

OCTOBER 2016

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

November 15, 2016

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North Growth Funds

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Fund Performance Update

U.S. Equity Fund

During October, despite solid third quarter earnings reports and continued improving economic conditions, rising apprehension over the U.S. presidential election outcome and political uncertainty cast a pall on the U.S. equity markets. The shocking, unexpected victory of President-elect Trump on November 8th has since injected additional uncertainty and potential for increased volatility in global financial markets.

Last month, the S&P 500 declined 1.8% while the other indices we track fell by greater rates; the NASDAQ Composite lost 2.3%, and the S&P 400 MidCap and S&P 600 SmallCap returned -2.7% and -4.5% respectively. The North Growth U.S. Equity Fund ended October down 4.4%, underperforming the aforementioned indices with the exception of the S&P 600 SmallCap. As the Canadian currency weakened against its U.S. counterpart by just over 2%, the Fund's monthly return in Canadian dollars was -2.2% versus the S&P 500 which was up 0.4% in Canadian dollars.

Canadian Equity Fund

The S&P/TSX Composite Index gained 0.6% in October. Canadian equities were generally aided by steady energy prices throughout most of the month. In spite of being absent from the oil and gas and commodity sectors of the market, the North Growth Canadian Equity Fund kept pace with the S&P/TSX, appreciating 0.6% last month.

U.S. Election Thoughts

The market impact of Donald Trump's surprising election win will certainly be increased volatility amid much uncertainty. In the immediate aftermath of the election, as market participants bet on winners and losers in a Trump presidency, there has been a large divergence in the performance among various sectors of the U.S. stock market. The shares of financial institutions and traditional energy companies, perceived beneficiaries from a loosening in regulations, gained as did industrial and materials equities in anticipation of higher infrastructure spending. Pharmaceutical and biotech stocks also rallied as the threat of drug price controls has eased. Meanwhile, technology shares have been weak, possibly on concerns about the impact of the president-elect's restrictive trade policies espoused during the campaign.

By and large, the U.S. Fund is positioned well. Many of the Fund's technology holdings have exceptionally strong balance sheets and would benefit from likely favourable tax treatment on the repatriation of their overseas cash. Furthermore, the portfolio's broad, diversified mix of holdings in healthcare provide steady, consistent earnings growth in a more constructive political environment for the industry. The obvious vulnerable names in the Fund from a sentiment perspective are the solar holdings, First Solar and SolarEdge; yet,

we continue to believe that in the long term, the fundamentals of the U.S. solar industry are encouraging.

The breakdown in correlations among the different equity market sectors provides an opportunity for us to adjust the weightings of individual portfolio constituents based on company fundamentals and equity valuations. We have been taking advantage of these recent relative market opportunities and have made some minor adjustments to the U.S. Fund.

The longer term impact of a Trump presidency is uncertain as investors have very little idea of what Mr. Trump will actually do as president or how he will govern. Based on his incendiary rhetoric over the past year, we believe Mr. Trump presents a peril for continued U.S. economic prosperity. The combination of across-the-board tax cuts and boosted spending would lead to higher deficits and a ballooning of the U.S. debt. Moreover, heightened geopolitical risks, rising trade barriers and fears of mass deportations could feed into the real economy by dampening consumer confidence and delaying businesses' investment plans. Offsetting these concerns somewhat may be sensible tax reforms, fewer regulations and better infrastructure.

Notwithstanding the risks of Donald Trump's presidency, we take comfort in the established American political principles of 'separation of powers' and 'checks and balances'. To what extent the Republican-controlled House of Representatives and Senate pursue a different agenda or President-elect Trump does not deliver on his campaign promises, we will have to wait and see.

Tax Information Update

The December 15th distribution date is approaching; however, 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 estimate the distribution for the North Growth U.S. Equity Fund to be around \$2.80 per unit and for the North Growth Canadian Equity Fund to be approximately \$1.10 per unit.

