

MAY 2015

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

June 9, 2015

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

Continuing to churn in a tight trading range since the beginning of the year, U.S. equities delivered marginal gains during May. The S&P 500 Index appreciated 1.3% for the month while the S&P 400 MidCap and S&P 600 SmallCap posted slightly higher returns of 1.8% and 1.5% respectively. Of the major indices we follow, the NASDAQ Composite was the strongest performer in May, registering a monthly gain of 2.8%.

The North Growth U.S. Equity Fund advanced 2.0%, beating all the mentioned indices except for the NASDAQ. As the U.S. currency strengthened considerably last month, the Fund was up 5.2% in Canadian dollars versus the S&P 500 which increased 4.4% in Canadian dollars.

Canadian Equity Fund

The North Growth Canadian Equity Fund had a better relative month than March and April, declining 0.1% as compared to the S&P/TSX Composite which was down 1.2% in May.

More noise...blah market mood

Despite trading near record highs, the general mood of the U.S. equity market remains far from euphoric. In addition to an ongoing multitude of concerns—which include the strong U.S. dollar, weaker economy in the first quarter, the Fed's timetable for an increase in interest rates, and mixed signals from Greece's debt negotiations—the most recent worry seems to be that market volatility is low. Ironically, volatility is the “accepted” standard measure of risk, with higher volatility supposedly indicative of higher risk. Yet, the current low levels of trading activity and volatility is now cited as one of the biggest risks in the market.

As the S&P 500 Index has not had a 10 percent decline since October 2011, many market commentators have been repeatedly anticipating a drop of that magnitude and believe a correction is due. Fear of an imminent downward move in the stock market and trying to avoid a short term period of negative returns seems to be holding investors back from equities. As of May 28th, year-to-date net mutual fund flows in the U.S. indicate \$68 billion coming out of equity funds while \$65 billion have been put into bond funds.

In our opinion, volatility is a poor measure of risk that emphasizes short term thinking. The market will inevitably experience downturns often triggered by unpredictable events; however, the cost of trying to avoid a check-back or volatility can be very high. We believe investors should focus on the superior long term returns of equity investments. As we stated in the June 2014 monthly report, “the best way to manage volatility is simply to be a disciplined, long term investor.”

No meaningful change to the market outlook

In spite of a negative revision to the U.S. gross domestic product (GDP) statistic for the January-to-March time frame, on balance the economic data points to a strengthening in the economy following the effects of adverse weather at the beginning of the year. Importantly, the labour market has remained solid since the start of 2014 with the latest employment report showing further improvement.

The U.S. economy added 280,000 jobs in May, more than Wall Street economists had forecast. Additionally, the number of jobs added in April and March were revised higher by 32,000, bringing the average monthly job gains over the past three months to 207,000. An encouraging development is the growth in worker wages by 2.3% in May over the prior year, the highest year-over-year increase since October 2009. The labour force participation rate also rose last month to 62.9%, another positive sign, and there was a notable decrease in the number of discouraged workers—defined as those out of the work force and want a job but aren't looking—in May.

In general, the macroeconomic backdrop for U.S. equities continues to be favourable and corporate earnings and balance sheets remain strong. Although there are certain pockets of the equity markets trading at ultra-rich valuations—for example, some of the names in the social media space are reminiscent of the dot-com stocks in the late '90s—many well-established companies with attractive growth prospects are reasonably valued. We continue to focus our efforts on identifying sound fundamentals of individual companies, adhering to our long term “growth at a reasonable price” philosophy.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended May 31, 2015

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	5.18	0.06	13.91	13.09
S&P 500 in \$CDN	4.42	0.11	11.94	10.67
NGM U.S. Equity Fund \$U.S.	2.02	0.59	4.78	5.49
S&P 500 \$U.S.	1.29	0.64	2.97	3.23
S&P 400 MidCap \$U.S.	1.78	1.58	6.44	5.59
S&P 600 SmallCap \$U.S.	1.53	0.76	6.05	3.10
NASDAQ Composite \$U.S.	2.76	2.46	6.50	7.66

