

SEPTEMBER 2016

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

October 14, 2016

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North Growth Funds

Table of Contents

Fund Performance Update	2
North Growth U.S. Equity Fund	4
Short Term Rates of Return	4
Annualized Rates of Return.....	4
North Growth Canadian Equity Fund	5
Short Term Rates of Return	5
Annualized Rates of Return	5
North Growth Canadian Money Market Fund.....	6
Annualized Rates of Return.....	6
Equity Fund Holdings and Composition.....	7
U.S. Equity Fund	7
Canadian Equity Fund	8
Investing With Us	9
Investing With North Growth Management	9
Conducting Transactions	9
Where to Find NGM Fund Prices.....	9

Fund Performance Update

U.S. Equity Fund

Despite increased volatility in September, U.S. equities continued to meander in a directionless state with the major indices we track delivering mixed performance for the month. The S&P 500 Index remained flat while the S&P 400 MidCap declined 0.6% and whereas the S&P 600 SmallCap and NASDAQ Composite gained 0.6% and 2.0% respectively. The North Growth U.S. Equity Fund edged up 0.2% in September, registering a middle-of-the-pack return. The Canadian/U.S. currency exchange rate also stayed basically unchanged for the month, meaning there was no difference between the monthly rates of return in Canadian versus U.S. dollars for the Fund and the market indices.

Canadian Equity Fund

In September, the S&P/TSX Composite rose 1.2%. The index was aided disproportionately by Canadian energy stocks as oil prices rallied about 7% for the month following OPEC's plans to reduce output unveiled at an informal meeting in Algiers. Having no energy exposure, the North Growth Canadian Equity Fund declined 2.2%.

Constructive Portfolio Developments

Although news flow remained relatively subdued during September, there were a couple of noteworthy corporate reports pertaining to the U.S. Fund that we found encouraging.

On September 16th, Intel raised its third quarter revenue and gross margin expectations, citing a replenishment of PC supply chain inventory as well as signs of improving PC demand. On top of the better guidance, a teardown of Apple's iPhone 7 by research firm, Chipworks, revealed the presence of Intel's baseband modem chip for certain models. The new Apple iPhone also purportedly contains two RF transceiver chips and a power management chip supplied by Intel. The use of Intel's baseband chip in some iPhone 7s could be the beginning of a gradual gain for its mobile business and undoubtedly validates the competitiveness of the chipmaker's modem technology.

Furthermore in September, Herman Miller, a global furnishings company recognized for innovative design, reported quarterly earnings which reflected a continuation of steady growth and operational proficiency. Importantly, we were heartened by the constructive tone of the conference call and the positive momentum exhibited by Herman Miller's consumer division in the latest quarter. Given the stock's greater than 20% price decline prior to and following the earnings release driven by concerns about the industry in general and headlines that the company missed expectations, we added to the Fund's

holding, availing from the valuation opportunity to expand a name that fits nicely with our “growth at a reasonable price” investment criteria.

No Meaningful Change in Our Outlook

Recent economic data continue to support a favourable macroeconomic backdrop with ongoing strength in the U.S. labour market and moderately expanding U.S. economic activity. As inflation has remained in check, the Federal Reserve kept interest rates unchanged after its September 20th-21st meeting. While it is likely that the Fed will elect to raise rates soon, possibly before the end of the year, sticking to its pledge to remove monetary stimulus gradually, continued accommodative monetary conditions bode well for U.S. equities.

The U.S. Fund remains fully invested, and we continue to seek adjustments to the portfolio holdings when presented by relative market opportunities. We maintain focused on fundamental stock analysis, adhering as always 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 September 30, 2016

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	0.20	7.95	7.50	2.38
S&P 500 in \$CDN	0.03	5.46	7.47	2.20
NGM U.S. Equity Fund \$U.S.	0.19	6.30	6.44	8.02
S&P 500 \$U.S.	0.02	3.85	6.40	7.84
S&P 400 MidCap \$U.S.	-0.64	4.14	8.30	12.40
S&P 600 SmallCap \$U.S.	0.64	7.20	10.93	13.88
NASDAQ Composite \$U.S.	1.96	10.02	9.77	7.14

