



N O R T H
GROWTH MANAGEMENT LTD.

OCTOBER 2017

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

November 14, 2017



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North Growth Funds

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Fund Performance Update

The earnings reporting season for the third quarter of 2017 has been fully underway since late October. Propelled by yet another period of generally better-than-expected corporate earnings results, U.S. and Canadian equities continued to rally in October.

Technology Earnings and Stocks in the Spotlight

The Information Technology sector is the largest contributor to earnings growth for the S&P 500 in the latest quarter. For both the North Growth U.S. Equity Fund and the market, a substantial number of upside earnings surprises has come from large cap technology names. And correspondingly, the majority of the gains in U.S. equities has been in technology, as reflected by the disproportionately greater advance of the NASDAQ Composite relative to the other indices last month.

Furthermore, it is noteworthy that the U.S. stock markets have been so driven by the mega cap tech stocks that four names alone—Apple, Microsoft, Amazon, and Intel—accounted for half of the S&P 500 Index's 2.3% return in October. Given that the U.S. Fund holds three of the four top-performing technology stocks, and those three holdings—Apple, Microsoft and Intel—are among the Fund's largest positions, the Fund was able to outperform the broad market over the past month.

Markets Continue to be Risky

Despite continued strong corporate earnings growth against a positive macroeconomic backdrop, we maintain our cautious outlook for U.S. equities. The geopolitical environment remains fraught with peril, and notwithstanding high hopes for tax reform legislation, U.S. policy remains vastly uncertain. Most importantly, the stock markets are broadly expensive. We have highlighted the near historical-high equity valuations in our previous monthly reports this past year.

Without regard for valuations or the political climate, the markets are extremely optimistic. While we pay very little attention to technical analysis which generally emphasizes short term thinking and a trading mentality, we do follow market sentiment which we believe is a useful contrarian indicator—particularly during periods of significant market weakness or strength as is the current situation. Our preferred sentiment indicator, the Investors Intelligence Bull/Bear ratio, rose in October to extreme bullish levels that have not been seen in thirty years since early 1987. In our view, the strong market sentiment is indicative of an elevated degree of investor complacency which in turn supports our bias toward caution in the near term outlook for U.S. equities.

Tax Information

December 15th is the distribution date for both the North Growth U.S. Equity Fund and North Growth Canadian Equity Fund. The repositioning of both portfolios this year has realized substantial capital gains, and accordingly, we anticipate the annual distribution will be higher than those over the past several years.

With around one month to go, our current estimate of the distribution for the U.S. Equity Fund is approximately \$8.70 per unit or 16% of the unit price, and for the Canadian Equity Fund approximately \$1.45 per unit or 7% of the unit price. The distributions will be almost entirely capital gains.

U.S. Equity Fund

In October, the North Growth U.S. Equity Fund appreciated 2.7%. The Fund outperformed the S&P 500 which gained 2.3%, as well as the smaller capitalization indices, the S&P 400 MidCap and S&P 600 SmallCap, which were up 2.3% and 1.0% respectively. The Fund lagged the NASDAQ Composite which advanced 3.6%. A weaker Canadian currency for the month boosted the Fund's return to 6.0% versus the S&P 500 which gained 5.7% in Canadian dollars.

Canadian Equity Fund

The North Growth Canadian Equity Fund appreciated 7.8% in October, beating the S&P/TSX Composite Index which was up 2.7%. Year-to-date, the Fund continues to outperform substantially with its 30.6% return against the S&P/TSX's advance of 7.3%.