Annualized Rates of Return (%) for the Period Ended May 31, 2015

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	25.09	25.82	18.44	8.10	9.78	12.57	13.10
S&P 500 \$CDN	28.25	27.32	20.51	8.02	3.38	8.62	9.67
NGM U.S. Equity Fund \$U.S.	9.05	18.27	14.54	8.20	11.14	13.12	13.10
S&P 500 \$U.S.	11.81	19.67	16.54	8.12	4.66	9.14	9.67
S&P 400 MidCap \$U.S.	12.28	19.87	16.55	10.14	9.53	12.47	12.63
S&P 600 SmallCap \$U.S.	10.62	20.03	16.48	9.51	10.03	11.33	11.74
NASDAQ Composite \$U.S.	21.11	23.25	19.08	10.61	3.68	10.13	10.08*

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

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

Unit Price: \$ 46.41 CDN
\$ 37.32 USD

Total Assets in Fund \$ 472.1 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended May 31, 2015

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-0.13	-3.76	4.75	-0.75
S&P / TSX \$CDN	-1.22	-0.72	3.34	3.74

Annualized Rates of Return (%) for the Period Ended May 31, 2015

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	3.83	19.04	N/A	N/A	N/A
S&P / TSX \$CDN	5.80	12.20	N/A	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: \$ 19.99 CDN

Total Assets in Fund \$ 42.2 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended May 31, 2015

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.60	0.82	0.85	0.81
30 Day Treasury Bill	N/A	0.83	0.89	0.86

** 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 0.60% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

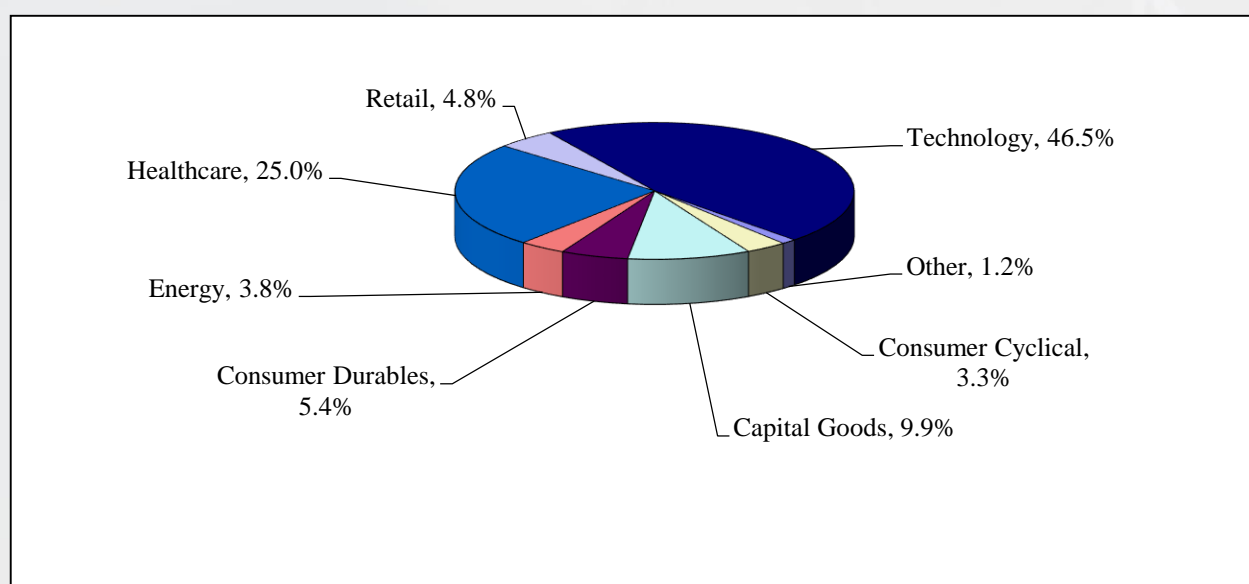
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at May 31, 2015

