

SEPTEMBER 2018 MONTHLY REPORT

OCTOBER 11, 2018

Fund Performance Update

U.S. equities continued their ascent to new highs in September before rolling over just recently this month. However, the performance among stocks varied widely as technology shares and smaller cap names, represented by the NASDAQ Composite, S&P 400 MidCap and S&P 600 SmallCap Indices, declined in September even as the S&P 500 gained. A persistently strong U.S. economy remains balanced against rising interest rates, increasingly fractured politics in Washington and escalating trade tensions between the United States and China.

MARKET OBSERVATIONS

There appears to be a market rotation underway. No longer dominated entirely by technology in the past month, the U.S. market is being kept near historic highs by “defensive, value-oriented” sectors including utilities and consumer staples stocks. At the same time, speculative shares with seemingly outsized growth prospects including money-losing initial public offerings (IPOs) are attracting a lot of interest and funds.

Based on data compiled by the University of Florida since 1980, around 83% of U.S.-listed IPOs during the first three quarters this year involve companies that have been unprofitable in the twelve months leading up to their debut. The proportion of corporate IPOs “in the red” is the greatest on record, beating 2000, the previous high when 81% of IPOs registered earnings losses. Furthermore, according to Dealogic, over 180 companies raised more than \$50 billion in IPOs in the U.S. during the first nine months, putting 2018 on track to be the busiest year for new issuance since 2014.

The euphoria for a select number of stocks with perceived tremendous growth prospects despite incredibly high valuations and new listings of companies that have yet to generate profits is an unsettling echo of the dot-com bubble nearly two decades ago. Finally, elevated market sentiment for stocks in general also seems to be characteristic of the late ‘90s or at least the advanced stages of an extended bull market. Flows into mutual funds and exchange-traded funds (ETFs) tracking U.S. equities reached 27-week highs in mid-September based on fund flows data by EPFR Global.

OUR VIEW

A potential silver lining of this “growth at any price” market is that an increasing number of high-calibre companies have underperformed significantly to now be at reasonable valuation levels. While we remain cautious overall in our outlook for U.S. equities, we are finding opportunities to actively manage the Fund’s risk lower by emphasizing the value aspect of our discipline. More than ever, individual stock analysis and diligent adherence to our “growth at a reasonable price” investment philosophy is paramount in the current environment.

TAX INFORMATION UPDATE

December 14th is the distribution date this year for both the North Growth U.S. Equity Fund and North Growth Canadian Equity Fund. The ongoing repositioning of the portfolios has realized substantial capital gains; accordingly, we anticipate that the annual distributions for 2018 will remain at historically high levels.

We continue to 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. Last year, the distribution for the U.S. Fund was approximately 16% of the unit price and for the Canadian Fund was about 7% of the unit price.

U.S. EQUITY FUND

In September, the North Growth U.S. Equity Fund declined 2.3%. With the exception of the S&P 600 SmallCap which was down 3.2%, the Fund underperformed all the indices we regularly follow: the S&P 500 which gained 0.6%, and the S&P 400 MidCap and NASDAQ Composite which depreciated 1.1% and 0.7% respectively. In Canadian dollars, the Fund was down 3.1% for the month versus the S&P 500 Index which was down 0.3%.

CANADIAN EQUITY FUND

The North Growth Canadian Equity Fund appreciated 2.3% in September, outperforming the S&P/TSX Composite which declined 0.9%. Year-to-date, the Fund is up 4.8%, beating the S&P/TSX’s return of 1.4%.

North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund \$CDN	-3.10	0.97	5.28	10.77
S&P 500 in \$CDN	-0.28	5.89	11.85	14.09
NGM U.S. Equity Fund \$U.S.	-2.27	2.71	4.87	7.35
S&P 500 \$U.S.	0.57	7.71	11.41	10.56
S&P 400 MidCap \$U.S.	-1.10	3.86	8.32	7.49
S&P 600 SmallCap \$U.S.	-3.17	4.71	13.90	14.54
NASDAQ Composite \$U.S.	-0.70	7.42	14.52	17.49