Annualized Rates of Return (%) for the Period Ended September 30, 2016

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	15.27	18.78	19.83	9.10	9.23	11.14	12.75
S&P 500 \$CDN	13.46	20.48	21.71	8.97	5.84	7.71	9.61
NGM U.S. Equity Fund \$U.S.	17.28	9.59	14.58	7.36	10.58	11.35	12.50
S&P 500 \$U.S.	15.43	11.16	16.37	7.24	7.15	7.91	9.37
S&P 400 MidCap \$U.S.	15.33	9.35	16.50	9.11	10.42	11.22	12.08
S&P 600 SmallCap \$U.S.	18.12	9.04	17.86	8.71	10.78	10.02	11.42
NASDAQ Composite \$U.S.	16.52	13.53	18.63	10.16	9.93	8.53	9.71*

Source: Bloomberg "Total Return Analysis" as of Oct 3, 2016.

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

Unit Price: \$ 49.00 CDN
\$ 37.35 USD

Total Assets in Fund \$ 495.5 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended September 30, 2016

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-2.24	4.21	2.91	0.12
S&P / TSX \$CDN	1.22	5.45	10.80	15.83

Annualized Rates of Return (%) for the Period Ended September 30, 2016

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	7.60	-2.25	4.58	12.44	N/A	N/A
S&P / TSX \$CDN	14.21	2.29	8.00	7.78	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: \$ 17.72 CDN

Total Assets in Fund \$ 37.4 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended September 30, 2016

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.52	0.50	0.68	0.75
30 Day Treasury Bill	N/A	0.45	0.69	0.78

** 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 0.52% 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 September 30, 2016

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	9.47
2.	Apple Inc.	7.71
3.	Intel Corporation	5.47
4.	Applied Materials Inc.	4.44
5.	Microsoft Corporation	4.16
6.	American Eagle Outfitters Inc.	4.02
7.	First Solar Inc.	4.00
8.	General Electric Company	3.89
9.	Zimmer Biomet Holdings Inc.	3.78
10.	Cerner Corporation	3.76
11.	Anthem Inc.	3.73
12.	Citrix Systems Inc.	3.69
13.	Texas Instruments Inc.	3.23
14.	Gilead Sciences Inc.	2.93
15.	Electronic Arts Inc.	2.89
16.	Mohawk Industries Inc.	2.86
17.	Amgen Inc.	2.69
18.	Herman Miller Inc.	2.58
19.	DSP Group Inc.	2.52
20.	Pfizer Inc.	2.46
21.	FedEx Corp.	2.45
22.	Johnson Controls International plc	2.39
23.	Varian Medical Systems Inc.	2.36
24.	Ethan Allen Interiors Inc.	2.09
25.	Boston Scientific Company	2.02
26.	SolarEdge Technologies Inc.	1.76
27.	Itron Inc.	1.65
28.	Abbott Laboratories	1.58
29.	Pier 1 Imports Inc.	1.21
Total Equities		97.75
Cash		2.25
Total Assets		100.00

Canadian Equity Fund –Holdings as at September 30, 2016

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	8.30
2.	Ballard Power Systems Inc.	6.59
3.	Open Text Corporation	6.57
4.	Mitel Networks Corp.	5.52
5.	CAE Inc.	5.47
6.	Heroux-Devtek Inc.	5.38
7.	EXFO Inc.	5.36
8.	ATS Automation Tooling Systems Inc.	5.08
9.	Celestica Inc.	4.97
10.	Sierra Wireless Inc.	4.60
11.	Dorel Industries Inc., Class B	4.27
12.	Martinrea International Inc.	4.22
13.	MacDonald Dettwiler and Associates Ltd.	3.57
14.	Avigilon Corporation	3.47
15.	Bombardier Inc., Class B	3.19
16.	Evertz Technologies Limited	3.14
17.	West Jet Airlines Ltd.	3.07
18.	Magellan Aerospace Corp.	3.01
19.	Canam Group Inc.	2.82
20.	TELUS Corporation	2.50
21.	Novanta Inc.	2.34
22.	Hydrogenics Corp.	1.97
23.	ViXS Systems Inc.	0.58
24.	exactEarth Ltd.	0.38
25.	Oncolytics Biotech Inc.	0.14
Total Equities		96.50
Cash		3.50
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.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>

