

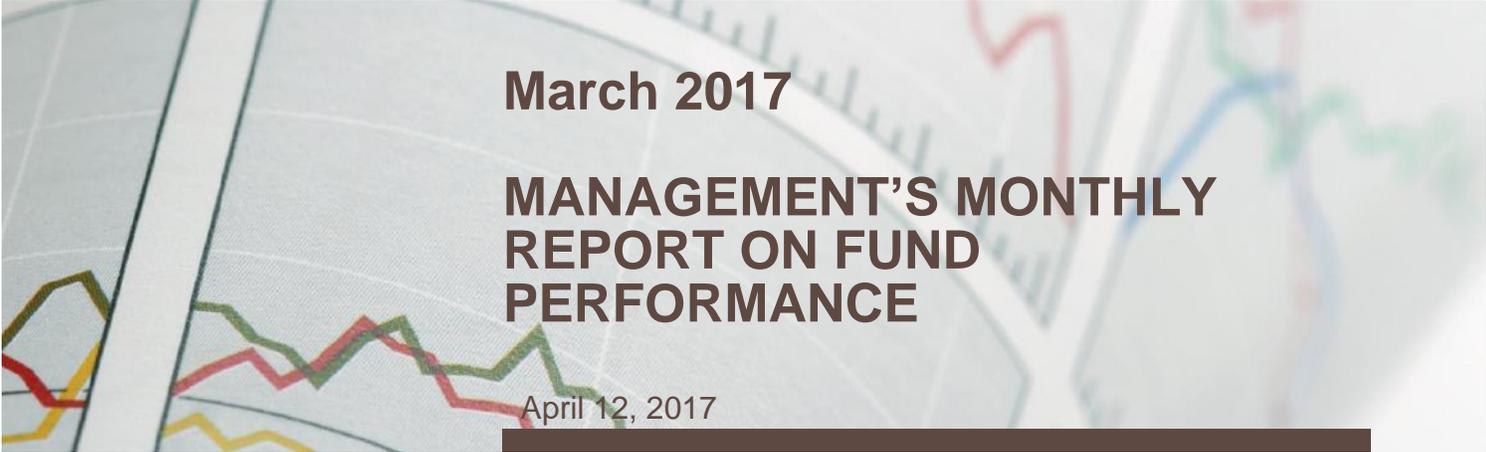


**N O R T H**  
GROWTH MANAGEMENT LTD.

**March 2017**

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

April 12, 2017



# MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

## North Growth Funds

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# Fund Performance Update

While performance is our number one strength, we're not sure that people are aware that we are strong performers because we are different—always have been—in a good way. So we've decided to mix up the order of our monthly report to highlight some of the things that we do to get our numbers. We are aligned with our values and know that long term growth is only possible if there is a livable planet with an economy that works for more than a select few.

U.S. and Canadian monthly fund performance blurbs are at the end of this narrative.

## The Globe and Mail highlights our long term record

On March 22, 2017, the North Growth U.S. Equity Fund was featured in a special column in The Globe and Mail. The article highlighted the Fund's superior 15-year record which supported its description of the Fund being a "silent star among U.S. equity funds".

While past returns are no indication of future performance, the magnitude of the U.S. Fund's outperformance over the past 15 years—against the S&P 500, the average U.S. equity fund in Canada, and markets outside the U.S.—is noteworthy.

In Canadian Dollars	Annualized Return (%) Mar. 31, 2002 - Mar. 31, 2017	Growth of \$100,000 CAD over past 15 years
<b>North Growth U.S. Equity</b>	<b>8.9%</b>	<b>\$359,268</b>
Average U.S. equity fund in Canada Globe Investor universe	3.5%	\$167,535
U.S. equity market S&P 500 Index Total Return	5.8%	\$232,962
Canadian equity market TSX/SPX Composite Index Total Return	7.4%	\$291,786
International equity market MSCI EAFE Total Return Index	5.0%	\$207,893

## Looking forward to a low carbon economy

For the past 12 years out of our 15-year record, we have been fossil-free. We sold our position in Chesapeake Energy Corporation in July 2005, and we have not had any direct exposure to oil and gas producers in both the U.S. Fund and the Canadian Fund for over 10 years. Clearly, our carbon-free investment strategy has not sacrificed returns for unitholders. Without even bringing the potential long run implications for oil demand due to climate change into the discussion, we continue to believe there are better sectors to invest in for long term growth.

