

JUNE 2018 MONTHLY REPORT

JULY 12, 2018

Fund Performance Update

U.S. equities climbed higher during early June, buoyed by strong corporate earnings and positive macroeconomic data, yet gave up most of their gains in the latter half of the month as trade concerns weighed on market sentiment. Overall, the majority of stock indices posted moderate returns in June.

NO MATERIAL CHANGE IN OUR VIEW

Our outlook for U.S. equities remains biased toward caution. While the current macroeconomic environment continues to be undoubtedly positive, and with accelerated corporate earnings growth the ascent in stock valuations has levelled off, market multiples nevertheless remain near the high end of their historical range. Trade tariffs have officially been enacted and with an escalation in trade tensions, the risk of a full-blown trade war poses a real, significant challenge for the global economy and by extension equity investments. Political uncertainty and geopolitical concerns also loom in the market backdrop.

U.S. FUND PORTFOLIO TWEAKS IN JUNE

As growth continues to be expensive and risky, we are emphasizing the value or “reasonable price” aspect of our discipline and looking to keep the overall price/earnings (P/E) multiple of the Fund in check, below-market.

We are actively managing the U.S. Fund’s risk lower by reducing the average size of the portfolio holdings while also increasing the number of holdings in the Fund. In June, we further reduced our weightings in Cisco, Apple, Intel, Microsoft, Electronic Arts, American Eagle Outfitters, Abbott Laboratories, Boston Scientific, Anthem, and Varian Medical Systems. Following strong appreciation in the stock prices and valuations, these names remain core holdings in the portfolio albeit at lower position sizes.

Largely offsetting the sales in the Fund last month, we increased our weightings in Mohawk Industries, Itron, Finisar, Pfizer, Zimmer Biomet, Celgene, Gilead Sciences, First Solar, Jabil, Johnson Controls, and Skechers USA.

Skechers USA, the maker of a diverse range of lifestyle and performance footwear, was recently added to the U.S. Fund in April. Through focused execution, the company has a solid track record of delivering both sales and profit growth. With its expanding lineup of shoe offerings and continued international growth opportunity, Skechers stock presents a compelling investment considering its sustainable earnings power of nearly 20% annual growth over the next three years and relatively low forward price/earnings ratio of 14. These favourable characteristics led us to double the Fund's Skechers position to 1% last month.

Our process of re-positioning the Fund to be more value-oriented and lower risk is ongoing and gradual. As an illustration of the progress we have made over the past year, the number of holdings in the U.S. Fund has increased from 36 in June 2017 to 42 in June 2018. The Fund has also become less concentrated as the top ten holdings now account for 33% of the portfolio versus 42% a year ago.

As always, we maintain focused on the analysis of individual stocks and adhere diligently to our "growth at a reasonable price" investment philosophy.

PRELIMINARY TAX INFORMATION UPDATE

The continual repositioning of both the North Growth U.S. Equity Fund and North Growth Canadian Equity Fund has realized substantial capital gains; accordingly, we anticipate that the annual distributions for 2018, payable in December, will remain at historically-elevated levels.

We currently estimate that the distributions for the Funds this year, comprised almost entirely of capital gains, will be equivalent to or greater than those in 2017.

U.S. EQUITY FUND

In June, the North Growth U.S. Equity Fund declined 0.4%. The Fund underperformed all the indices we regularly follow: the S&P 500 Index which gained 0.6%, the smaller capitalization S&P 400 MidCap and S&P 600 SmallCap which advanced 0.4% and 1.1% respectively, as well as the NASDAQ Composite which increased 1.0%.

For the first half of 2018, the U.S. Fund is up 4.5%, beating the S&P 500 which has rallied 2.7% and the S&P 400 MidCap which gained 3.5%. The S&P 600 SmallCap and NASDAQ Composite

have been the stronger performing indices, both appreciating 9.4% year-to-date. In Canadian dollars, the Fund is up 9.7% so far in 2018 versus the S&P 500 which increased 7.8%.

CANADIAN EQUITY FUND

The North Growth Canadian Equity Fund declined 0.2% in June, underperforming the S&P/TSX Composite which gained 1.7%. Year-to-date, the Fund is flat versus the S&P/TSX Composite's return of 2.0%.