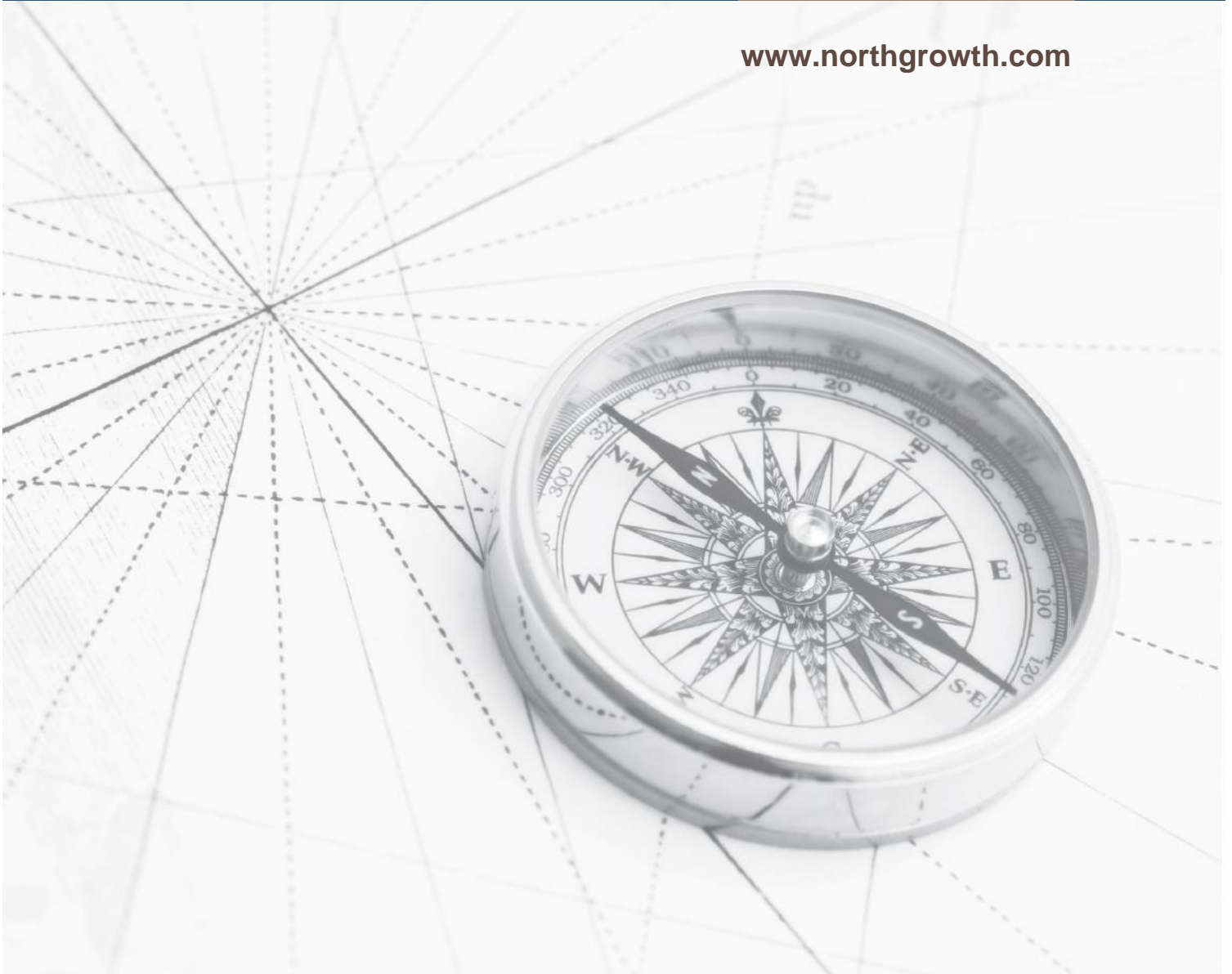


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