In line with our fossil-free stance, we divested our position in General Electric in March. Although not the sole reason for our divestiture, GE's oil and gas business exposure was a major factor in the decision to exit the holding. As we believe non-carbon based energy sources will capture the dominant share of global energy demand growth in the future, we continue to look for opportunities to invest directly in renewable energy.

The U.S. Fund's positions in First Solar, a vertically-integrated thin film utility-scale solar panel and systems manufacturer, and SolarEdge Technologies, a provider of solar power optimization and photovoltaic monitoring solutions, provide exposure to the emerging renewable energy sector. Outside of these pure play solar energy names, many of the Fund's holdings are making substantial investments in clean energy or energy conservation initiatives.

## Low fees

As previously announced, effective April 1<sup>st</sup>, North Growth simplified and lowered the fees on our non-prospectus qualified North Growth U.S. Equity Fund and series N of the North Growth Canadian Equity Fund.

Prior to 2016, our all-inclusive management expense ratio (MER) on these in-house equity funds was 1.2%; beginning in 2016, we applied a 10% fund level fee rebate which effectively reduced the management fee to 1.08%.

And as of this month, we eliminated the fund level rebate altogether and further reduced the all-in-management fee for these non-prospectus qualified funds to 1%.

Our fees are exceptionally favourable compared against other actively managed equity mutual funds in Canada, and are competitive even against the increasingly popular exchange-traded funds (ETFs). According to Morningstar, Canadian management expense ratios average 1.86% for active mutual funds (including bond funds) and 0.61% for ETFs (including bond ETFs and many index-tracking ETFs).

## **U.S. Equity Fund**

Despite some choppy, directionless trading in March, U.S. equities delivered a strong first quarter of performance this year. The S&P 500 Index edged up 0.1% last month while the smaller capitalization S&P 400 MidCap and S&P 600 SmallCap Indices declined 0.4% and 0.1% respectively. The NASDAQ Composite has been the best performing index out of the ones we track regularly, rallying 1.6% in March and 10.1% in the first quarter. Year-to-date, the S&P 500 is up 6.1%, followed by the S&P 400 and S&P 600 which appreciated 3.9% and 1.1% respectively.

The North Growth U.S. Equity Fund gained 1.4% in March and 7.8% so far in 2017—outperforming all the aforementioned indices except for the NASDAQ. Year-to-date, in Canadian dollars, the Fund is up 6.7% versus the S&P 500 which increased 5.1%.

## **Canadian Equity Fund**

The North Growth Canadian Equity Fund continued its trend of outperformance since the beginning of the year, appreciating 1.9% in March against the S&P/TSX Composite Index which gained 1.3%. Year-to-date, the Fund is up 9.5% versus the S&P/TSX Composite's return of 2.4%.

# North Growth U.S. Equity Fund

## Short Term Rates of Return (%) for the Period Ended March 31, 2017

	1 Month	3 Months	6 Months	YTD
<b>NGM U.S. Equity Fund in \$CDN</b>	1.57	6.73	8.19	6.73
S&P 500 in \$CDN	0.25	5.05	11.65	5.05
<b>NGM U.S. Equity Fund \$U.S.</b>	1.44	7.76	6.71	7.76
S&P 500 \$U.S.	0.12	6.07	10.12	6.07
S&P 400 MidCap \$U.S.	-0.39	3.94	11.65	3.94
S&P 600 SmallCap \$U.S.	-0.12	1.06	12.32	1.06
NASDAQ Composite \$U.S.	1.57	10.13	11.99	10.13

