

DECEMBER 2018 MONTHLY REPORT

JANUARY 9, 2019

Fund Performance Update

U.S. equities ended 2018 significantly weaker, capping the worst year since the financial crisis a decade ago. The S&P 500's 9.0% decline for the month marked the index's worst December since 1931. Indications of a slowing global economic expansion, the ongoing U.S.-China trade conflict and the continued dysfunctional political climate in the United States that has resulted in a partial government shutdown have weighed heavily on the financial markets. Against a deteriorating macro backdrop, worries about peaking economic and corporate earnings growth are not completely unfounded.

FUND DISTRIBUTIONS

As we communicated in last month's report, December 14th was the distribution date for the U.S. Equity Fund and Canadian Equity Fund. The distribution for the U.S. Fund amounted to \$7.05 per unit (consisting of \$0.07 income and \$6.98 capital gains), and for the Canadian Equity Fund \$0.69 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 or beginning of February.

ANNUAL REPORT

Also around the end of January / beginning of February, we plan on publishing our 2018 Annual Report. As usual, the annual report will include a more in-depth discussion of the year in review and outlook for 2019.

U.S. EQUITY FUND

In December, the North Growth U.S. Equity Fund depreciated 8.1%, outperforming all the indices we regularly follow: the S&P 500 which fell 9.0%, the S&P 400 MidCap and S&P 600 SmallCap which declined 11.3% and 12.1% respectively, as well as the NASDAQ Composite which was down 9.4%. A weaker Canadian currency for the month boosted the Fund's December return to -5.7% in Canadian dollars versus the S&P 500's -6.7% Canadian dollar monthly return.

In 2018, the Fund declined 5.3%, underperforming the S&P 500's 4.4% depreciation by 0.9%. The Canadian dollar had a relatively weak year against its U.S. counterpart; as a result, in Canadian dollars, the Fund was actually up 3.0% versus the S&P 500 which gained 4.0%.

CANADIAN EQUITY FUND

The North Growth Canadian Equity Fund declined 6.6% in December against the S&P/TSX Composite Index which lost 5.4%. The Fund performed poorly in 2018, depreciating 17.8% versus the S&P/TSX Composite which fell 8.9%.

North Growth U.S. Equity Fund

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED DECEMBER 31, 2018

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund \$CDN	-5.74	-7.06	-6.15	2.95
S&P 500 in \$CDN	-6.70	-8.86	-3.50	3.98
NGM U.S. Equity Fund \$U.S.	-8.10	-11.80	-9.41	-5.33
S&P 500 \$U.S.	-9.03	-13.52	-6.85	-4.38
S&P 400 MidCap \$U.S.	-11.32	-17.28	-14.08	-11.08
S&P 600 SmallCap \$U.S.	-12.07	-20.10	-16.34	-8.48
NASDAQ Composite \$U.S.	-9.38	-17.28	-11.14	-2.79

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED DECEMBER 31, 2018

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
NGM U.S. Equity Fund \$CDN	2.95	7.43	12.75	15.08	8.28	10.25	12.41
S&P 500 \$CDN	3.98	8.73	14.03	14.41	8.13	5.00	9.71
NGM U.S. Equity Fund \$U.S.	-5.33	7.95	7.27	13.78	7.92	10.89	12.02
S&P 500 \$U.S.	-4.38	9.26	8.49	13.12	7.77	5.62	9.32
S&P 400 MidCap \$U.S.	-11.08	7.66	6.03	13.68	8.90	8.97	11.43
S&P 600 SmallCap \$U.S.	-8.48	9.46	6.34	13.60	9.19	9.31	10.99
NASDAQ Composite \$U.S.	-2.79	11.16	11.06	16.85	9.56	6.70	*9.77

Source: Bloomberg "Total Return Analysis" as of January 2, 2019

* 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	\$ 40.60 CDN \$ 29.76 US
Total Assets in Fund	\$ 491.2 Million CDN