North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-2.23	-1.25	10.34	0.10
S&P 500 in \$CDN	0.38	1.01	11.21	2.59
NGM U.S. Equity Fund \$U.S.	-4.37	-3.87	3.24	3.30
S&P 500 \$U.S.	-1.82	-1.67	4.06	5.87
S&P 400 MidCap \$U.S.	-2.68	-2.81	4.13	9.39
S&P 600 SmallCap \$U.S.	-4.48	-2.56	4.73	8.78
NASDAQ Composite \$U.S.	-2.25	0.83	9.36	4.72

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	3.79	16.09	17.98	8.68	8.69	11.21	12.60
S&P 500 \$CDN	7.19	18.36	20.51	8.61	5.68	7.68	9.59
NGM U.S. Equity Fund \$U.S.	1.19	6.75	11.18	6.76	9.92	11.20	12.24
S&P 500 \$U.S.	4.51	8.84	13.57	6.70	6.88	7.66	9.25
S&P 400 MidCap \$U.S.	6.26	7.06	12.92	8.38	9.90	11.06	11.91
S&P 600 SmallCap \$U.S.	6.35	6.13	13.56	7.69	10.06	9.81	11.17
NASDAQ Composite \$U.S.	4.06	11.22	15.62	9.40	8.89	8.43	9.57*

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

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

Unit Price: \$ 47.90 CDN
\$ 35.72 USD

Total Assets in Fund \$ 482.4 Million CDN

North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	0.60	-2.84	1.06	0.72
S&P / TSX \$CDN	0.62	2.12	7.53	16.54

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

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	1.80	-1.95	3.07	12.25	N/A	N/A
S&P / TSX \$CDN	12.71	3.66	6.57	7.63	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: \$ 17.83CDN

Total Assets in Fund \$ 37.5 Million CDN

North Growth Canadian Money Market Fund

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

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.47	0.51	0.67	0.75
30 Day Treasury Bill	N/A	0.48	0.67	0.77

** 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 0.47% which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

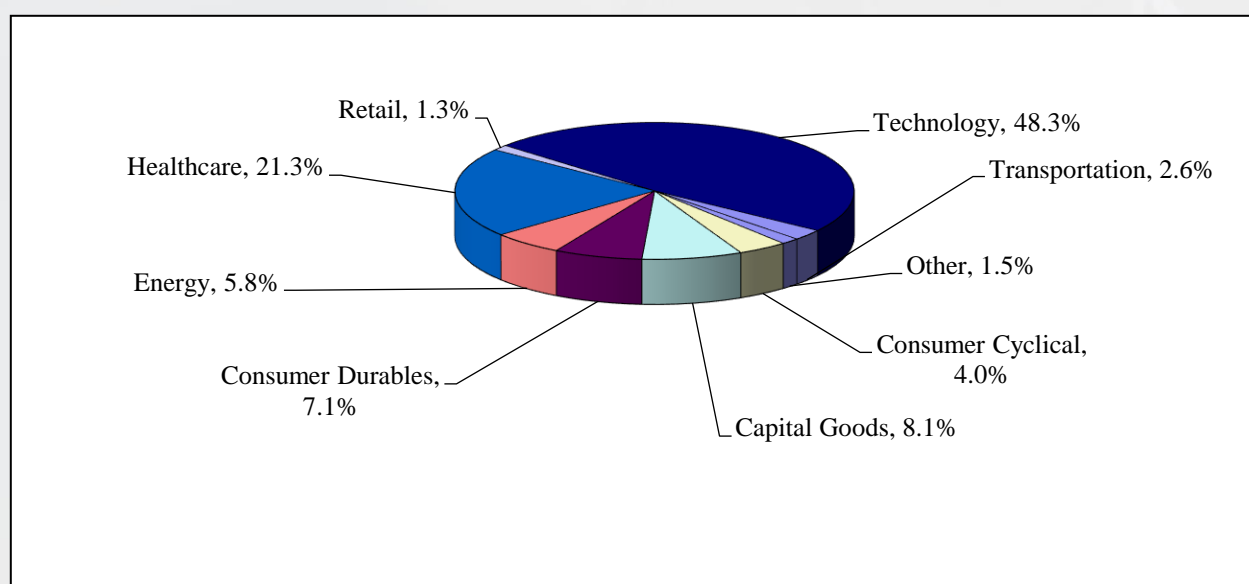
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at October 31, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.62
2.	Apple Inc.	8.13
3.	Intel Corporation	5.30
4.	Microsoft Corporation	4.54
5.	Applied Materials Inc.	4.50
6.	First Solar Inc.	4.30
7.	American Eagle Outfitters Inc.	4.02
8.	General Electric Company	4.01
9.	Citrix Systems Inc.	3.85
10.	Anthem Inc.	3.81
Top 10		52.08
Total Equities		98.52
Cash		1.48
Total Assets		100.00

