



N O R T H
GROWTH MANAGEMENT LTD.

December 2017

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

January 8, 2018



MANAGEMENT'S MONTHLY REPORT ON FUND PERFORMANCE

North Growth Funds

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Fund Performance Update

U.S. equities ended 2017 on a positive note, capping a year of strong market gains. The S&P 500 Index set a new record last year, having advanced in every single month. At North Growth Management, we are pleased with the outperformance of both the U.S. Equity and Canadian Equity Funds in 2017, and more importantly, over the long term as we commemorate our 20th anniversary.

Fund Distributions

As we communicated in last month's report, December 15th was the distribution date for the U.S. Equity Fund and Canadian Equity Fund. The distribution for the U.S. Fund amounted to \$8.76 per unit (consisting of \$0.53 income and \$8.23 capital gains), and for the Canadian Fund \$1.54 per unit (all capital gains).

Unitholders of the North Growth Funds can expect to receive their T-3 tax slips by mail around the end of January.

Annual Report

Also around the end of January, we plan on publishing our 2017 Annual Report. As the annual report will include a more in-depth discussion of the year in review and outlook for 2018, this December monthly report is light on content.

Refreshed Website

Please visit us online at www.northgrowth.com for up-to-date performance results. We have recently adopted a new "look"!

U.S. Equity Fund

In December, the North Growth U.S. Equity Fund appreciated 0.9%. While the Fund underperformed the S&P 500 which gained 1.1%, it beat the other indices we regularly track: the S&P 400 MidCap which rose 0.2%, the S&P 600 SmallCap which declined 0.5%, and the NASDAQ Composite which advanced 0.5%. A stronger Canadian currency for the month reduced the Fund's December return to -1.8% in Canadian dollars versus the S&P 500's -1.6% Canadian dollar monthly return.

In 2017, the Fund gained 24.2%, outperforming the S&P 500's 21.8% appreciation by 2.4%. The Canadian dollar had a relatively strong year against its U.S. counterpart; as a result, the Fund's performance for the year was 16.1% versus 13.8% for the S&P 500 in Canadian dollars.

Canadian Equity Fund

The North Growth Canadian Equity Fund declined 0.9% in December whereas the S&P/TSX Composite Index gained 1.2%. Despite underperforming last month, the Fund vastly outperformed in 2017, appreciating 29.9% versus the S&P/TSX Composite which advanced 9.1%.

North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund in \$CDN	-1.83	5.95	8.86	16.05
S&P 500 in \$CDN	-1.58	7.20	7.71	13.83
NGM U.S. Equity Fund \$U.S.	0.85	5.40	12.61	24.21
S&P 500 \$U.S.	1.11	6.64	11.42	21.83
S&P 400 MidCap \$U.S.	0.22	6.25	9.68	16.24
S&P 600 SmallCap \$U.S.	-0.52	3.96	10.16	13.23
NASDAQ Composite \$U.S.	0.50	6.57	13.03	29.80

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

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception
NGM U.S. Equity Fund \$CDN	16.05	13.30	20.60	11.23	9.72	10.43	12.80
S&P 500 \$CDN	13.83	14.36	21.29	11.08	8.26	6.49	9.94
NGM U.S. Equity Fund \$U.S.	24.21	10.38	15.14	8.64	11.41	11.15	12.77
S&P 500 \$U.S.	21.83	11.41	15.79	8.50	9.92	7.20	9.90
S&P 400 MidCap \$U.S.	16.24	11.14	15.01	9.97	12.00	10.58	12.43
S&P 600 SmallCap \$U.S.	13.23	12.00	15.99	10.43	12.27	9.73	11.84
NASDAQ Composite \$U.S.	29.80	14.83	19.50	11.35	12.81	8.67	10.35*

Source: Bloomberg "Total Return Analysis" as of Jan. 2, 2017.

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

Unit Price: \$ 46.25 CDN
\$ 36.86 USD

Total Assets in Fund \$ 504.5 Million CDN

North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-0.91	7.24	9.50	29.93
S&P / TSX \$CDN	1.20	4.45	8.30	9.10

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

	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
NGM Canadian Equity Fund	29.93	15.73	5.57	8.86	15.17	N/A
S&P / TSX \$CDN	9.10	14.93	6.57	7.57	8.63	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: \$ 20.58 CDN

Total Assets in Fund \$ 45.6 Million CDN

North Growth Canadian Money Market Fund

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

	*Current Yield	1 Year	3 Years	5 Years
NGM Canadian Money Market Fund	1.01	0.67	0.58	0.70
30 Day Treasury Bill	N/A	0.63	0.56	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.

