

U.S. Equity Fund

U.S. equities continued their upward climb during the final month of the year. Ranked by the largest gains, the S&P 400 MidCap Index gained +3.1%, the NASDAQ Composite rose +3.0% while the broader S&P 500 Index rose +2.5% and the S&P 600 Small Cap Index climbed +1.5%. The North Growth U.S. Equity Fund gained +0.8%, underperforming the aforementioned indices. The Canadian dollar fell slightly during the month, bringing the U.S. Equity Fund's gain in Canadian dollars to +0.9% compared to the S&P 500 Index Canadian return of +2.7%. For the year ending December 31st, 2013, the North Growth U.S. Equity Fund gained +34.9% in U.S. dollars, outperforming the S&P 500 Index total return of +32.4%. The depreciation of the Canadian dollar during the year boosted the U.S. Fund's annual return to +44.2% and the S&P 500 Index return to +41.5% when expressed in Canadian dollars.

Canadian Equity Fund

In Canada, the S&P/TSX Composite Index rose +2.0% in December while the North Growth Canadian Equity Fund gained +3.4%. For the year ending December 31st, 2013, the North Growth Canadian Equity Fund returned +44.3%, easily outpacing the S&P/TSX Composite Index gain of +13.0%.

Market Strength

Looking back at 2013, the S&P 500 Index's one-year return of +32.4% was the best annual gain since 1997, when the Index climbed +33.4%. The rally has been broad-based with all sectors participating in the gains; consumer discretionary stocks fared the best during the year while names in the defensive sectors such as utilities and telecom posted the smallest gains. From a market breadth perspective, 457 stocks, or 91% of the S&P 500 Index, advanced this year. Market breadth, as measured simply by the number of advancing stocks versus declining stocks, is an important gauge of the health and strength of the overall stock market; this year's market breadth was much healthier than in 1999, when the stock market posted a 21% gain but had more stocks that declined than advanced.

Economic Review

On the economic front, we continue to see signs of overall gradual improvement. Retail sales are coming in stronger than expected, inflationary pressures remain subdued, and the 4-week average unemployment claims continue their long-term downward trend. The uncertainty surrounding the timing of the Federal Reserve tapering its quantitative easing

program has also been removed. From the depths of one of the worst financial crises ever witnessed, the economy is healing and the cumulative progress seen so far is encouraging and supportive of a self sustaining recovery. While not all indicators are back on a firm footing, we believe the economic backdrop has the potential to improve further in 2014.

Our View

Despite what some people are saying, we do not believe the U.S. market is currently overvalued. In the past 30 years, the market multiple has ranged from 10x to 30x, with an average of 18x. While multiples have expanded in the past few years, there are still sectors and sub-groups within the index that are trading below their historical averages. For example, the technology sector trades at 15x forward earnings, a discount to its 20-year average of 29x while many large cap stocks are also trading at discounts to their historical averages. Relative to high grade bonds, stocks are trading at a substantial discount and we would expect money to flow from bonds to equities.

As we have highlighted in the past, corporate balance sheets remain extremely strong. This bodes well for increased capital spending plans, stock buybacks, dividend increases and mergers and acquisition activity. Estimates for earnings growth, which have been tempered by analyst caution, could move higher through the year as higher wage growth, higher consumer spending and re-leveraging, continued investments in technology infrastructure, and rising demand from a synchronized global recovery take hold.

Annual Distributions and T3s

On December 15th, 2013, the North Growth U.S. Equity Fund paid an annual distribution of C\$1.3680 per unit and on December 31st, 2013, the North Growth Canadian Equity Fund paid an annual distribution of C\$1.0291 per unit. We will be sending out T3 tax slips soon. If you have moved recently and have not updated your address with us, please do so as soon as possible to avoid any risk of not receiving your tax information on a timely basis.

TFSAs at North Growth

Finally, we are pleased to announce the availability of Tax Free Savings Accounts (TFSAs) at North Growth Management. If you are over the age of 18 and are a resident of Canada since at least 2009, your total cumulative TFSA contribution room starting January 1st, 2014 is \$31,000. If you would like to use a NGM TFSA account to hold our Funds, you can do so by using any unused contribution room or, alternatively, transferring existing TFSAs to North Growth Management. For more information on registered accounts, including RRSPs and TFSAs, please call us directly at (604) 688-5440.