## Annualized Rates of Return (%) for the Period Ended March 31, 2017

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
<b>NGM U.S. Equity Fund \$CDN</b>	16.31	14.51	16.84	9.14	8.89	11.17	12.83
S&P 500 \$CDN	19.99	17.38	20.01	9.04	5.81	7.64	9.90
<b>NGM U.S. Equity Fund \$U.S.</b>	13.58	7.67	10.31	7.60	10.22	11.39	12.53
S&P 500 \$U.S.	17.17	10.37	13.30	7.51	7.09	7.86	9.60
S&P 400 MidCap \$U.S.	20.92	9.36	13.32	8.96	9.54	11.59	12.32
S&P 600 SmallCap \$U.S.	24.59	9.45	14.25	8.80	9.76	10.67	11.70
NASDAQ Composite \$U.S.	22.93	13.51	15.38	10.60	9.23	9.16	9.98*

Source: Bloomberg "Total Return Analysis" as of Apr 3, 2017.

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

Unit Price: \$ 50.40 CDN  
\$ 37.90 USD

Total Assets in Fund \$ 509.0 Million CDN

# North Growth Canadian Equity Fund

## Short Term Rates of Return (%) for the Period Ended March 31, 2017

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund</b>	1.92	9.47	12.72	9.47
S&P / TSX \$CDN	1.34	2.41	7.06	2.41

## Annualized Rates of Return (%) for the Period Ended March 31, 2017

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
<b>NGM Canadian Equity Fund</b>	16.00	-0.36	1.13	10.49	N/A	N/A
S&P / TSX \$CDN	18.62	5.27	5.82	8.27	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: \$ 18.62 CDN

Total Assets in Fund \$ 38.9 Million CDN

# North Growth Canadian Money Market Fund

## Annualized Rates of Return (%) for the Period Ended March 31, 2017

	*Current Yield	1 Year	3 Years	5 Years
<b>NGM Canadian Money Market Fund</b>	0.50	0.51	0.63	0.72
30 Day Treasury Bill	N/A	0.50	0.62	0.75

*\* 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, 2017

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	7.77
2.	Apple Inc.	6.79
3.	Intel Corporation	4.73
4.	Applied Materials Inc.	4.56
5.	Zimmer Biomet Holdings Inc.	4.09
6.	Microsoft Corporation	4.01
7.	American Eagle Outfitters Inc.	3.58
8.	Cerner Corporation	3.44
9.	Mohawk Industries Inc.	3.24
10.	Boston Scientific Company	3.12
11.	Amgen Inc.	3.05
12.	Pfizer Inc.	2.98
13.	Texas Instruments Inc.	2.97
14.	Anthem Inc.	2.95
15.	Johnson Controls International plc	2.77
16.	Abbott Laboratories	2.69
17.	Citrix Systems Inc.	2.53
18.	FedEx Corp.	2.49
19.	DSP Group Inc.	2.48
20.	Gilead Sciences Inc.	2.48
21.	Electronic Arts Inc.	2.27
22.	Herman Miller Inc.	2.26
23.	Varian Medical Systems Inc.	2.13
24.	Itron Inc.	2.03
25.	Pier 1 Imports Inc.	2.01
26.	Ethan Allen Interiors Inc.	1.64
27.	First Solar Inc.	1.21
28.	SolarEdge Technologies Inc.	1.20
29.	LogMeIn Inc.	0.62
30.	Adient plc	0.37
31.	Varex Imaging Corporation	0.31
32.	HP Inc.	0.26
33.	Finisar Corporation	0.24
	Total Equities	89.27
	Cash	10.73
	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](http://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](http://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>

