

Independent Review Committee  
2018 Report to Securityholders of the North Growth Funds

March 28, 2019

Dear Investor,

In accordance with National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”), North Growth Management Ltd. (the “Manager” or “North Growth”) established an Independent Review Committee (the “IRC”) for the North Growth Funds (the “Funds”) in August 2009.

The IRC met four times in 2018.

Since becoming operational, the IRC has functioned in accordance with the applicable securities laws, including NI 81-107. The IRC’s purpose is, within the scope of the NI 81-107, to represent the best interest of the Funds in any matter where the Manager has a conflict of interest. In this context, our focus is on the question of whether the Manager’s actions or proposed actions achieve a fair and reasonable result for the Funds.

All members of the IRC are “independent” as defined within NI 81-107. As a matter of IRC policy, this independence is affirmed at each of the meetings of the IRC.

The IRC has adopted a written charter that includes its mandate and responsibilities and the policies and procedures it will follow when performing its functions, and has approved Standing Instruction #1 – Conflicts of Interest. Other key duties of the IRC include reviewing and assessing the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the Funds, as well as conducting a self-assessment of the IRC’s independence, compensation and effectiveness.

The IRC has undertaken all of its mandated activities in 2018. Among other activities, the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the Funds was reviewed by the IRC in 2018 and a full range of policies of the Manager relating to conflict of interest matters are in place. These are reported on in our Annual Report.

After serving as North Growth Management’s Independent Review Committee’s Chair since its inception over nine years ago, the IRC Chair resigned at the end of 2018. The new Chair, as at January 1, 2019, is Jill Leversage, an independent advisor and board member with over thirty years of senior executive experience in the investment banking industry at Highland West Capital, TD Securities and RBC Capital Markets.

We are pleased to present this 2018 annual report for the unitholders of the North Growth Funds. The IRC looks forward to continuing to work with the Manager to ensure that, through open communication and an effective working relationship, the best interests of the Funds are served when the Manager is faced with a conflict of interest matter.

Peter M. Jarvis  
Past Chair  
North Growth Management Ltd. Independent Review Committee

Independent Review Committee  
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North Growth Management Ltd established an Independent Review Committee in August 2009. Four meetings of the IRC were held in 2018.

**Mandate of the IRC**

In accordance with NI-81-107, the mandate of the IRC is to review for, and provide input to the Manager, on the Manager's written policies and procedures which deal with Conflicts of Interest Matters ("COIM's") and to review for and provide its decision to the Manager on such COIM's. The Manager is required under NI-81-107 to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action proves a fair and reasonable result for the Fund(s). For recurring COIM's, the IRC can provide North Growth with standing instructions ("Standing Instructions").

This report is available on North Growth Investment Management's website at ([www.northgrowth.com](http://www.northgrowth.com)) or you may request a copy, at no cost to you, by contacting North Growth at (604) 688.5440.

### **Members of the IRC**

| <b>Name and municipality of residence</b>      | <b>Principal Occupation</b>                  | <b>Length of Service<br/>First appointed</b> |
|--|--|--|
| Peter M. Jarvis, LLB<br>Vancouver, BC<br>Chair | Lawyer; Legal Counsel, Woodfibre LNG Limited | August 26, 2009                              |
| John K. Graf<br>Richmond, BC                   | Chartered Professional Accountant            | August 26, 2009                              |
| David Scott<br>Vancouver, BC                   | Corporate Director                           | August 26, 2009                              |

Each member of the IRC is independent of the Funds, the Manager and other companies related to the Manager. During the period, there were no changes in the composition of the IRC and there were no relationships that may cause a reasonable person to question a member's independence.

### **IRC Member Membership in the IRC's of Other Fund Families**

| <b>Name</b>     | <b>Other IRC</b> |
|-----------------|------------------|
| Peter M. Jarvis | QE Funds Corp.   |
| John K. Graf    | Nil              |
| David Scott     | Nil              |

### **Holding of Securities**

As at December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, any securities of any class or series of voting or equity securities of North Growth, any service provider to North Growth or a Fund.

