

OCTOBER 2014

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

November 13, 2014

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

Despite a heavy sell-off over the first two weeks of October, the major U.S. equity indices rebounded sharply during the latter half of the month to end with solid gains. As investors shifted their focus from worries about a weakening global economy, the spread of Ebola, and unresolved geopolitical tensions to the better-than-expected third quarter corporate earnings and improving U.S. economy, the S&P 500 Index rallied 8.4% from its October 15th low to October 31st, and posted its largest two-week appreciation since December 2011.

For the month, the S&P 500 gained 2.4%, behind the S&P 400 MidCap, S&P 600 Small-Cap and NASDAQ Composite indices which increased 3.6%, 7.1% and 3.1% respectively. The North Growth U.S. Equity Fund declined 1.4% in October. The U.S. Fund's underperformance was entirely due to the GT Advanced Technologies' Chapter 11 bankruptcy filing discussed in last month's report, with the rest of the portfolio modestly outperforming the S&P 500 for the month. Due to a slightly weaker Canadian currency during October, the Fund fell 0.8% in Canadian dollars versus the S&P 500 which was up 3.1% in Canadian dollars.

Canadian Equity Fund

The North Growth Canadian Equity Fund was virtually flat for the month whereas the S&P/TSX Composite Index declined 2.1% in October. With downward pressure on commodity prices, weakness in the overall Canadian equity market is not surprising. We expect the Fund to deliver better relative performance in this type of environment due to its lack of exposure to commodity-related stocks. Over the longer term, we remain pleased with the Fund's performance results. As a reminder, the longest term performance record we publish for the Canadian Fund is two years since we filed a prospectus on June 15, 2012. Over the past two years, as of October 31st, the Canadian Equity Fund returned 28.5% per annum versus 11.8% for the S&P/TSX Composite.

The Macro Picture

Contrary to the global economic slowdown, the U.S. is firmly entrenched in a sustainable expansion. U.S. gross domestic product (GDP) grew more than forecast in the third quarter, at a 3.5% annualized rate, following an upward revised 4.6% gain in the previous three months. Recent economic data continue to indicate positive underlying trends for the U.S. economy in spite of foreign weakness. Manufacturing in the United States expanded in October at a faster pace than expected as the Institute for Supply Management's factory index picked up to the highest reading since March 2011. Similarly, the U.S. labour market remains consistently solid with 49 consecutive months of job gains and the unemployment rate at 5.8%, a six-year low. Measures of consumer sentiment and consumer confidence by the

University of Michigan and the Conference Board, meanwhile, reached a seven-year high in October.

A major boost for the consumer and the U.S. economy in general is the falling price of energy. Gas prices at most U.S. gas stations have declined to a four-year low, providing American consumers and retailers a bonus going into the holiday season. Underlying oil prices, down over 25% since mid-June, continue to head lower as the U.S. benchmark crude, West Texas Intermediate, is now trading below \$80 per barrel. Although a significant drop in energy prices would negatively affect the oil production and oil-field services industries in the U.S. that have grown markedly over the past decade due to the sustained period of high prices, transportation companies, agriculture-related firms, manufacturers, and consumers all stand to benefit. Overall, lower energy prices are a positive development and welcome tailwind for the U.S. economy.

Third Quarter Earnings

Corporate earnings continue to demonstrate strong growth and come in above expectations. Through November 7th, with 89% of the S&P 500 companies having reported third quarter results, 77% exceeded analysts' profit forecasts while 60% beat revenue estimates. According to FactSet, third quarter earnings grew 7.6% year-over-year on revenue growth of 4.0%.

We have been pleased with the results of all the companies in the U.S. Fund to date. So far, 83% of the Fund's holdings have reported, and profits on a weighted-average basis in the latest quarter increased 24.0% over a year ago against estimates of 15.9% growth.

Our View

We maintain our constructive outlook for U.S. equities and continue to focus, as always, on the analysis of individual stocks that meet our "growth at a reasonable price" investment philosophy. While we remain fully invested and are content with the holdings in the Fund, we are also actively seeking to fine-tune the portfolio when presented with relative opportunities.

