



N O R T H
GROWTH MANAGEMENT LTD.

SEPTEMBER 2015

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

October 15, 2015

MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

North Growth Funds

Table of Contents

- Fund Performance Update 2
 - U.S. Equity Fund 2
 - Canadian Equity Fund 2
 - The end of zero delayed 2
 - Strong corporate fundamentals 3
 - Weak market sentiment is actually positive 3
 - Tax information 3

- 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

U.S. equities have continued to trade in a see-saw like pattern since the sell-off in August, as investors grapple with concerns about a slowing Chinese and global economy, escalating geopolitical tensions and uncertainty over the timing of the Federal Reserve's interest rate lift. The ongoing gradual U.S. economic expansion continues to be the most positive story in the global macro picture. The dearth of any significant news seems to have drained long term investors of conviction, leaving the markets to be dominated by a tedious trading mentality focused on short term volatility and technical analysis.

The S&P 500 Index rallied nearly 7% from its August low into last month's Fed meeting before falling during the latter half of September to end the month down 2.5% and the quarter down 6.4%. The narrow market leadership of mega caps or very large capitalization names masked broader weakness in the equity markets as all the other indices we track declined more than the S&P 500 during the month and quarter. The North Growth U.S. Equity Fund depreciated 3.8% last month and 9.1% in the latest quarter ended September 30th. The weaker Canadian currency aided the Fund's returns in Canadian dollars to -2.4% and -2.9% for the month and quarter respectively.

Canadian Equity Fund

Large capitalization Canadian stocks have generally held up remarkably well, limiting the monthly and quarterly declines for the S&P/TSX Composite to 3.7% and 7.9% respectively despite a heavy concentration of commodity and energy related names in the Index. The North Growth Canadian Equity Fund fell 6.8% during September and 14.5% during the quarter just ended.

The end of zero delayed

At its September meeting, the Federal Open Market Committee (FOMC) elected to keep the target range for the federal funds rate unchanged at the current 0 to ¼ percent. Acknowledging that U.S. economic activity continues to improve especially on the labour front, the Fed cited, "[r]ecent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term." The FOMC seems to believe that economic conditions in the U.S. have reached a point where stimulus can be gradually reduced, but with little in the way of inflationary pressures and somewhat weaker international growth the Fed feels no urgency to move. We continue to view the 'end of zero' as an imminent eventuality that should be interpreted simply as confirmation the U.S. economy is on a solid, sustainable growth path.

Strong corporate fundamentals

U.S. corporate fundamentals remain strong, continuing on the positive trend in place over the past several years. In addition to record-high corporate earnings that remain in an upward trajectory, corporate balance sheets have strengthened further, leading many U.S. companies to continue increasing their dividend payouts and share repurchases.

In September, two of the U.S. Fund's holdings, Texas Instruments and Microsoft, announced increases to their quarterly dividends. TI will raise its quarterly cash dividend by 12%, marking the twelfth consecutive year of dividend increases. Likewise, Microsoft plans to hike its quarterly dividend by 16% following dividend raises each year for the past 10 years since the company initiated a dividend payout. Both TI and Microsoft currently yield around 3%. Given their financial strength and commitment to return excess capital to shareholders, both these companies are examples of the great long term dividend growth stocks in the Fund, many of which are large cap technology names.

Weak market sentiment is actually positive

We continue to take advantage of the market weakness to fine-tune the portfolio, adhering as always to our long term "growth at a reasonable price" investment philosophy. We pay very little attention to technical analysis which generally emphasizes short term thinking and a trading mentality. The only technical indicator that we follow is market sentiment which we believe is a useful contrarian indicator, but only during periods of significant market weakness. Our preferred sentiment indicator, the Investors Intelligence Bull/Bear ratio, plummeted during September to extreme bearish levels generally seen at or near bottoms of major market sell-offs. In our view, the weak market sentiment is unsupported by fundamentals, indicating that investors are currently excessively fearful which in turn leads us to be more constructive in our near term outlook for U.S. equities.

Tax information

As we approach year-end, we begin planning for the annual December distributions from our equity funds. It is still too early to make an accurate estimate, but for planning purposes, it is reasonable to expect that the distribution for the North Growth U.S. Equity Fund will be similar to last year at around \$1.70 per unit. Currently, we do not anticipate a distribution from the North Growth Canadian Equity Fund.

