding U.S. economy that is gaining momentum.

Manufacturing expanded in March for the first time in seven months as measured by the Institute for Supply Management (ISM). The ISM index showed the strongest level of factory bookings since November 2014 with 13 of 18 industries reporting a pickup in March orders. Similarly, the ISM non-manufacturing gauge for March also rose and indicated an increase in new orders and business activity at service providers. Finally, the labour market, a key barometer of economic health, remains robust as employment in the U.S. climbed and wages advanced last month. Jobless claims figures continue to linger near the lowest in decades while the labour force participation rate improved in March.

Our View

We maintain our constructive view on U.S. equities. Against the ongoing steady U.S. economic expansion, overall equity valuations are reasonable and company fundamentals solid. The U.S. Fund remains fully invested, and as such, we are focused on identifying relative adjustments to the portfolio holdings, taking advantage of near term market opportunities. As always, we are adhering closely to our long term “growth at a reasonable price” investment discipline.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended March 31, 2016

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	3.25	-4.77	7.23	-4.77
S&P 500 in \$CDN	2.49	-4.90	5.57	-4.90
NGM U.S. Equity Fund \$U.S.	7.57	1.49	10.18	1.49
S&P 500 \$U.S.	6.78	1.35	8.49	1.35
S&P 400 MidCap \$U.S.	8.52	3.79	6.49	3.79
S&P 600 SmallCap \$U.S.	8.20	2.66	6.48	2.66
NASDAQ Composite \$U.S.	6.98	-2.39	6.16	-2.39

Annualized Rates of Return (%) for the Period Ended March 31, 2016

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	1.54	21.21	16.50	7.94	8.53	11.43	12.69
S&P 500 \$CDN	4.36	21.36	18.30	8.15	4.63	7.73	9.49
NGM U.S. Equity Fund \$U.S.	-0.97	11.69	9.88	6.80	9.94	11.68	12.48
S&P 500 \$U.S.	1.78	11.82	11.58	7.01	5.99	7.98	9.29
S&P 400 MidCap \$U.S.	-3.59	9.46	9.52	7.78	9.42	11.10	11.97
S&P 600 SmallCap \$U.S.	-3.20	10.39	10.41	6.99	9.60	9.90	11.18
NASDAQ Composite \$U.S.	0.66	15.68	13.32	8.80	7.78	8.61	9.52*

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

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

Unit Price: \$ 45.58 CDN
\$ 35.09 USD

Total Assets in Fund \$ 468.3 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended March 31, 2016

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	3.74	-2.71	4.56	-2.71
S&P / TSX \$CDN	5.28	4.54	3.08	-4.54

Annualized Rates of Return (%) for the Period Ended March 31, 2016

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	-14.41	-5.58	8.71	N/A	N/A
S&P / TSX \$CDN	-6.57	-0.05	5.03	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: \$ 17.22 CDN

Total Assets in Fund \$ 36.8 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended March 31, 2016

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.50	0.50	0.74	0.78
30 Day Treasury Bill	N/A	0.48	0.77	0.82

** 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 0.50% 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 March 31, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	10.01
2.	Apple Inc.	8.24
3.	First Solar Inc.	6.33
4.	Microsoft Corporation	4.97
5.	Intel Corporation	4.91
6.	General Electric Company	4.37
7.	Anthem Inc.	4.33
8.	American Eagle Outfitters Inc.	3.93
9.	St. Jude Medical Inc.	3.61
10.	Gilead Sciences Inc.	3.56
11.	Citrix Systems Inc.	3.56
12.	Applied Materials Inc.	3.27
13.	Zimmer Biomet Holdings Inc.	3.25
14.	Texas Instruments Inc.	3.23
15.	Cerner Corporation	2.91
16.	Mohawk Industries Inc.	2.86
17.	Ethan Allen Interiors Inc.	2.63
18.	Electronic Arts Inc.	2.62
19.	Amgen Inc.	2.53
20.	Pfizer Inc.	2.52
21.	Johnson Controls Inc.	2.51
22.	Herman Miller Inc.	2.44
23.	FedEx Corp.	2.39
24.	Varian Medical Systems Inc.	1.99
25.	DSP Group Inc.	1.82
26.	Pier 1 Imports Inc.	1.40
27.	Itron Inc.	1.29
28.	SolarEdge Technology Inc.	0.98
29.	Bristol-Myers Squibb Company	0.98
30.	Endocyte Inc.	0.08
Total Equities		99.52
Cash		0.48
Total Assets		100.00