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
NGM U.S. Equity Fund \$CDN	17.36	14.53	16.91	14.39	9.69	11.64	12.86
S&P 500 \$CDN	22.30	16.12	19.27	14.18	9.35	6.52	10.20
NGM U.S. Equity Fund \$U.S.	13.14	15.69	11.69	12.17	10.00	12.58	12.68
S&P 500 \$U.S.	17.91	17.31	13.95	11.97	9.65	7.42	10.03
S&P 400 MidCap \$U.S.	14.21	15.68	11.91	12.49	11.20	11.39	12.37
S&P 600 SmallCap \$U.S.	19.08	19.41	13.32	12.86	11.86	11.45	12.06
NASDAQ Composite \$U.S.	25.29	21.81	17.83	15.82	11.82	9.12	*10.69

Source: Bloomberg "Total Return Analysis" as of October 1, 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	\$ 51.23 CDN \$ 39.57 US
Total Assets in Fund	\$ 553.7 Million CDN

North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	2.26	4.83	6.55	4.82
S&P / TSX \$CDN	-0.89	-0.57	6.16	1.36

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

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	10 Yrs
NGM Canadian Equity Fund	12.40	18.42	14.70	7.59	9.91	14.40	*N/A
S&P / TSX \$CDN	5.87	7.52	9.70	4.87	7.80	7.69	6.30

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

Unit Price \$ 21.57 CDN

Total Assets in Fund \$ 49.7 Million CDN

North Growth Canadian Money Market Fund

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

	*Current Yield	1 Year	3 Years	5 Years	10 Years	15 Years
NGM Canadian Money Market Fund	1.46	1.22	0.76	0.77	0.74	1.53
30 Day Treasury Bill	N/A	1.10	0.70	0.74	0.76	1.54

* 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 1.46% 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 SEPTEMBER 30, 2018

Ranking	Security	% of Net Assets
1	Cisco Systems Inc.	5.68
2	Apple Inc.	4.41
3	Intel Corporation	3.73
4	SolarEdge Technologies Inc.	2.94
5	Pfizer Inc.	2.91
6	American Eagle Outfitters Inc.	2.87
7	Amgen Inc.	2.58
8	Gilead Sciences Inc.	2.55
9	Applied Materials Inc.	2.53
10	First Solar Inc.	2.51
11	HP Inc.	2.41
12	Zimmer Biomet Holdings Inc.	2.35
13	Boston Scientific Corporation	2.33
14	Jabil Inc.	2.26
15	Celgene Corp	2.25
16	Abbott Laboratories	2.23
17	Itron Inc.	2.18
18	Ciena Corp.	2.11
19	DSP Group Inc.	1.96
20	FedEx Corp.	1.93
21	Cerner Corporation	1.92
22	Mohawk Industries Inc.	1.86
23	Johnson Controls International plc	1.85
24	Microsoft Corporation	1.83
25	Herman Miller Inc.	1.83
26	Motorola Solutions Inc.	1.79
27	Anthem Inc.	1.69
28	Finisar Corporation	1.64
29	Texas instruments Inc.	1.43
30	Citrix Systems Inc.	1.40
31	Ulta Beauty Inc.	1.32
32	TPI Composites Inc.	1.27
33	Applied Optoelectronics Inc.	1.24
34	Varian Medical Systems Inc.	0.95
35	Skechers U.S.A., Inc.	0.89
36	Electronic Arts Inc.	0.84
37	Verex Imaging Corporation	0.74
38	Express Scripts Holding Co.	0.70
39	Cheesecake Factory Inc.	0.52
40	LogMeIn Inc.	0.50
41	Coherent, Inc.	0.47
42	Adient plc	0.18
	Total Equities	81.58
	Cash	18.42
	Total Assets	100.00

CANADIAN EQUITY FUND — HOLDINGS AS AT SEPTEMBER 30, 2018

Ranking	Security	% of Net Assets
1	Ballard Power Systems Inc.	14.08
2	Bombardier Inc., Class B	7.07
3	Sierra Wireless Inc.	5.97
4	Open Text Corporation	5.02
5	Maxar Technologies Ltd.	5.00
6	Heroux-Devtek Inc.	4.76
7	CAE Inc.	4.73
8	ATS Automation Tooling Systems Inc.	4.72
9	EXFO Inc.	4.67
10	Hydrogenics Corp.	3.05
11	Celestica Inc.	2.82
12	Magellan Aerospace	2.56
13	Evertz Technologies Limited	2.32
14	Dorel Industries Inc., Class B	2.08
15	TELUS Corporation	2.07
16	WestJet Airlines Ltd.	2.07
17	Knight Therapeutics Inc	1.90
18	Innergex Renewable Energy Inc.	1.77
19	Novanta Inc.	1.60
20	Aritzia Inc.	1.21
21	Zymeworks Inc.	1.20
22	Pixelworks Inc.	0.40
23	exactEarth Ltd.	0.19
	Total Equities	81.26
	Cash	18.74
	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

