NORTH GROWTH MANAGEMENT LTD.

January Monthly Report

February 14, 2013

The near-term resolution of the U.S. fiscal cliff fuelled a strong rally in U.S. equities in January. All the major indices we regularly track posted solid monthly gains ranging from +4.1% for the NASDAQ Composite to +7.2% for the S&P 400 MidCap. The North Growth U.S. Equity Fund rose 4.8%, lagging slightly behind the S&P 500 Index by 0.4%. The U.S. Fund also underperformed the S&P 600 SmallCap by 1.0% and the S&P 400 MidCap by 2.4%, while beating the NASDAQ by 0.7%. In Canadian dollars, the Fund appreciated 5.0% for the month versus the S&P 500 which gained 5.4%.

Although not a "grand bargain" long term deficit-cutting agreement, the bill passed by the U.S. Congress on January 1st temporarily averted the much feared U.S. fiscal cliff and sent stocks higher in the new year. Indications that U.S. economic growth is accelerating, along with generally better than expected earnings for the latest September-to-December 2012 quarter also aided gains in U.S. equities during the past month.

By and large, we have been pleased with the earnings reports of the companies in the U.S. Equity Fund. In particular, we remain constructive on Apple despite the chatter and noise surrounding the name following the company's earnings report on January 23rd. Since the report, the stock has declined around 10% after being down almost 30% from its high in September 2012, making it the worst performing security in the S&P 500 during the past five months. Over 20 analysts have recently lowered their price targets and undoubtedly investor sentiment on Apple is negative.

In the latest quarter ended December 2012, Apple reported sales growth of 18% year-over-year while earnings remained essentially flat. As the corresponding quarter a year ago included an extra 14th week, sales on a comparable basis actually rose by a greater magnitude than reported; average weekly revenue in the quarter increased 27% over the prior year. However, the company's gross margin fell from 45% a year earlier to 39%—the same level it was at two years ago—due to the introduction of many new products such as the iPhone 5 and iPad Mini for the holiday season. In fact, 80% of Apple's revenue was refreshed in the last few months; the unprecedented number of ramps contributed to additional product and transitory costs as the company is working to get down the manufacturing cost curve.

It is noteworthy that in the year-ago quarter ended December 2011, Apple had grown sales by 73% and earnings by 118% driven by an expansion in the gross margin from 39% to 45%. The major product launch that quarter, the iPhone 4S, was based on the same physical design as its predecessor, the iPhone 4. Therefore, Apple had been able to reap a significant manufacturing cost advantage, raising its margin to an extraordinarily high level. In the years preceding the iPhone 4S launch, Apple's gross margin had hovered around 35% to 40%, putting the latest quarter's 39% margin in-line with the company's historical norm amid a major revamp to all of its main products.

Concern over falling margins and more crucially Apple's positioning in an increasingly competitive smartphone market helped prompt the precipitous drop in the company's shares since September. While Apple's success in smartphones has obviously attracted competition, we see no evidence of eroding demand for Apple products. According to the most recent ComScore data, Apple held 36% share of U.S. smartphone subscribers in the quarter ended December 2012, up sequentially from 34% in the prior three months. Its closest competitor, Samsung, had 21% share of the U.S. market in December and also gained 2% share sequentially.

With a full product pipeline and plentiful international expansion opportunities, we continue to believe that Apple has bright prospects for future earnings growth. Yet, its shares currently trade as if the company were broken—Apple is valued at 11 times trailing 12-month earnings or only 7 times adjusted for the $137 billion (equivalent to $146 per share) of cash on its balance sheet. Over the past five fiscal years, from 2008 to 2012, Apple's earnings per share increased at an average annual rate of 46%. For the current fiscal year 2013, the company is projected to grow its sales by 17% to $183 billion although earnings will likely be unchanged due to the margin compression associated with the product refreshes. In fiscal year 2014, analysts conservatively forecast that both sales and earnings will grow by 14%.

In addition to its low valuation multiple, Apple's stock currently yields 2.3%. Apple's dividend payout will almost assuredly rise as the company has publicly acknowledged that its cash balance is at a point beyond what is needed to run the business and maintain flexibility to take advantage of strategic opportunities, and has consequently committed to return capital to drive shareholder value.

We maintain that Apple is an inexpensive stock with an excellent outlook for long term growth. We have taken advantage of the recent price decline to add to the name after consistently selling down our position since 2008 in order to manage the weight of the holding. We did not sell because the stock was expensive, for while the stock price appreciated immensely over the past five years, Apple shares did not rise at a rate nearly as phenomenal as its earnings. Apple was not overvalued, and now, it appears to be severely undervalued.