Canadian Equity Fund –Holdings as at March 31, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	8.53
2.	Open Text Corporation	6.86
3.	Avigilon Corporation	6.10
4.	Heroux-Devtek Inc.	5.68
5.	EXFO Inc.	5.37
6.	CAE Inc.	5.29
7.	Mitel Networks Corp.	5.17
8.	ATS Automation Tooling Systems Inc.	4.97
9.	Martinrea International Inc.	4.70
10.	Sierra Wireless Inc.	4.66
11.	Dorel Industries Inc., Class B	4.37
12.	Celestica Inc.	4.30
13.	Ballard Power Systems Inc.	4.21
14.	MacDonald Dettwiler and Associates Ltd.	3.74
15.	WestJet Airlines Ltd.	3.64
16.	TELUS Corporation	2.48
17.	Canam Group Inc.	2.27
18.	Magellan Aerospace Corp.	2.21
19.	Bombardier Inc., Class B	2.20
20.	Stantec Inc.	1.97
21.	Jean Coutu Group (PJC) Inc., Class A	1.94
22.	GSI Group Inc.	1.92
23.	Hydrogenics Corp.	1.29
24.	Evertz Technologies Limited	0.93
25.	ViXS Systems Inc.	0.41
26.	exactEarth Ltd.	0.38
27.	Oncolytics Biotech Inc.	0.17
Total Equities		95.77
Cash		4.23
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>

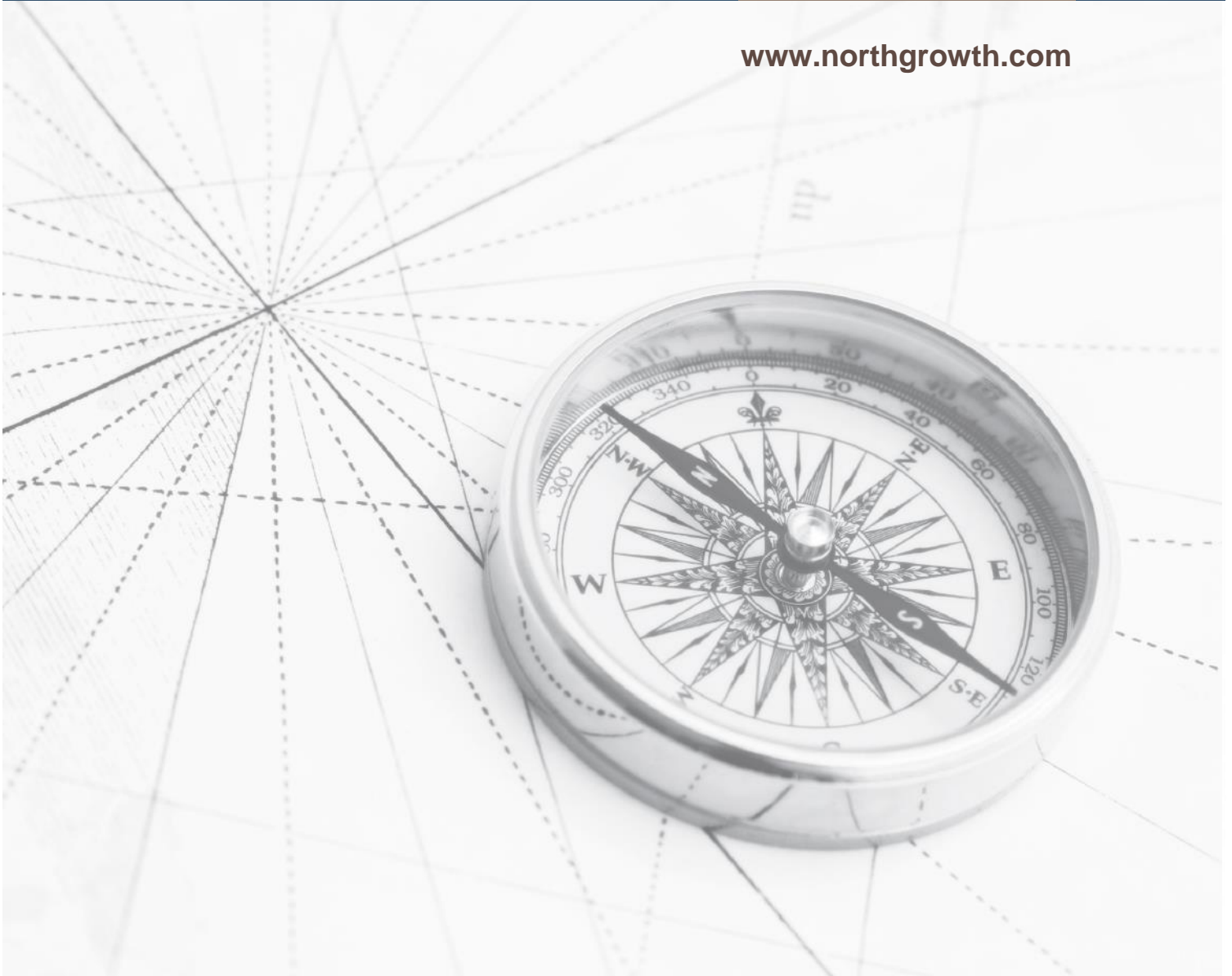


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