The Canadian Fund has reached its sixth anniversary since we filed a prospectus for the Fund in 2012. We are pleased to be able to publish six-year returns of 13.5% per annum versus 9.0% for the S&P/TSX Composite. We continue to believe that for most Canadian investors, the most interesting attribute of our fossil-free Canadian portfolio is the diversification it offers in contrast with the typical mainstream resource and finance-heavy Canadian equity fund.

North Growth U.S. Equity Fund

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED JUNE 30, 2018

| | 1 Month | 3 Months | 6 Months | YTD |
|------------------------------------|--------------|-------------|-------------|-------------|
| NGM U.S. Equity Fund \$CDN | 1.25 | 4.27 | 9.70 | 9.70 |
| S&P 500 in \$CDN | 2.33 | 5.63 | 7.75 | 7.75 |
| NGM U.S. Equity Fund \$U.S. | -0.44 | 2.10 | 4.51 | 4.51 |
| S&P 500 \$U.S. | 0.62 | 3.43 | 2.65 | 2.65 |
| S&P 400 MidCap \$U.S. | 0.42 | 4.29 | 3.49 | 3.49 |
| S&P 600 SmallCap \$U.S. | 1.13 | 8.77 | 9.39 | 9.39 |
| NASDAQ Composite \$U.S. | 0.98 | 6.61 | 9.38 | 9.38 |

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED JUNE 30, 2018

| | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs | 15 Yrs | 20 Yrs | Since Inception |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| NGM U.S. Equity Fund \$CDN | 19.42 | 13.05 | 17.80 | 13.89 | 10.11 | 10.34 | 12.95 |
| S&P 500 \$CDN | 16.06 | 13.92 | 18.63 | 13.02 | 9.13 | 5.89 | 10.06 |
| NGM U.S. Equity Fund \$U.S. | 17.69 | 11.08 | 12.63 | 11.02 | 10.28 | 10.94 | 12.70 |
| S&P 500 \$U.S. | 14.37 | 11.93 | 13.42 | 10.17 | 9.30 | 6.36 | 9.81 |
| S&P 400 MidCap \$U.S. | 13.50 | 10.89 | 12.69 | 10.78 | 11.39 | 10.31 | 12.33 |
| S&P 600 SmallCap \$U.S. | 20.50 | 13.84 | 14.60 | 12.25 | 12.03 | 9.89 | 11.99 |
| NASDAQ Composite \$U.S. | 23.71 | 16.04 | 18.61 | 13.96 | 12.01 | 8.13 | *10.50 |

Source: Bloomberg "Total Return Analysis" as of April 2, 2018

* 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 | \$ 50.73 CDN |
| | \$ 38.53 CDN |
| Total Assets in Fund | \$ 550.2 Million CDN |

North Growth Canadian Equity Fund

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED JUNE 30, 2018

| | 1 Month | 3 Months | 6 Months | YTD |
|---------------------------------|--------------|-------------|--------------|--------------|
| NGM Canadian Equity Fund | -0.20 | 1.64 | -0.01 | -0.01 |
| S&P / TSX \$CDN | 1.69 | 6.77 | 1.95 | 1.95 |

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED JUNE 30, 2018

| | 1 Yr | 2 Yrs | 3 Yrs | 4 Yrs | 5 Yrs | 6 Yrs | 10 Yrs |
|---------------------------------|-------------|--------------|-------------|-------------|--------------|--------------|-------------|
| NGM Canadian Equity Fund | 9.49 | 18.07 | 7.17 | 4.74 | 10.42 | 13.51 | *N/A |
| S&P / TSX \$CDN | 10.41 | 10.73 | 6.96 | 4.87 | 9.24 | 9.01 | 4.24 |

** The Canadian Equity Fund became a reporting issuer on June 15, 2012. It is not permitted to publish performance data prior to this date it became a reporting issuer.*

Unit Price \$ 20.58 CDN

Total Assets in Fund \$ 47.4 Million CDN

North Growth Canadian Money Market Fund

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED JUNE 30, 2018

| | *Current Yield | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years |
|---------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|
| NGM Canadian Money Market Fund | 1.31 | 1.06 | 0.67 | 0.74 | 0.77 | 1.55 |
| 30 Day Treasury Bill | N/A | 0.95 | 0.63 | 0.73 | 0.78 | 1.57 |