Yours truly,

Erica Lau, CFA

NORTH GROWTH U.S. EQUITY FUND

Short Term Rates of Return (%) for Periods Ending January 31, 2013

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund $CDN	**5.02**	**6.48**	**9.00**	**5.02**
S&P 500 $CDN	5.43	6.57	9.30	5.43
NGM US Equity Fund $US	**4.76**	**6.66**	**9.61**	**4.76**
S&P 500 $US	5.18	6.75	9.91	5.18
S&P 400 MidCap $US	7.22	11.98	17.19	7.22
S&P 600 SmallCap $US	5.78	10.36	14.84	5.78
NASDAQ Composite $US	4.08	6.18	7.92	4.08

NORTH GROWTH U.S. EQUITY FUND

Annualized Rates of Return (%) for Periods Ending January 31, 2013

	1 Year	3 Years	5 Years	10 Years	15 Years	20years
NGM US Equity Fund $CDN	**6.12**	**9.00**	**4.73**	**5.66**	**7.43**	**10.24**
S&P 500 $CDN	16.14	11.52	3.84	3.47	2.14	7.15
NGM US Equity Fund $US	**6.70**	**11.56**	**4.87**	**10.22**	**10.17**	**11.56**
S&P 500 $US	16.78	14.14	3.97	7.93	4.75	8.45
S&P 400 MidCap $US	18.56	17.57	7.99	11.64	9.79	11.56
S&P 600 SmallCap $US	15.45	17.56	7.40	11.46	8.26	10.19
NASDAQ Composite $US	13.40	14.87	6.80	10.02	5.25	7.83*

Source: Bloomberg "Total Return Analysis" as of Feb.1, 2013.
*****These returns are a simple price appreciation because total return data is not available on Bloomberg.*
The inception of the Fund: October 13, 1992.

Unit Price: $26.67 CDN
$26.74 US

Total Assets in Fund $258.1 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

Short Term Rates of Return (%) for Periods Ending January 31, 2013

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	**N/A***	**N/A***	**N/A***	**N/A***
S&P / TSX $CDN	2.25	2.91	10.42	2.25

NORTH GROWTH CANADIAN EQUITY FUND

Annualized Rates of Return (%) for Periods Ending January 31, 2013

	1 Year	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	**N/A***	**N/A***	**N/A***	**N/A***
S&P / TSX $CDN	5.01	7.53	2.25	9.52

**The Canadian Equity Fund became a reporting issuer on June 15, 2012. It will be permitted to publish performance information again one year from that date.*

Series N Unit Price: $ 14.56 CDN

Total Assets in Fund $ 26.2 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND

Annualized Rates of Returns (%) for Periods Ending January 31, 2013

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	**0.86**	**0.86**	**0.71**	**1.00**
30 Day T-Bill	N/A	0.93	0.77	0.98

** 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 never is greater 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.

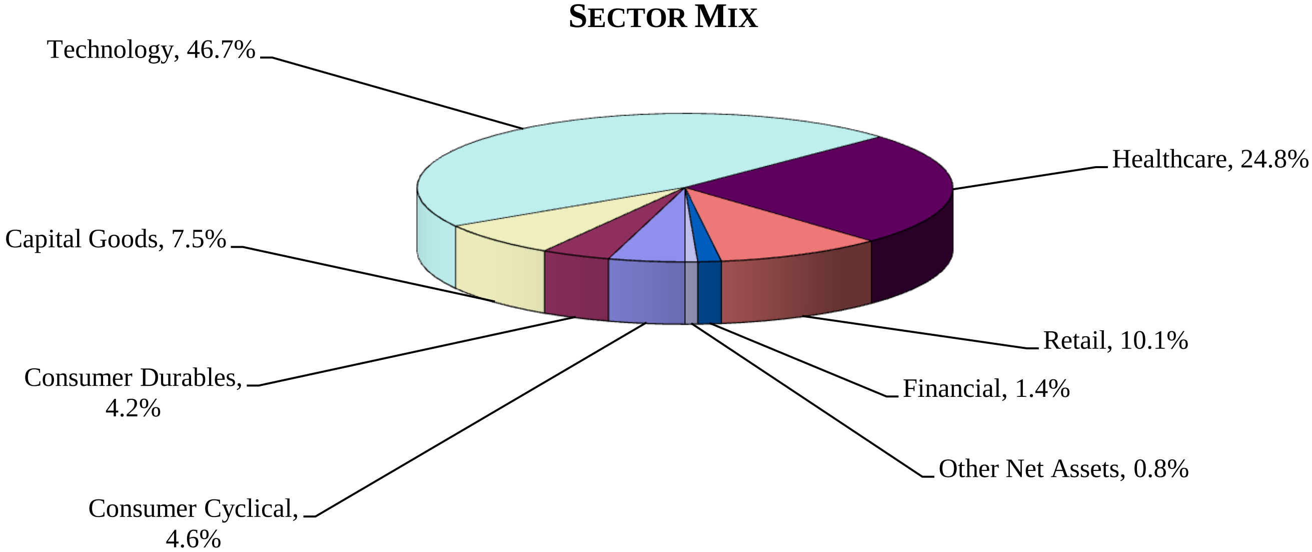
We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 0.86% 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.