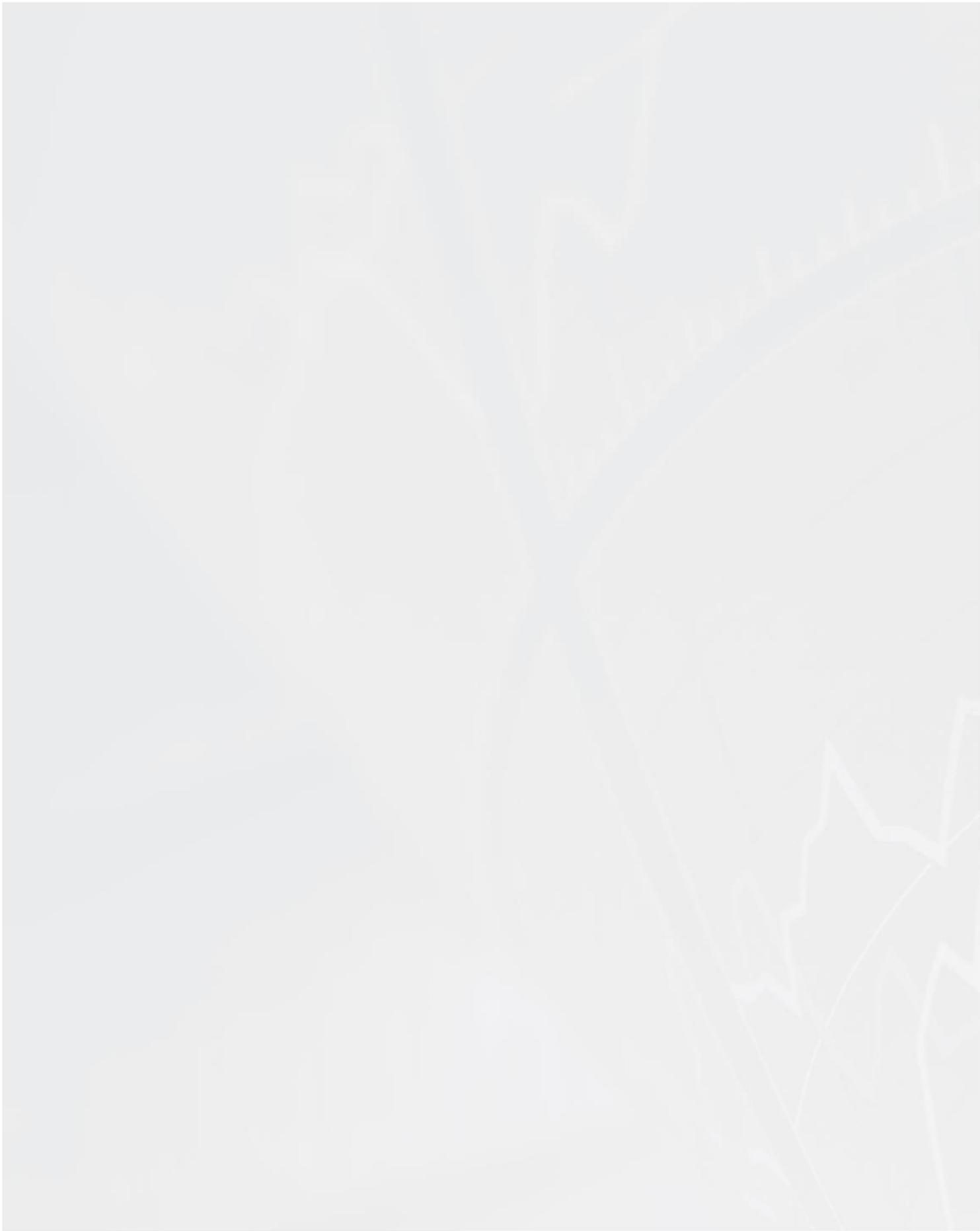
We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points and we do not have any room to reduce our management fees because we already take a loss on the product. We still believe our money market fund has superior liquidity characteristics due to its very low average maturity but our current yield is 1.01% 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 December 31, 2017

Ranking	Security	% of Net Assets
1.	Cisco Systems Inc.	6.04
2.	Apple Inc.	5.38
3.	Intel Corporation	5.01
4.	Microsoft Corporation	4.29
5.	Applied Materials Inc.	3.80
6.	American Eagle Outfitters Inc.	3.42
7.	First Solar Inc.	2.86
8.	SolarEdge Technologies Inc.	2.74
9.	FedEx Corp.	2.60
10.	Abbott Laboratories	2.54
11.	DSP Group Inc.	2.46
12.	Amgen Inc.	2.31
13.	Citrix Systems Inc.	2.29
14.	Texas Instruments Inc.	2.29
15.	Pfizer Inc.	2.27
16.	Gilead Sciences Inc.	2.25
17.	Itron Inc.	2.17
18.	Boston Scientific Corporation	2.07
19.	Anthem Inc.	2.05
20.	Herman Miller Inc.	2.02
21.	Celgene Corp	2.02
22.	Zimmer Biomet Holdings Inc.	2.01
23.	Electronic Arts Inc.	1.97
24.	Varian Medical Systems Inc.	1.92
25.	Mohawk Industries Inc.	1.91
26.	Cerner Corporation	1.73
27.	Ciena Corp	1.50
28.	Pier 1 Imports Inc.	1.49
29.	Jabil Inc	1.48
30.	HP Inc.	1.12
31.	Varex Imaging Corporation	1.11
32.	Finisar Corporation	0.75
33.	Applied Optoelectronics Inc.	0.74
34.	LogMeIn Inc	0.69
35.	Express Scripts Holding Co	0.59
36.	Ethan Allen Interiors Inc.	0.54
37.	Oclaro Inc.	0.52
38.	Cheesecake Factory Inc.	0.49
39.	Adient plc	0.38
40.	Johnson Controls International plc	0.23
Total Equities		84.05
Cash		15.95
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 & Treasury Services. 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>