* 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 1.31% 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

U.S. EQUITY FUND — HOLDINGS AS AT JUNE 30, 2018

| Ranking | Security | % of Net Assets |
|---------|------------------------------------|-----------------|
| 1 | Cisco Systems Inc. | 5.44 |
| 2 | Apple Inc. | 4.37 |
| 3 | Intel Corporation | 4.02 |
| 4 | American Eagle Outfitters Inc. | 3.58 |
| 5 | Applied Materials Inc. | 3.10 |
| 6 | First Solar Inc. | 2.79 |
| 7 | SolarEdge Technologies Inc. | 2.78 |
| 8 | Pfizer Inc. | 2.45 |
| 9 | Gilead Sciences Inc. | 2.40 |
| 10 | Jabil Inc. | 2.36 |
| 11 | DSP Group Inc. | 2.36 |
| 12 | Amgen Inc. | 2.36 |
| 13 | Mohawk Industries Inc. | 2.33 |
| 14 | Applied Optoelectronics Inc. | 2.30 |
| 15 | HP Inc. | 2.17 |
| 16 | Boston Scientific Corporation | 2.13 |
| 17 | Itron Inc. | 2.09 |
| 18 | Cerner Corporation | 2.05 |
| 19 | Celgene Corp | 2.04 |
| 20 | Zimmer Biomet Holdings Inc. | 2.04 |
| 21 | Abbott Laboratories | 1.99 |
| 22 | FedEx Corp. | 1.86 |
| 23 | Ciena Corp | 1.83 |
| 24 | Microsoft Corporation | 1.83 |
| 25 | Johnson Controls International plc | 1.81 |
| 26 | Anthem Inc. | 1.80 |
| 27 | Citrix Systems Inc. | 1.73 |
| 28 | Herman Miller Inc. | 1.65 |
| 29 | Motorola Solutions Inc. | 1.64 |
| 30 | Finisar Corporation | 1.59 |
| 31 | Texas Instruments Inc. | 1.51 |
| 32 | TPI Composites Inc. | 1.33 |
| 33 | Varian Medical Systems Inc. | 1.26 |
| 34 | Ulta Beauty Inc. | 1.12 |
| 35 | Electronic Arts Inc. | 1.01 |
| 36 | Verex Imaging Corporation | 0.99 |
| 37 | Skechers U.S.A., Inc. | 0.98 |
| 38 | Pier One Imports Inc. | 0.83 |
| 39 | LogMeIn Inc. | 0.60 |
| 40 | Express Scripts Holding Co. | 0.58 |
| 41 | Cheesecake Factory Inc. | 0.54 |
| 42 | Adient plc | 0.23 |
| | Total Equities | 83.87 |
| | Cash | 16.13 |
| | Total Assets | 100.00 |

CANADIAN EQUITY FUND — HOLDINGS AS AT JUNE 30, 2018

| Ranking | Security | % of Net Assets |
|---------|--|-----------------|
| 1 | Ballard Power Systems Inc. | 10.06 |
| 2 | Bombardier Inc., Class B | 8.37 |
| 3 | CAE Inc. | 5.16 |
| 4 | Maxar Technologies Ltd | 5.06 |
| 5 | Sierra Wireless Inc. | 5.05 |
| 6 | Mitel Networks Corp. | 5.03 |
| 7 | Open Text Corporation | 4.96 |
| 8 | Heroux-Devtek Inc. | 4.89 |
| 9 | EXFO Inc. | 4.55 |
| 10 | ATS Automation Tooling Systems Inc. | 4.02 |
| 11 | Hydrogenics Corp. | 3.35 |
| 12 | Celestica Inc. | 3.30 |
| 13 | Novanta Inc. | 3.11 |
| 14 | Magellan Aerospace Corp. | 2.37 |
| 15 | Evertz Technologies Limited | 2.36 |
| 16 | TELUS Corporation | 2.13 |
| 17 | Dorel Industries Inc., Class B | 2.12 |
| 18 | Innergex Renewable Energy IncTELUS Corporation | 1.97 |
| 19 | Knight Therapeutics Inc | 1.95 |
| 20 | WestJet Airlines Ltd. | 1.91 |
| 21 | Aritzia Inc. | 1.15 |
| 22 | exactEarth Ltd. | 0.73 |
| 23 | Zymeworks Inc. | 0.58 |
| 24 | Pixelworks Inc | |
| | Total Equities | 84.53 |
| | Cash | 15.47 |
| | 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