Tax information Update

The December 15th distribution date is rapidly approaching, but even with just a month to go it is important to emphasize that our guidance is an estimate that could still change materially. At this time we are sticking with our previous estimate for the distribution of around \$1.30 per unit for the North Growth U.S. Equity Fund, and \$1.05 per unit of the North Growth Canadian Equity Fund.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended October 31, 2014

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-0.76	3.08	6.21	14.26
S&P 500 in \$CDN	3.09	8.58	11.29	17.62
NGM U.S. Equity Fund \$U.S.	-1.39	-0.28	3.28	7.82
S&P 500 \$U.S.	2.44	5.05	8.22	10.99
S&P 400 MidCap \$U.S.	3.56	3.88	5.39	6.89
S&P 600 SmallCap \$U.S.	7.09	5.69	4.88	3.10
NASDAQ Composite \$U.S.	3.10	6.28	13.23	11.93

Annualized Rates of Return (%) for the Period Ended October 31, 2014

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	21.56	21.10	16.36	8.06	10.37	12.14	12.52
S&P 500 \$CDN	26.76	24.78	17.65	7.37	2.77	8.60	9.17
NGM U.S. Equity Fund \$U.S.	12.45	16.24	15.41	8.90	12.35	13.17	13.02
S&P 500 \$U.S.	17.27	19.77	16.69	8.20	4.61	9.60	9.66
S&P 400 MidCap \$U.S.	11.65	18.66	18.28	10.50	10.25	12.50	12.57
S&P 600 SmallCap \$U.S.	9.29	19.97	19.24	9.88	10.57	11.40	11.78
NASDAQ Composite \$U.S.	19.62	21.56	19.18	10.17	3.95	9.33*	9.91*

Source: Bloomberg "Total Return Analysis" as of Nov. 3, 2014.

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

Unit Price: \$ 40.20 CDN

\$ 35.66 USD

Total Assets in Fund \$ 393.0 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended October 31, 2014

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-0.02	-4.77	-4.56	9.85
S&P / TSX \$CDN	-2.07	-4.01	1.15	9.88

Annualized Rates of Return (%) for the Period Ended October 31, 2014

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	13.89	28.52	N/A	N/A	N/A
S&P / TSX \$CDN	12.57	11.78	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: \$ 20.04 CDN

Total Assets in Fund \$ 39.3 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended October 31, 2014

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.9	0.87	0.86	0.73
30 Day Treasury Bill	N/A	0.86	0.90	0.79

** 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 0.9% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

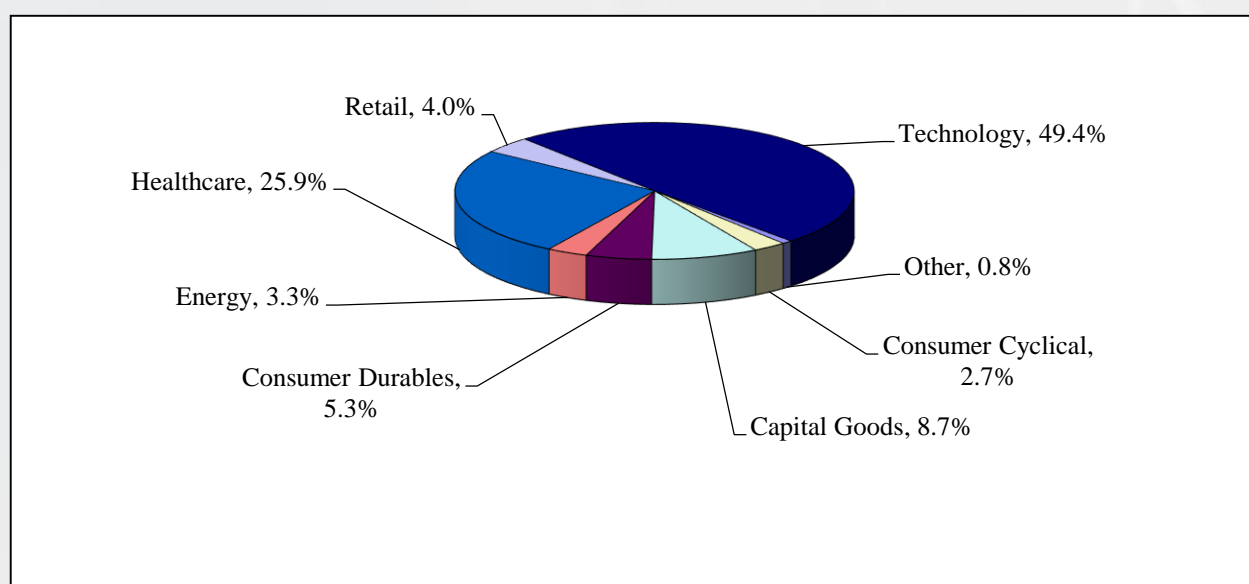
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at October 31, 2014