### **IRC Compensation and Indemnification**

The aggregate compensation paid by the Funds to the IRC for the 2018 calendar year was \$15,625. The compensation consisted of quarterly retainers of \$1,875 for the Chair and \$1,250 for each of the other members; for reasons unrelated to the Funds and the Manager the Chair forewent their compensation for the Q4/2018 period. The Manager reimburses the Funds for the compensation paid to the IRC members.

No indemnities were paid to the IRC by the Funds during the period.

At least annually, the IRC will review its compensation in a manner consistent with reasonability and good governance practices, giving consideration to the following:

1. the best interest of the Funds;
2. that each Fund must pay its reasonable allocation of the compensation of the IRC from the assets of the Fund;
3. that the compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Funds;
4. the number, nature and complexity of the Funds for which the IRC acts, including the commitment of time and energy that is expected from each member;
5. industry best practices, including industry averages and surveys on IRC compensation;
6. the Manager's recommendations, if any; and
7. the IRC's most recent assessment, if any, of its compensation.

The matter of IRC compensation was reviewed during the third quarter of 2018 and it was determined to increase the IRC quarterly retainer amounts to \$2,500 for the Chair and \$2,000 for each of the other members, effective January 1, 2019.

### **Conflict of Interest Matters**

No conflict matters were referred to the IRC by the Manager and the IRC is not aware of any instance in which the Manager acted in a COIM referred to the IRC for which the IRC did not give a positive recommendation. The Manager has an obligation to notify the IRC of any such instance.

The IRC is not aware of any instance in which the Manager acted in a COIM but did not meet a condition imposed by the IRC in its recommendation or approval. The Manager has an obligation to notify the IRC of any such instance.

## **Standing Instructions**

The IRC has approved Standing Instructions, which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the Standing Instructions on an ongoing basis, without having to refer the COIM or its proposed action to the IRC, provided the Manager complies with the terms and conditions of the Standing Instructions. In each case the Standing Instructions require the Manager to comply with its related policy and procedures and to report periodically to the IRC.

A review of the sufficiency of the Standing Instructions was carried out by the Manager and the IRC in 2018 and the following Standing Instructions have been promulgated and are in effect as at December 31, 2018:

|           |   |   |
|-----------|---|---|
| <b>1</b>  | <b>Conflicts of Interest</b>                  | This SI governs conflicts of interest as between the nominal interests of the Manager and one or more Funds, and as between individual Funds. |
| <b>2</b>  | <b>Allocation of Investments among funds</b>  | This SI governs the way trades are allocated between Funds if more than one Fund is trading in an issuer at the same time.                    |
| <b>3</b>  | <b>Broker Evaluation and Selection</b>        | This SI addresses the factors taken into consideration by the Manager in selecting brokers to execute its trades                              |
| <b>4</b>  | <b>Change of Fund Auditor</b>                 | This SI governs the factors that must be present in order for the Manager to change Fund Auditor.   |
| <b>5</b>  | <b>Increases in Manager's Fees or Charges</b> | This SI governs the procedure to be followed in order to increase the Manager's fees or charges.  |
| <b>6</b>  | <b>NAV Discrepancy</b>                        | This SI governs the correction of a material error made in calculation of a Fund's NAV.   |
| <b>7</b>  | <b>Proxy Voting</b>                           | This SI governs the voting of proxies.  |
| <b>8</b>  | <b>Short Term Trading</b>                     | This SI governs the deterrence of short term trading in the Fund.   |
| <b>9</b>  | <b>Personal Trading</b>                       | This SI governs the personal investing of employees of the Manager.   |
| <b>10</b> | <b>Large Unitholder Transactions</b>          | This SI governs the disposition of a large number of units by a large unitholder of the Fund.   |

### **North Growth Funds Served by the IRC (the "Funds")**

US Equity Advisor Fund Series D  
US Equity Advisor Fund Series F  
Canadian Equity Fund Series D  
Canadian Equity Fund Series F