North Growth Canadian Equity Fund

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED DECEMBER 31, 2018

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund	-6.57	-21.54	-17.75	-17.76
S&P / TSX \$CDN	-5.40	-10.11	-10.62	-8.89

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED DECEMBER 31, 2018

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	10 Yrs
NGM Canadian Equity Fund	-17.76	3.37	3.28	-0.82	2.92	8.89	*N/A
S&P / TSX \$CDN	-8.89	-0.30	6.37	2.48	4.06	5.49	7.92

** 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 \$ 16.24 CDN

Total Assets in Fund \$ 38.5 Million CDN

North Growth Canadian Money Market Fund

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED DECEMBER 31, 2018

	*Current Yield	1 Year	3 Years	5 Years	10 Years	15 Years
NGM Canadian Money Market Fund	1.85	1.41	0.86	0.81	0.73	1.52
30 Day Treasury Bill	N/A	1.28	0.80	0.77	0.74	1.53

* 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 1.85% 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.

Equity Fund Holdings

U.S. EQUITY FUND — HOLDINGS AS AT DECEMBER 31, 2018

Ranking	Security	% of Net Assets
1	Cisco Systems Inc.	6.01
2	Intel Corporation	4.40
3	First Solar Inc.	3.80
4	Apple Inc.	3.66
5	SolarEdge Technologies Inc.	3.26
6	American Eagle Outfitters Inc.	3.17
7	Applied Materials Inc.	2.91
8	Amgen Inc.	2.88
9	Celgene Corp	2.81
10	Ciena Corp	2.72
11	Abbott Laboratories	2.61
12	Boston Scientific Corporation	2.54
13	Gilead Sciences Inc.	2.46
14	Jabil Inc	2.45
15	HP Inc.	2.37
16	Pfizer Inc.	2.33
17	Finisar Corporation	2.21
18	Zimmer Biomet Holdings Inc.	2.21
19	DSP Group Inc.	2.19
20	FedEx Corp.	1.96
21	Anthem Inc.	1.92
22	Itron Inc.	1.91
23	Motorola Solutions Inc	1.88
24	Johnson Controls International plc	1.86
25	TPI Composites Inc	1.86
26	Cerner Corporation	1.85
27	Electronic Arts Inc.	1.80
28	Herman Miller Inc.	1.71
29	Citrix Systems Inc.	1.53
30	Texas Instruments Inc.	1.50
31	Microsoft Corporation	1.39
32	Skechers U.S.A., Inc.	1.30
33	Varian Medical Systems Inc.	1.14
34	II-VI Inc.	1.13
35	LogMeIn Inc	1.12
36	Masco Corp	1.04
37	Fortune Brands Home & Security Inc	0.97
38	Best Buy Co., Inc.	0.91
39	Ulta Beauty Inc.	0.91
40	Varex imaging Corporation	0.73
41	Coherent, Inc	0.35
Total Equities		87.77
Cash		12.23
Total Assets		100.00

CANADIAN EQUITY FUND — HOLDINGS AS AT DECEMBER 31, 2018

Ranking	Security	% of Net Assets
1	Ballard Power Systems Inc.	10.76
2	Open Text Corporation	5.87
3	CAE Inc.	5.85
4	Sierra Wireless Inc.	5.43
5	Bombardier Inc., Class B	5.34
6	Heroux-Devtek Inc.	5.13
7	EXFO Inc.	4.86
8	ATS Automation Tooling Systems Inc.	4.40
9	Celestica Inc.	3.11
10	Evertz Technologies Limited	2.94
11	Hydrogenics Corp.	2.83
12	Magellan Aerospace Corp.	2.72
13	Zymeworks Inc	2.55
14	TELUS Corporation	2.54
15	WestJet Airlines Ltd.	2.34
16	Knight Therapeutics Inc	2.30
17	Innergex Renewable Energy Inc	2.21
18	Dorel Industries Inc., Class B	2.07
19	Novanta Inc.	2.01
20	Aritzia Inc	1.49
21	Pixelworks Inc	0.35
22	exactEarth Ltd.	0.20
	Total Equities	77.30
	Cash	22.70
	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