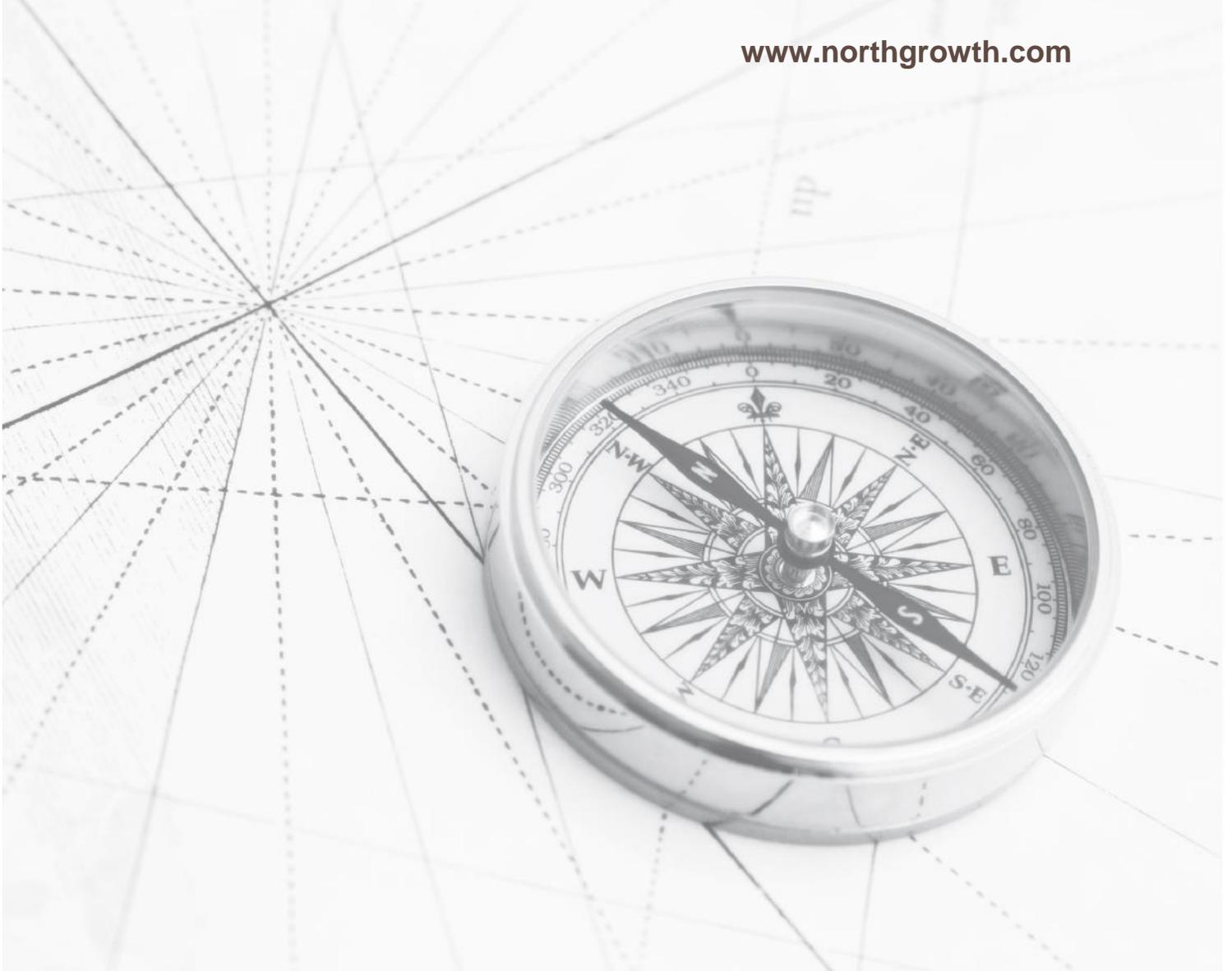
North Growth Canadian Money Market Fund

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



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