It is important to recognize that with two months left until the Funds' distribution date, much can happen and these numbers are estimates only; actual distributions could be substantially different. We will continue to update these estimates as we approach the distribution date.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended September 30, 2015

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-2.43	-2.88	-5.30	7.24
S&P 500 in \$CDN	-1.08	-0.03	-1.15	8.95
NGM U.S. Equity Fund \$U.S.	-3.81	-9.10	-10.12	-6.77
S&P 500 \$U.S.	-2.47	-6.44	-6.18	-5.29
S&P 400 MidCap \$U.S.	-3.22	-8.50	-9.47	-4.66
S&P 600 SmallCap \$U.S.	-3.50	-9.27	-9.10	-5.49
NASDAQ Composite \$U.S.	-3.20	-7.08	-5.17	-1.52

Annualized Rates of Return (%) for the Period Ended September 30, 2015

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	13.34	22.89	16.46	8.15	8.66	11.89	12.64
S&P 500 \$CDN	18.42	24.45	19.39	8.28	3.14	8.11	9.45
NGM U.S. Equity Fund \$U.S.	-4.88	11.00	10.56	6.67	9.53	11.92	12.29
S&P 500 \$U.S.	-0.61	12.40	13.34	6.80	3.96	8.14	9.11
S&P 400 MidCap \$U.S.	1.40	13.12	12.93	8.25	7.85	11.16	11.94
S&P 600 SmallCap \$U.S.	3.81	13.02	14.04	7.65	8.74	9.89	11.14
NASDAQ Composite \$U.S.	4.15	15.58	15.75	9.16	2.54	8.60	9.49*

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

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

Unit Price: \$ 44.01 CDN
\$ 32.98 USD

Total Assets in Fund \$ 441.6 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended September 30, 2015

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-6.81	-14.50	-18.14	-18.26
S&P / TSX \$CDN	-3.67	-7.86	-9.36	-7.07

Annualized Rates of Return (%) for the Period Ended September 30, 2015

	1 Year	2 Years	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	-11.21	3.10	14.10	N/A	N/A
S&P / TSX \$CDN	-8.38	5.02	5.71	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: \$ 16.47 CDN

Total Assets in Fund \$ 34.9 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended September 30, 2015

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.39	0.68	0.81	0.82
30 Day Treasury Bill	N/A	0.69	0.85	0.87

** 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 0.39% 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, 2015

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	10.06
2.	Apple Inc.	9.08
3.	Intel Corporation	5.44
4.	Anthem Inc.	4.76
5.	Microsoft Corporation	4.52
6.	St Jude Medical Inc.	4.51
7.	First Solar Inc.	4.30
8.	General Electric Company	3.78
9.	Gilead Sciences Inc.	3.70
10.	Citrix Systems Inc.	3.28
11.	Electronic Arts Inc.	3.14
12.	Zimmer Biomet Holdings Inc.	3.12
13.	Cerner Corporation	3.04
14.	Texas Instruments Inc.	3.04
15.	American Eagle Outfitters Inc.	3.03
16.	Pfizer Inc.	2.92
17.	Johnson Controls Inc.	2.90
18.	Ethan Allen Interiors Inc.	2.65
19.	Mohawk Industries Inc.	2.55
20.	Amgen Inc.	2.54
21.	Herman Miller Inc.	2.48
22.	Rite Aid Corporation	2.36
23.	Varian Medical Systems Inc.	2.00
24.	Applied Materials Inc.	1.98
25.	DSP Group Inc.	1.78
26.	Jacobs Engineering Group Inc.	1.25
27.	FedEx Corp.	1.17
28.	Pier 1 Imports Inc.	1.14
29.	Itron Inc.	1.08
30.	Bristol-Myers Squibb Company	0.99
31.	Gap Inc.	0.22
32.	Endocyte Inc.	0.13
	Total Equities	98.92
	Cash	1.08
	Total Assets	100.00