North Growth U.S. Equity Fund

Short Term Rates of Return (%) for the Period Ended October 31, 2017

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	6.04	10.91	4.40	16.16
S&P 500 in \$CDN	5.72	8.19	2.96	12.26
NGM U.S. Equity Fund \$U.S.	2.65	7.40	10.63	20.97
S&P 500 \$U.S.	2.33	4.76	9.10	16.91
S&P 400 MidCap \$U.S.	2.26	4.64	6.74	11.88
S&P 600 SmallCap \$U.S.	0.95	5.94	7.83	9.96
NASDAQ Composite \$U.S.	3.62	6.26	11.89	26.12

Annualized Rates of Return (%) for the Period Ended October 31, 2017

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	20.43	15.73	20.96	10.95	10.12	10.28	12.90
S&P 500 \$CDN	18.86	15.85	21.21	10.91	8.22	6.84	9.95
NGM U.S. Equity Fund \$U.S.	25.27	10.66	14.94	7.55	11.51	10.77	12.74
S&P 500 \$U.S.	23.63	10.77	15.18	7.51	9.60	7.31	9.79
S&P 400 MidCap \$U.S.	23.48	10.71	15.13	8.96	11.83	10.66	12.35
S&P 600 SmallCap \$U.S.	27.92	11.85	16.29	9.17	12.17	9.63	11.79
NASDAQ Composite \$U.S.	31.21	14.70	19.28	10.22	12.64	8.44	10.31*

Source: Bloomberg "Total Return Analysis" as of November 1, 2017.

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

Unit Price: \$ 54.85 CDN
\$ 42.54 USD

Total Assets in Fund \$ 539.5 Million CDN

North Growth Canadian Equity Fund

Short Term Rates of Return (%) for the Period Ended October 31, 2017

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	7.78	12.07	13.16	30.59
S&P / TSX \$CDN	2.73	6.58	4.31	7.30

Annualized Rates of Return (%) for the Period Ended October 31, 2017

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	33.67	16.65	8.72	9.99	16.24	N/A
S&P / TSX \$CDN	11.48	12.09	6.22	7.77	8.41	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: \$ 22.22 CDN

Total Assets in Fund \$ 43.7 Million CDN

North Growth Canadian Money Market Fund

Annualized Rates of Return (%) for the Period Ended October 31, 2017

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	0.88	0.59	0.58	0.70
30 Day Treasury Bill	N/A	0.58	0.57	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 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 0.88 % which is lower than many other mainstream money market funds and even short term GICs at top tier Canadian banks.

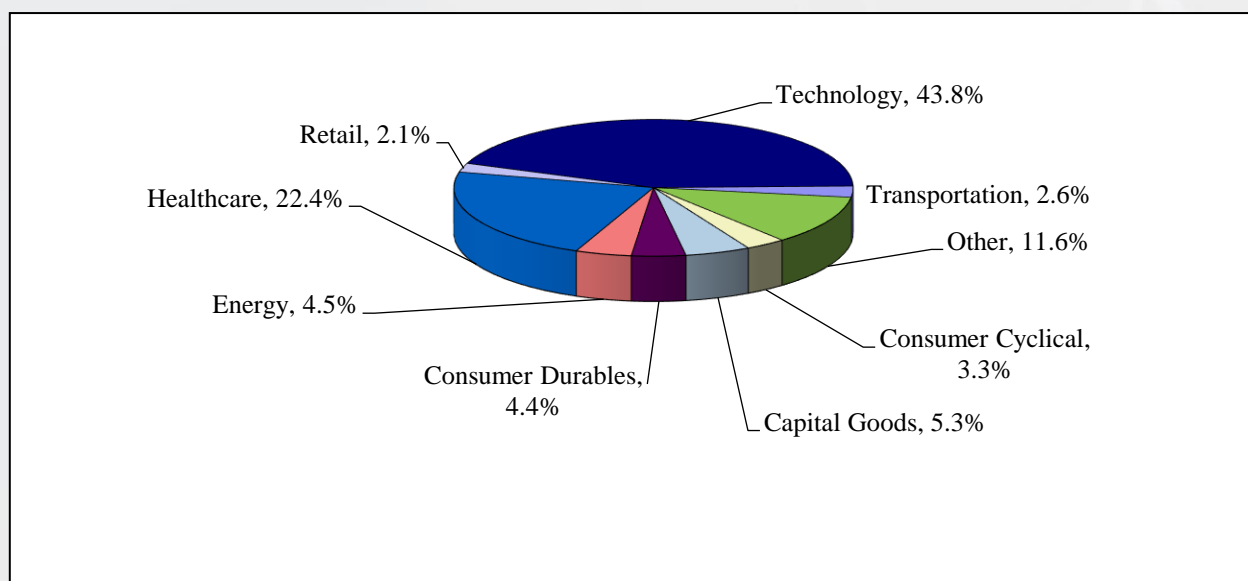
The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate but its yield will not become competitive again unless other money market funds begin to increase their management fees back to their historic levels.