Ranking	Security	% of Net Assets
1.	Apple Inc.	9.42
2.	Cisco Systems Inc.	9.22
3.	Intel Corporation	6.26
4.	Microsoft Corporation	4.76
5.	WellPoint Inc.	4.41
6.	St. Jude Medical Inc.	4.35
7.	Gilead Sciences Inc.	4.01
8.	Citrix Systems Inc.	3.90
9.	Cerner Corporation	3.58
10.	Zimmer Holdings Inc.	3.50
Top 10		53.41
Total Equities		99.18
Cash		0.82
Total Assets		100.00

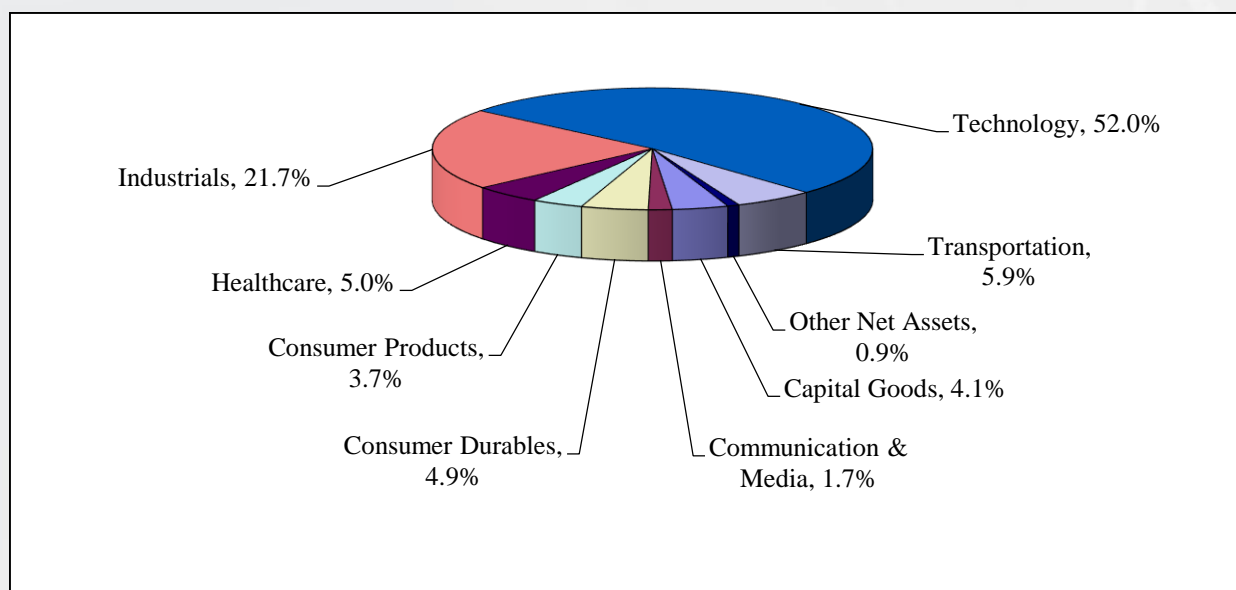
U.S. Equity Fund – Sector Mix as at October 31, 2014



Canadian Equity Fund – Top 10 Holdings as at October 31, 2014

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	8.96
2.	Open Text Corporation	6.49
3.	Bombardier Inc., Class B	6.23
4.	Ballard Power Sytems Inc.	6.06
5.	Celestica Inc.	6.01
6.	Westjet Airlines Ltd.	5.85
7.	Martinrea International Inc.	5.12
8.	Dorel Industries Inc., Class B	4.91
9.	COM DEV International Ltd.	4.80
10.	CAE Inc.	4.76
Top 10		59.19
Total Equities		99.13
Cash		0.87
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at October 31, 2014