Canadian Equity Fund –Holdings as at September 30, 2015

Ranking	Security	% of Net Assets
1.	Sandvine Corporation	7.54
2.	Open Text Corporation	6.42
3.	COM DEV International Ltd.	6.41
4.	WestJet Airlines Ltd.	5.81
5.	Celestica Inc.	5.47
6.	CAE Inc.	5.26
7.	Heroux-Devtek Inc.	5.18
8.	Martinrea International Inc.	5.10
9.	Dorel Industries Inc., Class B	4.98
10.	Avigilon Corporation	4.87
11.	ATS Automation Tooling Systems Inc.	4.79
12.	EXFO Inc.	4.73
13.	Ballard Power Systems Inc.	3.97
14.	Mitel Networks Corp.	3.80
15.	MacDonald Dettwiler and Associates Ltd.	3.47
16.	Bombardier Inc., Class B	3.16
17.	Sierra Wireless Inc.	2.74
18.	Stantec Inc.	2.68
19.	Jean Coutu Group (PJC) Inc., Class A	2.42
20.	Valeant Pharmaceuticals International, Inc.	2.25
21.	TELUS Corporation	2.05
22.	GSI Group Inc.	1.87
23.	ViXS Systems Inc.	0.51
24.	Oncolytics Biotech Inc.	0.26
Total Equities		95.74
Cash		4.26
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

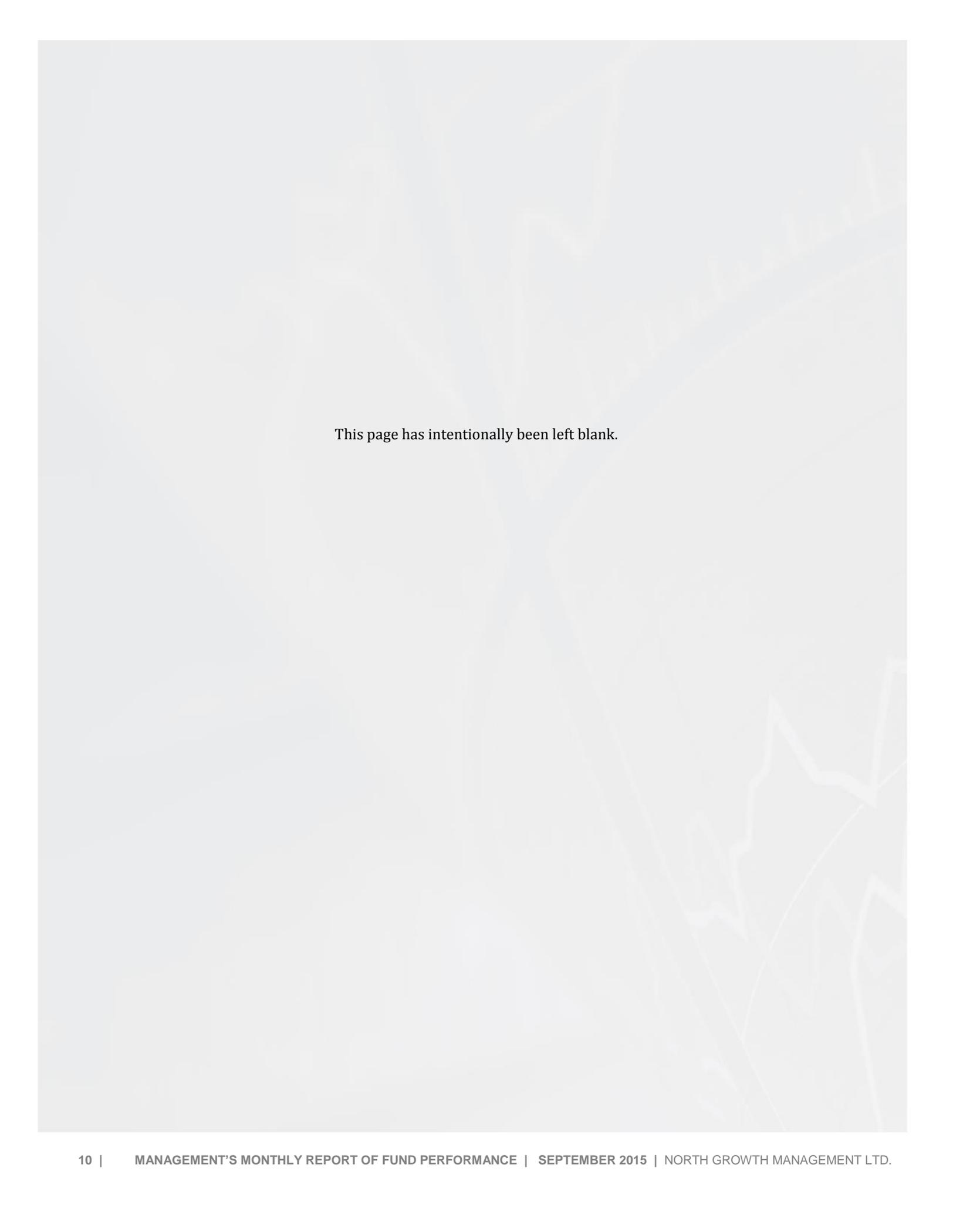
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=52033&cid=4008>