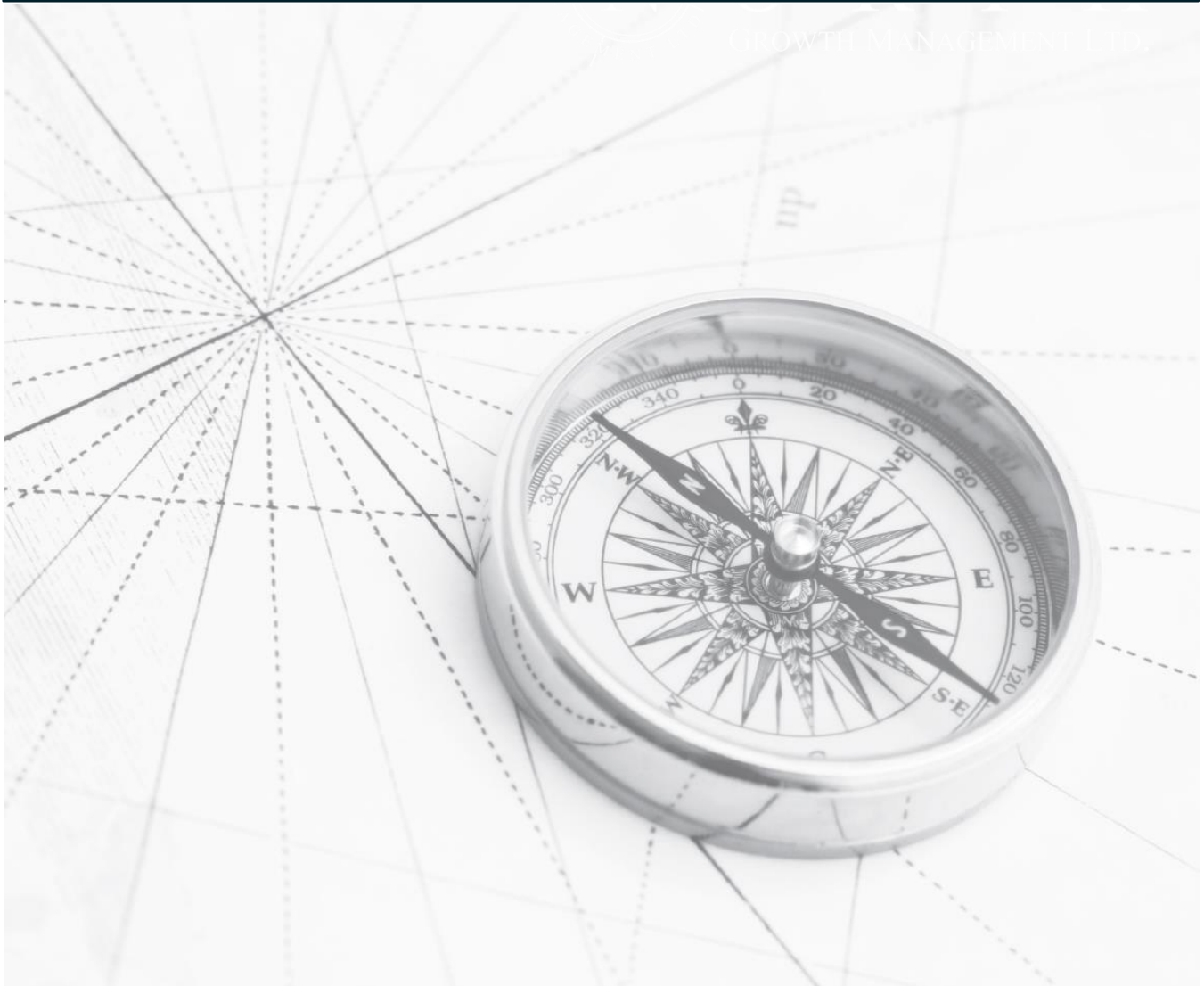
WHERE TO FIND NGM FUND PRICES

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