Equity Fund Holdings and Composition

U.S. Equity Fund – Top 10 Holdings as at October 31, 2017

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	6.66
2.	Apple Inc.	6.20
3.	Intel Corporation	5.46
4.	Microsoft Corporation	4.38
5.	Applied Materials Inc.	4.03
6.	American Eagle Outfitters Inc.	3.25
7.	Abbott Laboratories	3.01
8.	Boston Scientific Corporation	2.75
9.	FedEx Corp.	2.64
10.	DSP Group Inc.	2.54
Top 10		40.92
Total Equities		88.38
Cash		11.62
Total Assets		100.00

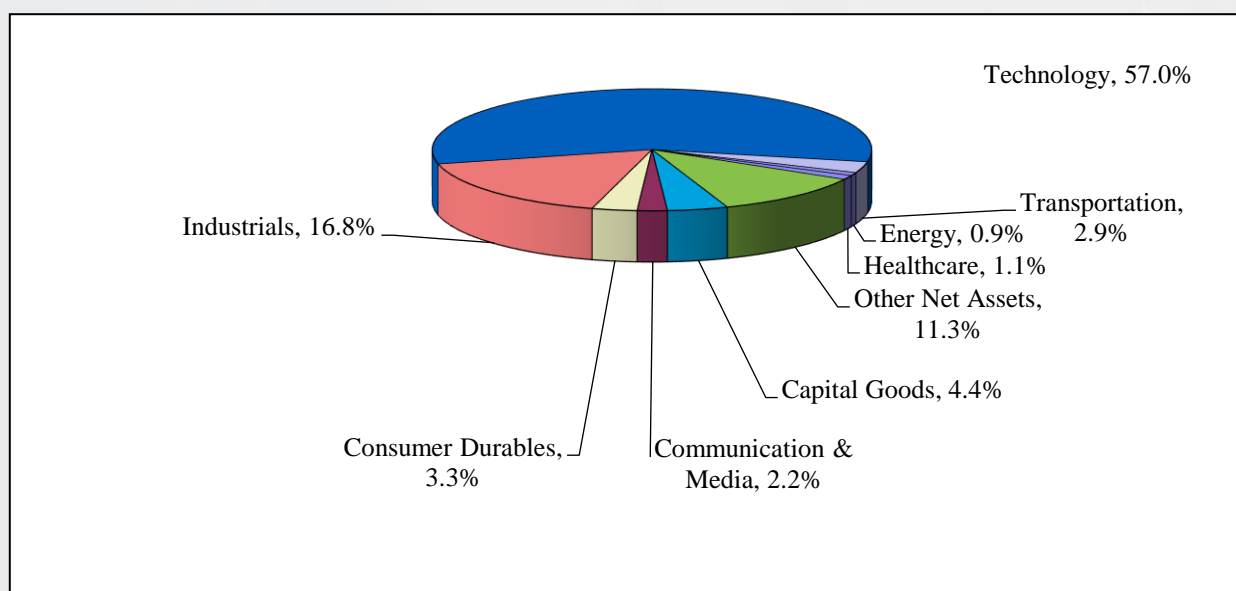
U.S. Equity Fund – Sector Mix as at October 31, 2017



Canadian Equity Fund – Top 10 Holdings as at October 31, 2017

Ranking	Security	% of Net Assets
1.	Ballard Power Systems Inc.	14.09
2.	Avigilon Corporation	6.20
3.	Sierra Wireless Inc.	5.24
4.	Maxar Technologies Ltd	5.16
5.	Heroux-Devtek Inc.	4.89
6.	Bombardier Inc., Class B	4.53
7.	CAE Inc.	4.46
8.	ATS Automation Tooling Systems Inc.	4.44
9.	Novanta Inc.	4.37
10.	EXFO Inc.	4.08
Top 10		57.46
Total Equities		88.65
Cash		11.35
Total Assets		100.00