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>

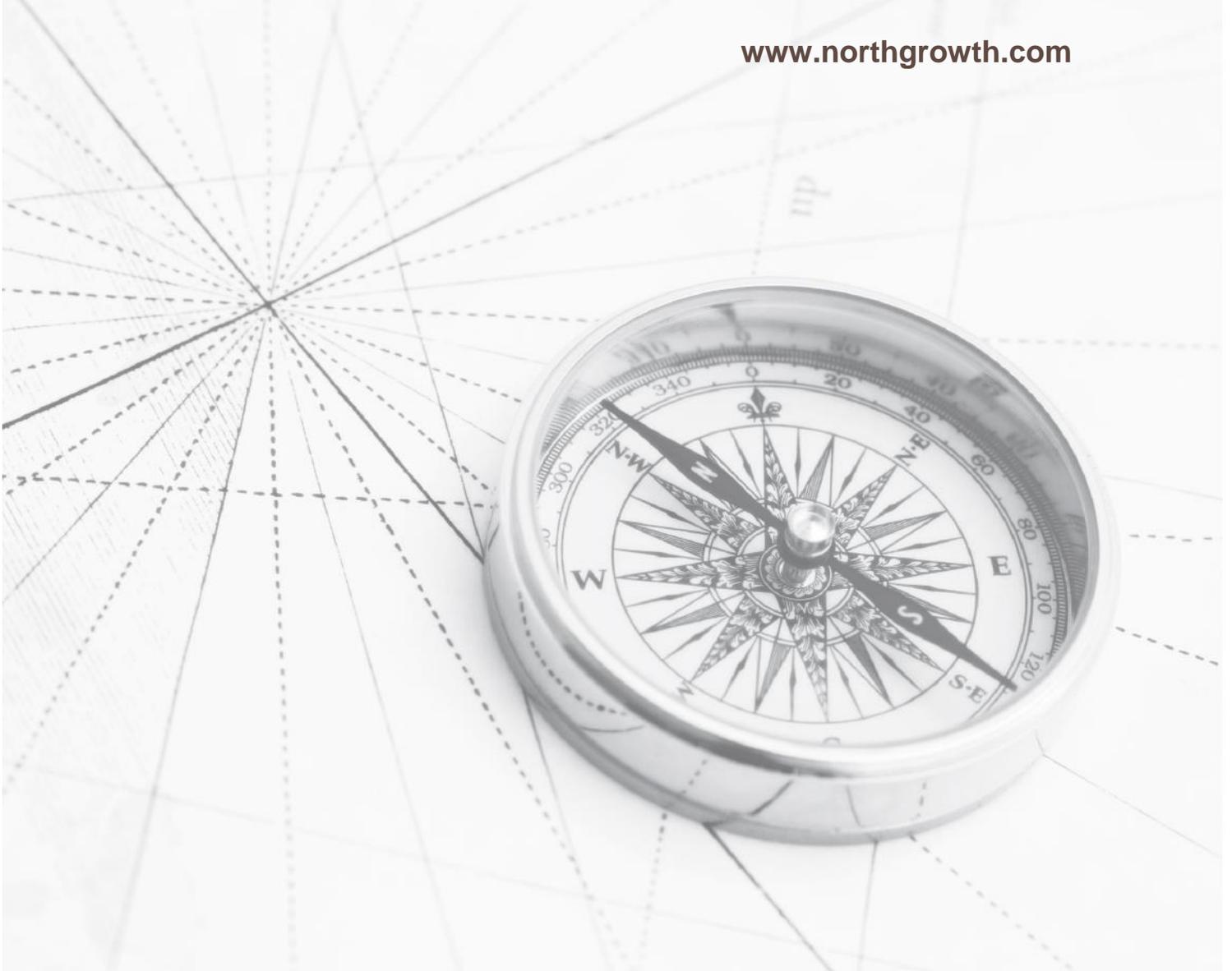


This page has intentionally been left blank.



N O R T H
GROWTH MANAGEMENT LTD.

www.northgrowth.com



Suite 830, One Bentall Centre
505 Burrard Street, Box 56
Vancouver, BC V7X 1M4

T: 604 688 5440
F: 604 688 5402
info@northgrowth.com