U.S. EQUITY FUND
TOP 10 HOLDINGS
As of January 31, 2013

	%
Cisco Systems Inc.	10.45
Apple Inc.	7.80
Intel Corporation	5.88
Pier 1 Imports Inc.	5.63
St. Jude Medical Inc.	4.72
Bristol-Myers Squibb Company	4.38
Microsoft Corporation	4.26
Texas Instruments Inc.	3.84
Citrix Systems Inc.	3.78
Pfizer Inc.	3.70
Top 10	54.44
Total Equities	99.24
Cash	0.76
TOTAL ASSETS	**100.00%**

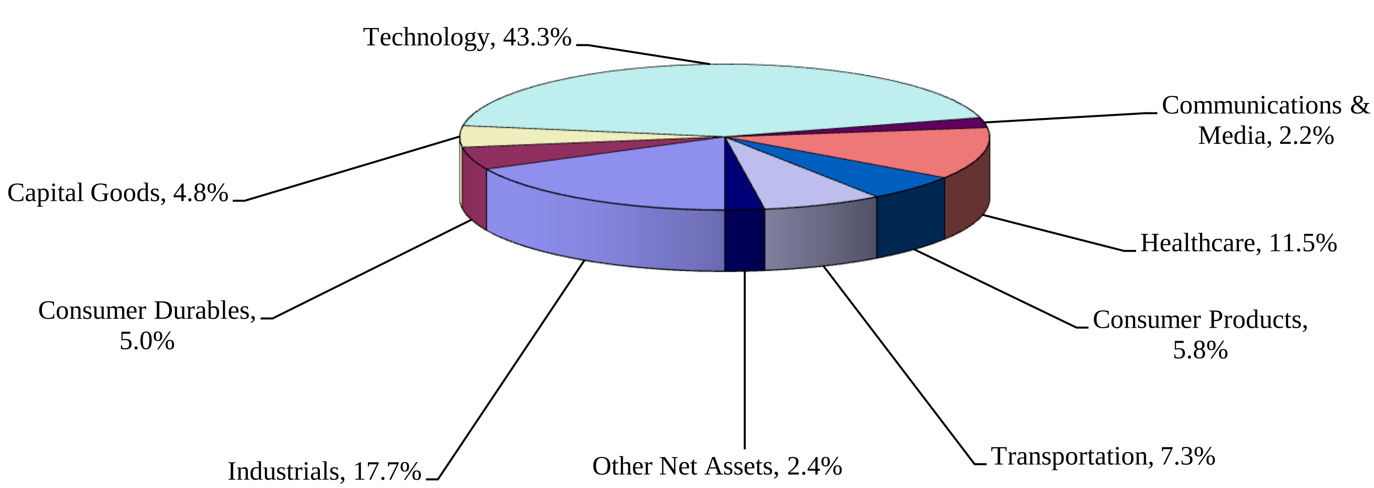
SECTOR MIX



CANADIAN EQUITY FUND
TOP 10 HOLDINGS
As of January 31, 2013

	%
Sandvine Corporation	8.34
Bombardier Inc., Class B.	7.62
WestJet Airlines Ltd.	7.30
Sierra Wireless Inc.	6.58
Celestica Inc.	6.48
Valeant Pharmaceuticals International, Inc.	5.62
EXFO Inc.	5.20
CAE Inc.	5.10
Dorel Industries Inc.	4.99
ATS Automation Tooling Systems Inc.	4.75
Top 10	61.98
Total Equities	97.59
Cash	2.41
TOTAL ASSETS	**100.00%**

SECTOR MIX



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 4 p.m. Eastern time or 1 p.m. 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:

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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