NORTH GROWTH U.S. EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM US Equity Fund \$CDN	0.94	11.40	16.87	44.18
S&P 500 \$CDN	2.69	14.08	17.61	41.53
NGM US Equity Fund \$US	0.79	7.91	15.57	34.87
S&P 500 \$US	2.53	10.51	16.31	32.39
S&P 400 MidCap \$US	3.09	8.33	16.50	33.50
S&P 600 SmallCap \$US	1.45	9.83	21.62	41.31
NASDAQ Composite \$US	2.97	11.13	23.58	40.16

NORTH GROWTH U.S. EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years	20 years	Since Inception
NGM US Equity Fund \$CDN	44.18	16.05	17.45	6.12	11.37	12.33
S&P 500 \$CDN	41.53	18.81	14.79	5.30	8.04	8.71
NGM US Equity Fund \$US	34.87	13.48	20.68	8.24	12.58	13.16
S&P 500 \$US	32.39	16.18	17.94	7.41	9.22	9.52
S&P 400 MidCap \$US	33.50	15.64	21.89	10.36	12.13	12.74
S&P 600 SmallCap \$US	41.31	18.42	21.37	10.65	11.04	12.11
NASDAQ Composite \$US	40.16	17.84	22.95	8.82	8.77*	9.78*

Source: Bloomberg "Total Return Analysis" as of January 2, 2014.

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

Unit Price: \$35.18 CDN
\$33.08 US

Total Assets in Fund: \$349.4 Million CDN

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	3.42	8.96	16.89	44.28
S&P / TSX \$CDN	1.99	7.29	14.00	12.99

NORTH GROWTH CANADIAN EQUITY FUND

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

	1 Year	3 Years	5 Years	10 Years
NGM Canadian Equity Fund	44.28	N/A	N/A	N/A
S&P / TSX \$CDN	12.99	N/A	N/A	N/A

Unit Price: \$ 18.24 CDN

Total Assets in Fund: \$ 34.7 Million CDN

NORTH GROWTH CANADIAN MONEY MARKET FUND**Annualized Rates of Returns (%) for Periods Ending December 31, 2013**

	*CURRENT YIELD	1 Year	3 Years	5 Years
NGM CDN Money Market Fund	0.85	0.86	0.85	0.65
30 Day T-Bill	N/A	0.95	0.92	0.71

** 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 0.85% 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
As of December 31, 2013

	%
Apple Inc.	9.45
Cisco Systems Inc.	8.98
Intel Corporation	5.24
St. Jude Medical Inc.	4.61
Microsoft Corporation	4.25
Bristol-Myers Squibb Company	4.04
Wellpoint Inc.	3.81
Pier 1 Imports Inc.	3.55
Citrix Systems Inc.	3.53
Texas Instruments Inc.	3.22
Precision Castparts Corp.	3.13
Zimmer Holdings Inc.	3.11
GT Advanced Technologies Inc.	3.09
Pfizer Inc.	3.06
Electronic Arts Inc.	3.01
Cerner Corporation	2.99
Gilead Sciences Inc.	2.85
Safeway Inc.	2.71
DSP Group Inc.	2.59
Herman Miller Inc.	2.56
Ethan Allen Interiors Inc.	2.38
Varian Medical Systems Inc.	2.12
Rite Aid Corporation	1.98
Jacobs Engineering Group Inc.	1.78
Gap Inc.	1.49
Amgen Inc.	1.49
Johnson Controls Inc.	1.40
Citigroup Inc.	1.37
Applied Materials Inc.	1.18
American Eagle Outfitters Inc.	1.06
General Electric Company	1.00
Qualcomm Inc.	0.99
First Solar Inc.	0.94
Itron Inc.	0.38
Total Equities	99.34
Cash	<u>0.66</u>
TOTAL ASSETS	100.00

CANADIAN EQUITY FUND
As of December 31, 2013

	%
Sandvine Corporation	9.97
Bombardier Inc., Class B	7.20
Celestica Inc.	6.87
WestJet Airlines Ltd.	5.79
Open Text Corporation	5.49
CAE Inc.	4.78
COM DEV International Ltd.	4.59
ATS Automation Tooling Systems Inc.	4.49
Dorel Industries Inc., Class B	4.37
Valeant Pharmaceuticals International, Inc.	4.31
Sierra Wireless Inc.	4.20
Martinrea International Inc.	4.12
Ballard Power Systems Inc.	4.07
EXFO Inc.	4.04
MacDonald, Dettwiler and Associates Ltd.	3.95
GSI Group Inc.	3.04
Stantec Inc.	3.04
Jean Coutu Group (PJC) Inc., Class A	3.02
Saputo Inc.	1.81
TELUS Corporation	1.79
QLT Inc.	1.61
Heroux-Devtek Inc.	1.59
Imris Inc.	1.51
Oncolytics Biotech Inc.	0.70
Total Equities	96.35
Cash	<u>3.65</u>
TOTAL ASSETS	100.00

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. 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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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.