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.79
2.	Apple Inc.	9.35
3.	Anthem Inc.	4.97
4.	Intel Corporation	4.97
5.	St. Jude Medical Inc.	4.59
6.	Microsoft Corporation	4.17
7.	First Solar Inc.	3.78
8.	Gilead Sciences Inc.	3.69
9.	Zimmer Holdings Inc.	3.30
10.	General Electric Company	3.22
Top 10		51.83
Total Equities		98.81
Cash		1.19
Total Assets		100.00

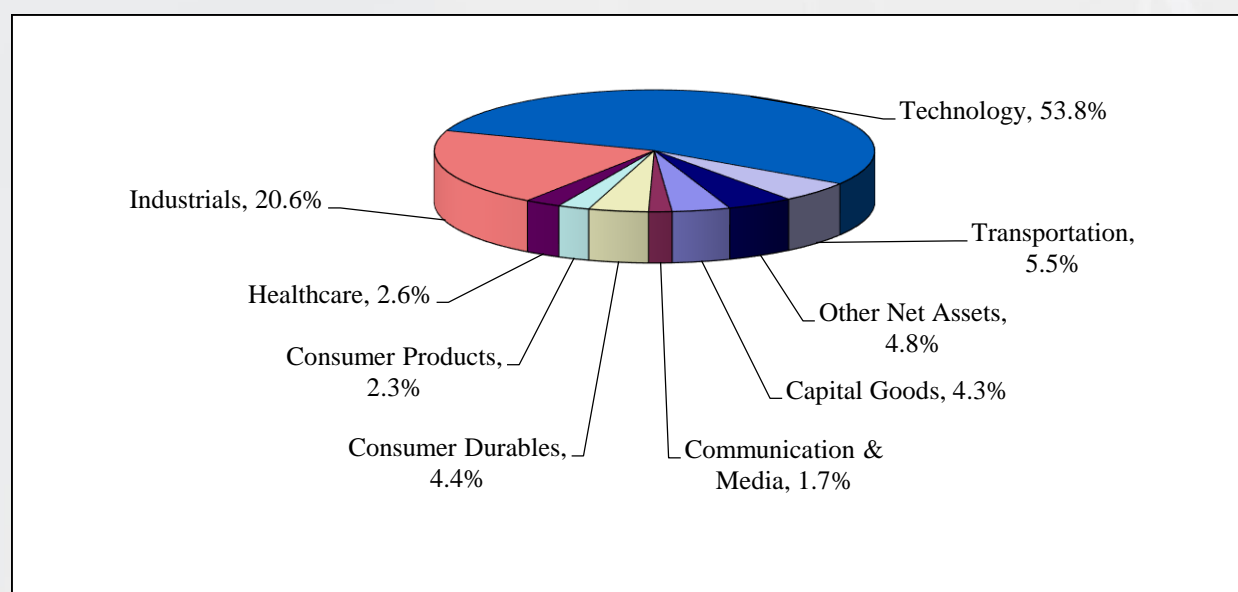
U.S. Equity Fund – Sector Mix as at May 31, 2015



Canadian Equity Fund – Top 10 Holdings as at May 31, 2015

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	10.71
2.	Avigilon Corporation	6.40
3.	COM DEV International Ltd.	5.87
4.	Martinrea International Inc.	5.62
5.	WestJet Airlines Ltd.	5.47
6.	Open Text Corporation	5.15
7.	Celestica Inc.	4.94
8.	Ballard Power Systems Inc.	4.67
9.	CAE Inc.	4.56
10.	Dorel Industries, Inc. Class B	4.39
Top 10		57.78
Total Equities		95.15
Cash		4.85
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at May 31, 2015



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 by 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