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 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

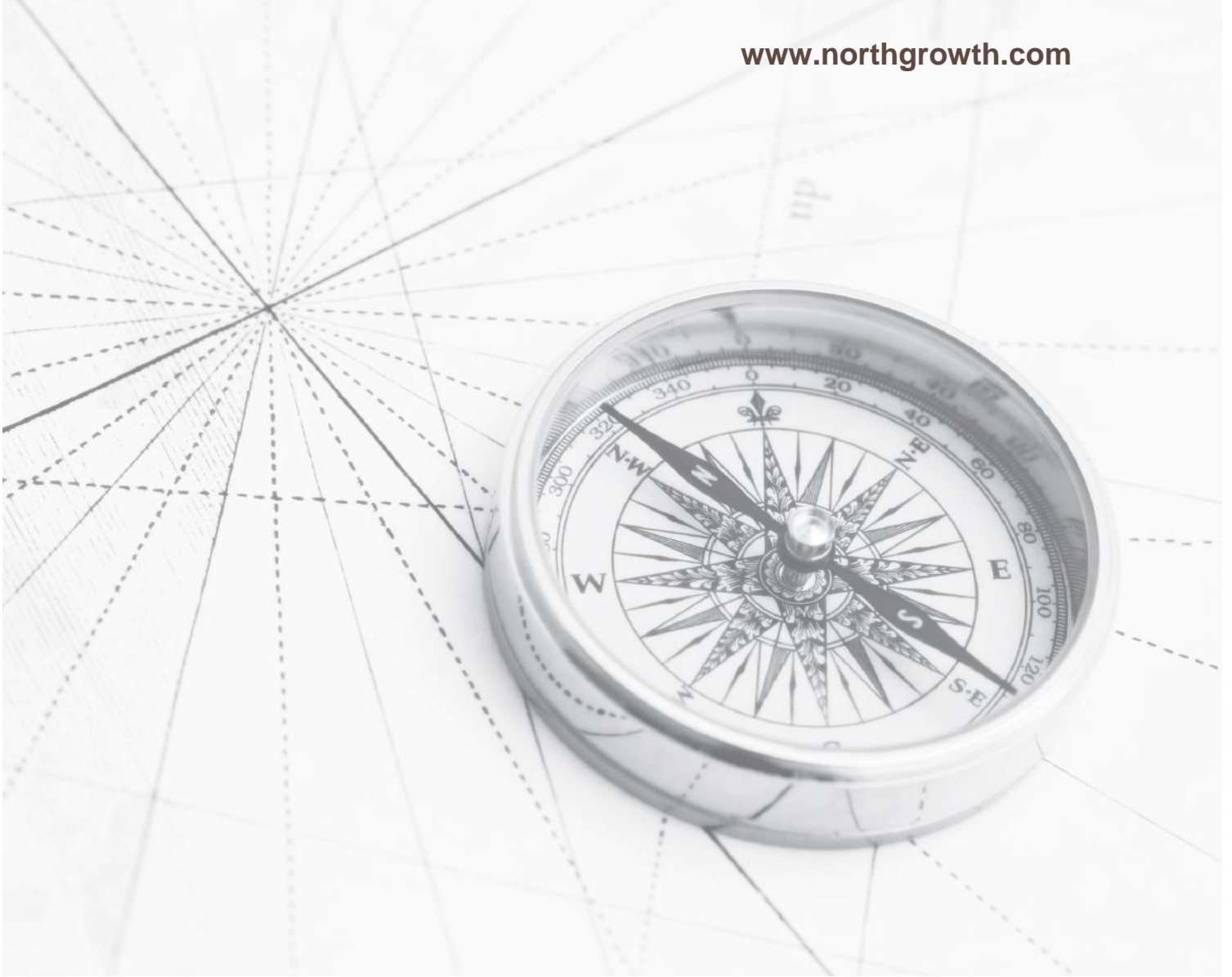
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=57466&cid=4008>

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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