Canadian Equity Fund – Sector Mix as at October 31, 2017



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 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

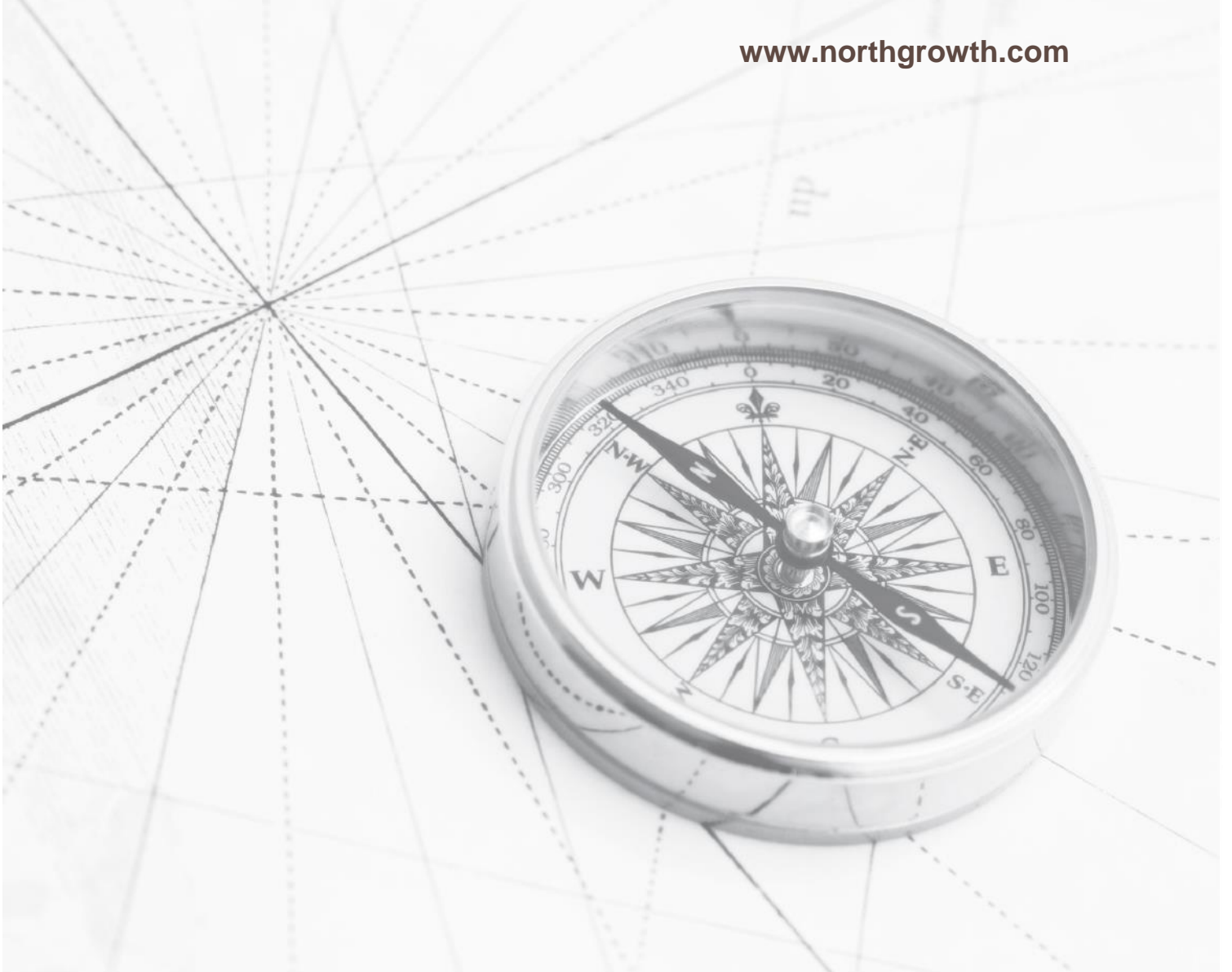
<http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=53072&cid=4008>



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