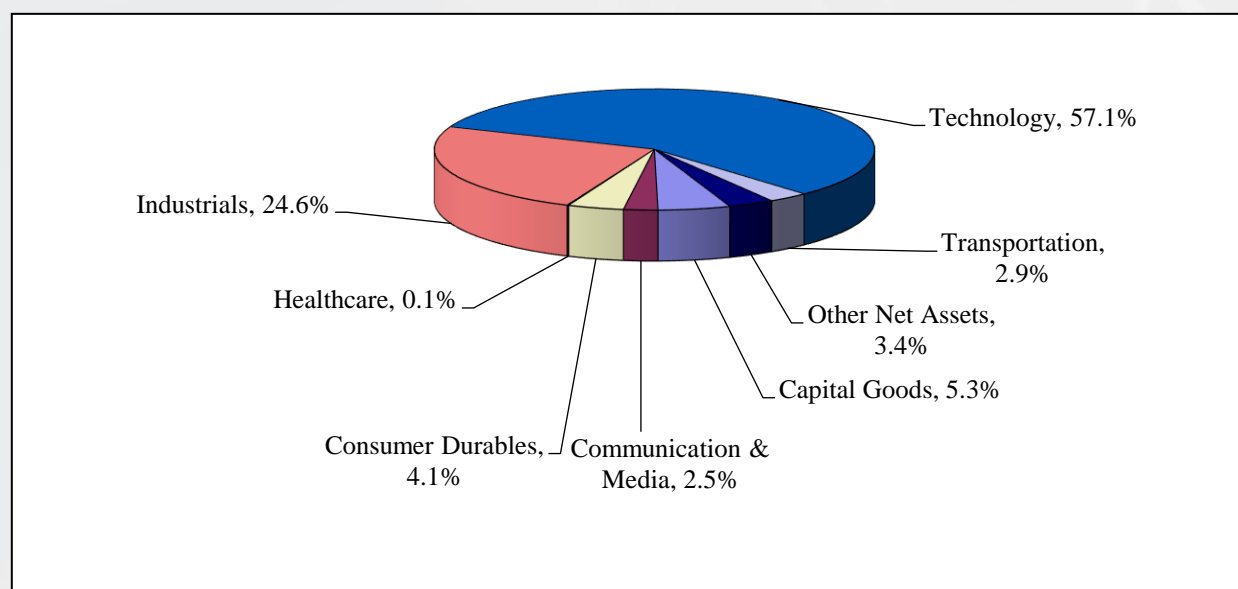
U.S. Equity Fund – Sector Mix as at October 31, 2016



Canadian Equity Fund – Top 10 Holdings as at October 31, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	8.54
2.	Open Text Corporation	6.42
3.	Ballard Power Systems Inc.	6.00
4.	Heroux-Devtek Inc.	5.90
5.	EXFO Inc.	5.62
6.	Celestica Inc.	5.55
7.	CAE Inc.	5.51
8.	ATS Automation Tooling Systems Inc.	5.29
9.	Mitel Networks Corp.	5.11
10.	Sierra Wireless Inc.	4.44
Top 10		58.38
Total Equities		96.63
Cash		3.37
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at October 31, 2016