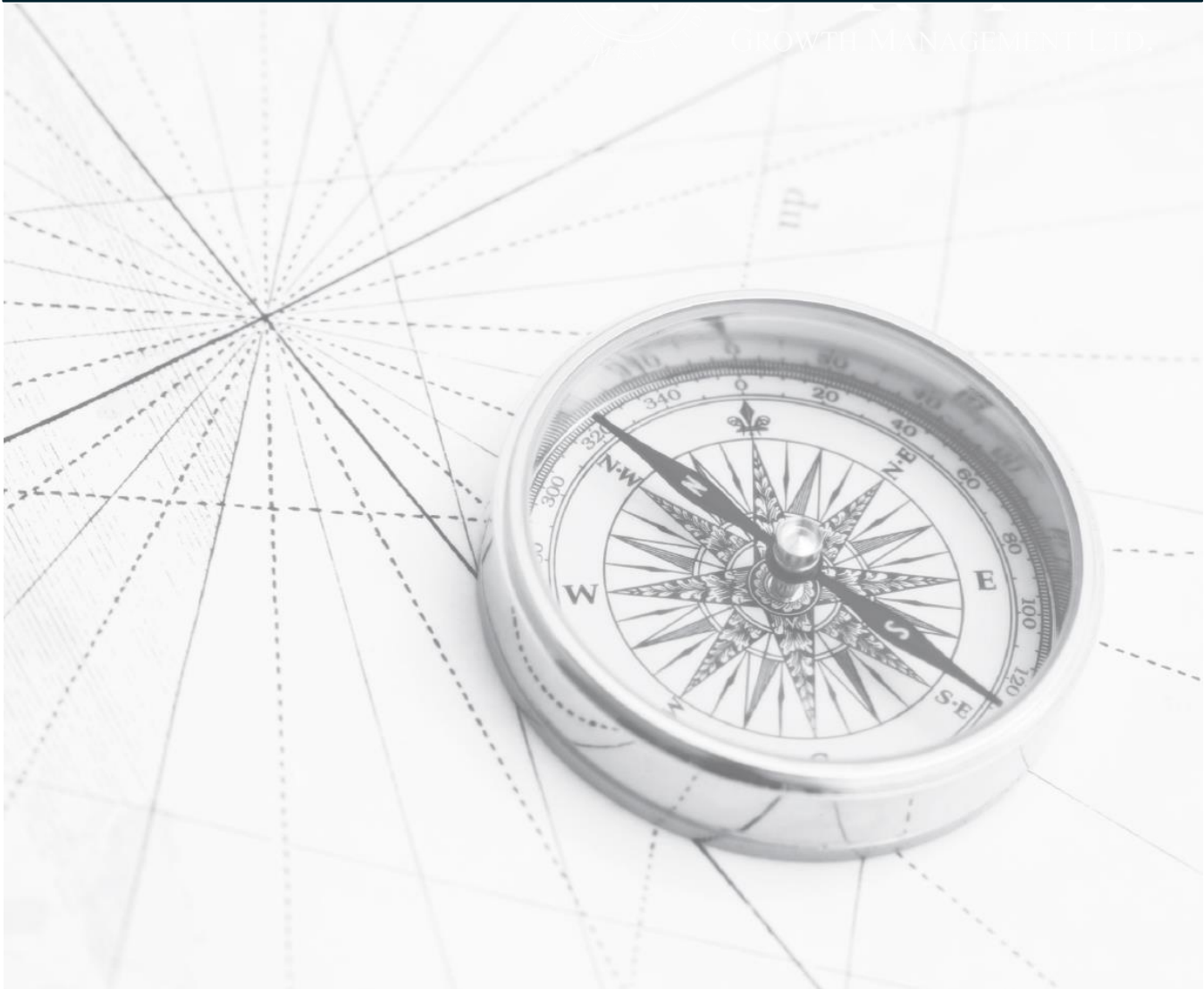
Fax: 604-688-5402

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.



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