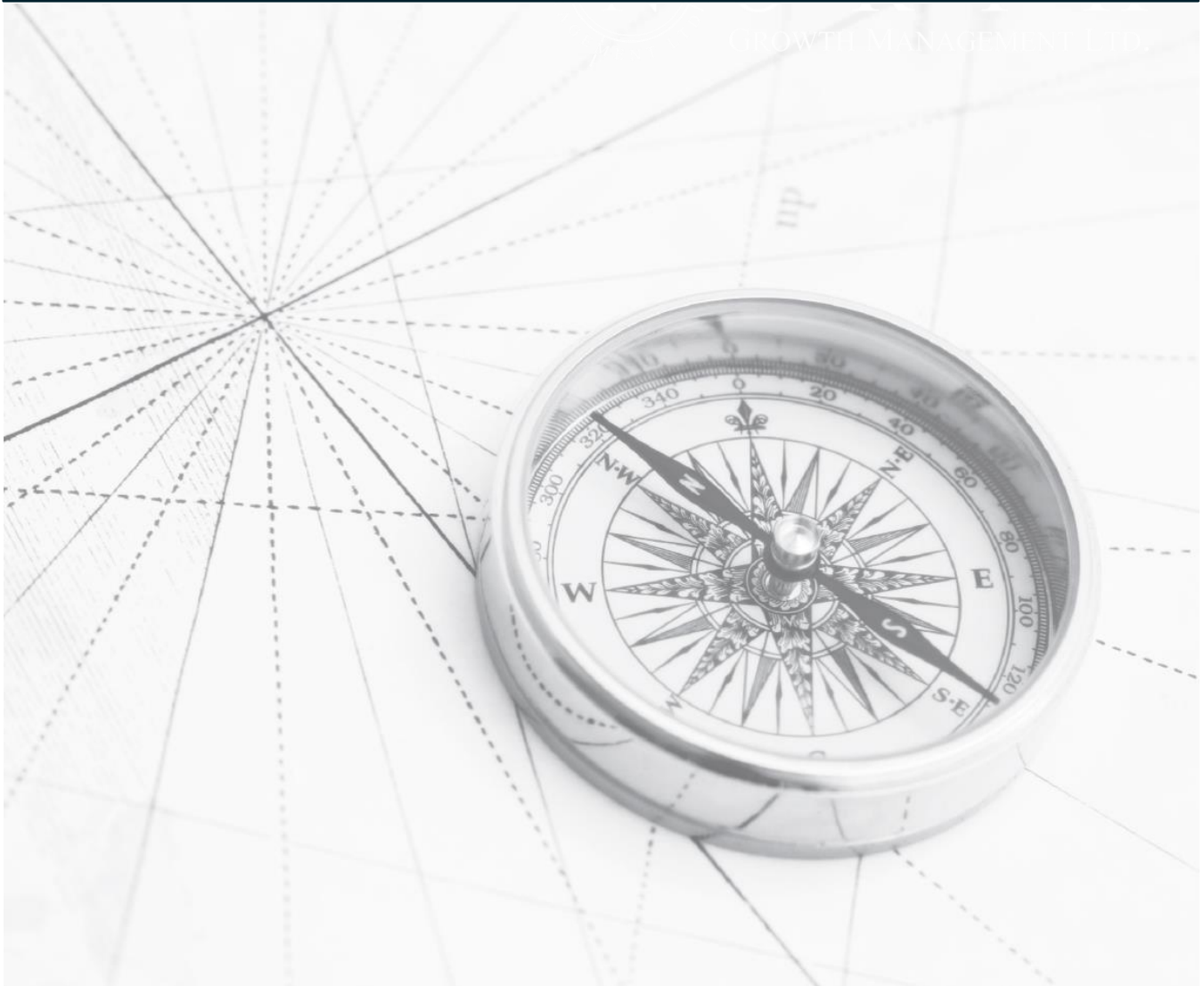
WHERE TO FIND NGM FUND PRICES

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.



NORTH
GROWTH MANAGEMENT LTD.

GROWTH MANAGEMENT LTD.



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

northgrowth.com