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

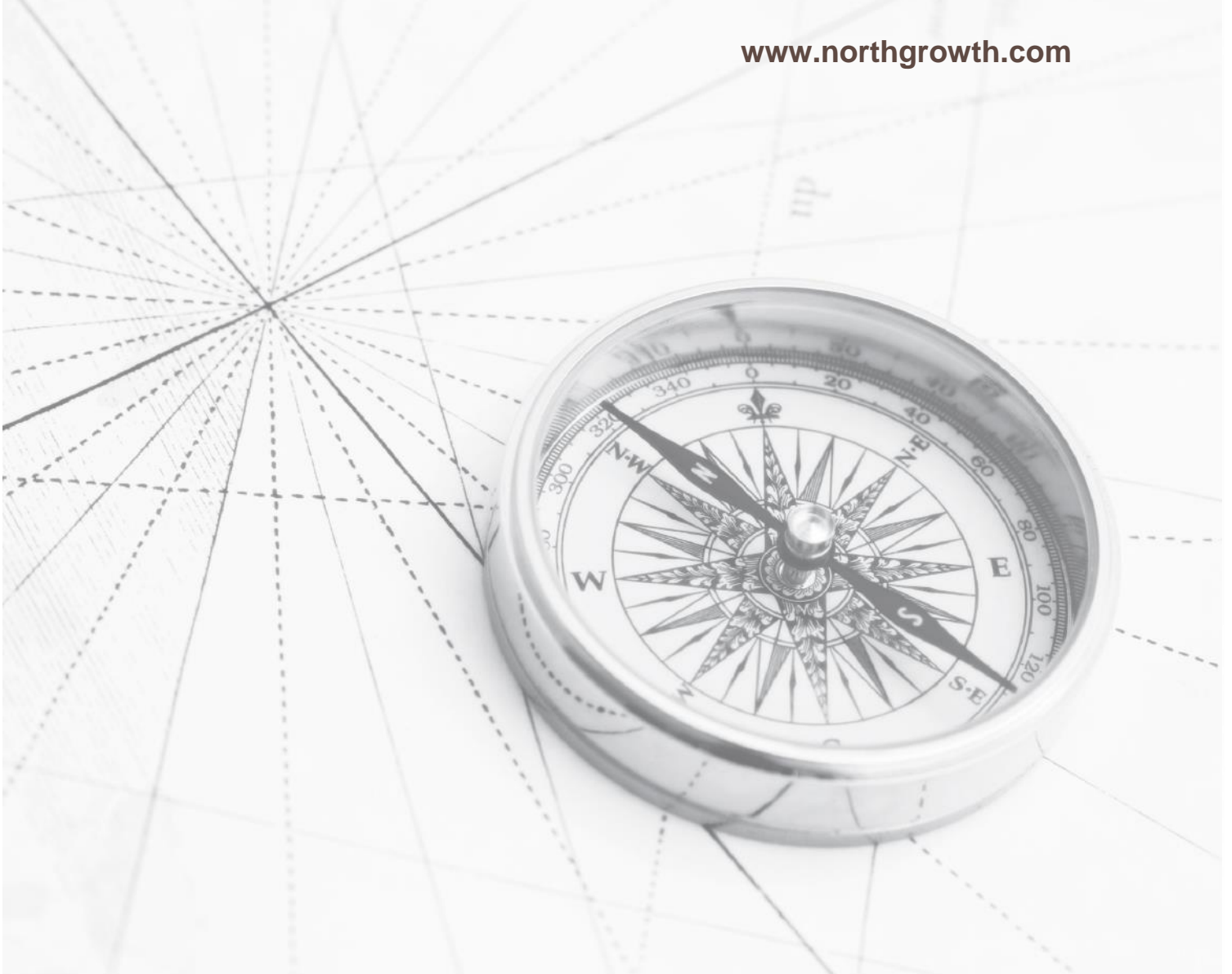
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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