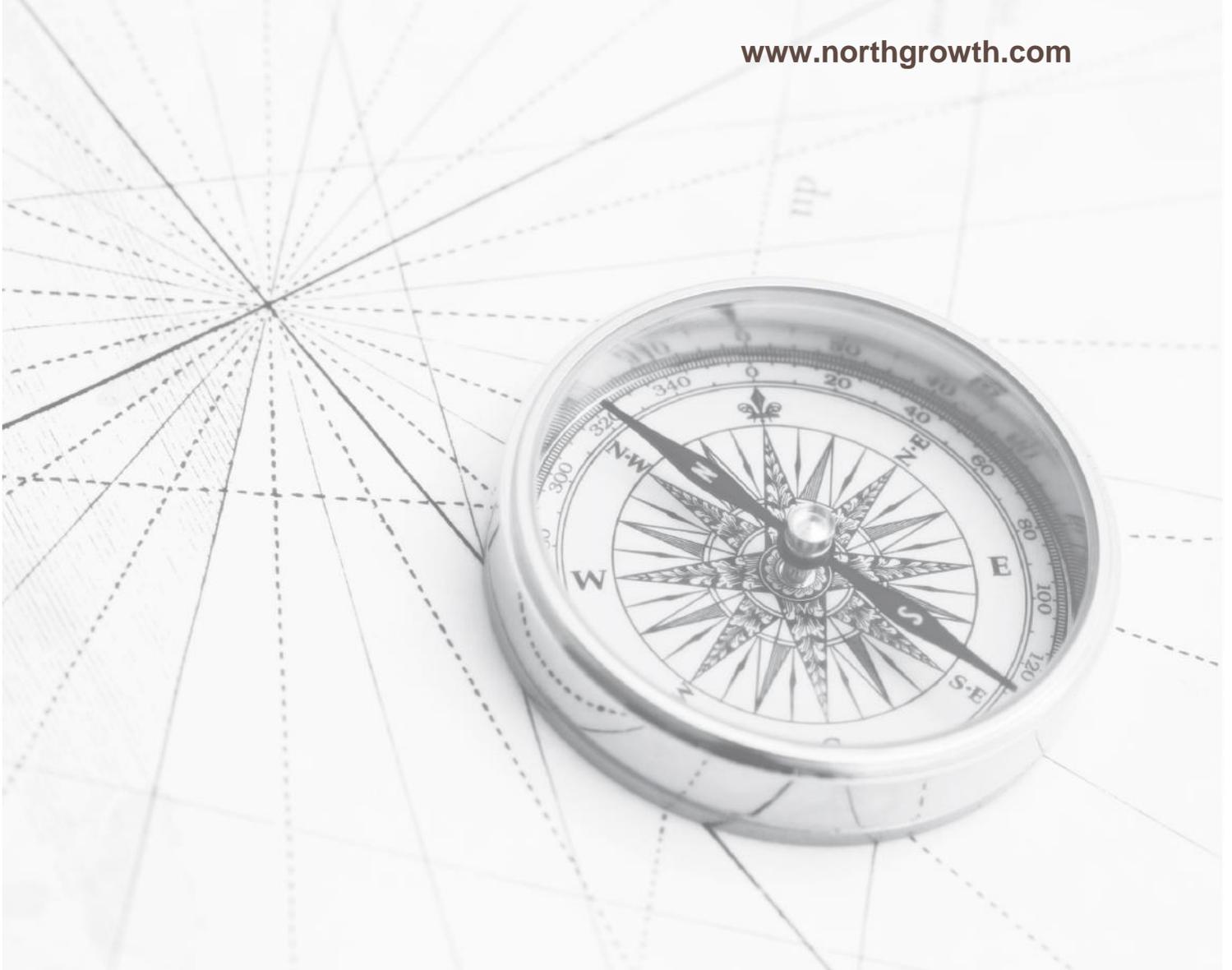
North Growth Canadian Money Market Fund

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



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