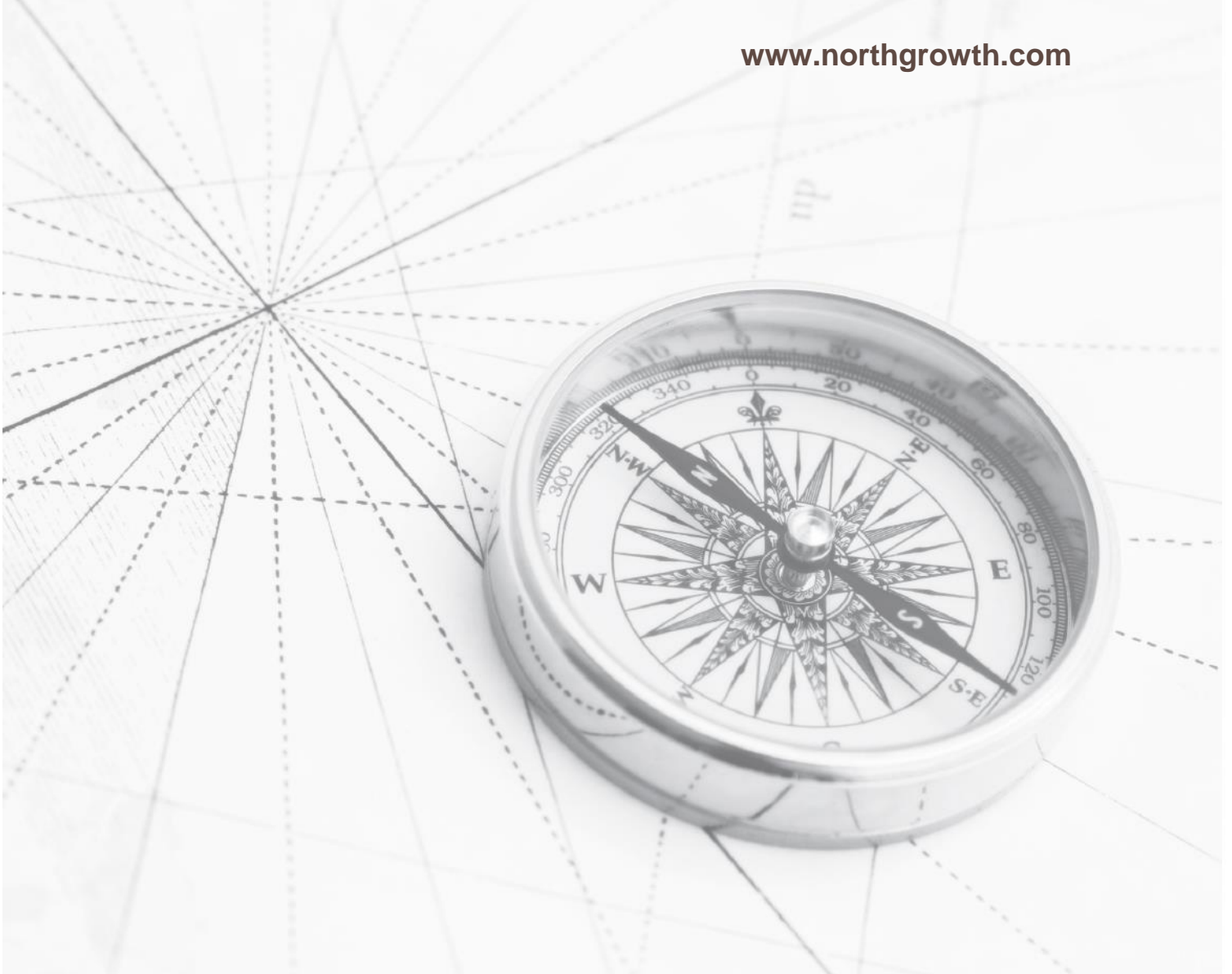
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=57466&cid=4008>

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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