

# INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

NORTH GROWTH U.S. EQUITY ADVISOR FUND

PERIOD ENDED JUNE 30, 2019

Statements of financial position	1
Statements of comprehensive income	2
Statements of changes in net assets attributable to holders of redeemable units	3
Statements of cash flows	4
Schedule of equity investment portfolio	5
Schedule of short-term debt investment portfolio	6
Notes to the financial statements	7-25

# Management's Responsibility for Financial Reporting

August 20, 2019

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The accompanying financial statements of the Fund (as defined in Note 1) have been prepared by North Growth Management Ltd. (the "Manager"). The Manager of the Funds is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. These financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Funds are described in Note 2 to the financial statements.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements of the Fund (as defined in Note 1) after reviewing management's report of its financial reporting responsibilities.

# Notice to Unitholders

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**The Auditor of the Fund has not reviewed these financial statements.**

North Growth Management Ltd., the Manager of the Fund, appoints an independent auditor to audit the Funds' annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Funds' semi-annual financial statements, this must be disclosed in an accompanying notice.

# North Growth U.S. Equity Advisor Fund

## Statements of financial position (unaudited)

As at		June 30, 2019	December 31, 2018
<b>Assets</b>	<b>Note</b>		
Cash		\$ 371	\$ 9,407
Broker receivable		2	-
Interest receivable		10	-
Subscriptions receivable		45	-
Dividends receivable		43	36
Short term notes		10,231	-
Equity investments, at fair value (Cost: \$37,319; 2018: \$38,591)		60,718	55,687
		<b>71,420</b>	<b>65,130</b>
<b>Liabilities</b>			
Accrued liabilities	12	44	41
		<b>44</b>	<b>41</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 71,376</b>	<b>\$ 65,089</b>
<b>Represented by:</b>			
<b>Net assets attributable to holders of redeemable units</b>			
Series F		\$ 61,856	\$ 56,983
Series D		9,520	8,106
<b>Net assets attributable to holders of redeemable units per unit</b>			
Series F		\$ 34.19	\$ 30.25
Series D		34.26	30.35

APPROVED ON BEHALF OF THE MANAGER,  
NORTH GROWTH MANAGEMENT LTD.




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Rory North,  
CEO and Director

*The accompanying notes are an integral part of these financial statements*

# North Growth U.S. Equity Advisor Fund

## Statements of comprehensive income (unaudited)

(All amounts in thousands of Canadian dollars, except per unit amounts)

For the periods ended June 30,		2019	2018
<b>Revenue:</b>	<b>Note</b>		
Dividend income		\$ 398	\$ 392
Interest income		123	63
Foreign exchange loss on cash		(31)	(17)
Change in fair value of investments			
Net realized gain		2,174	6,134
Increase/(Decrease) in unrealized appreciation		6,180	(24)
<b>Total revenue</b>		<b>8,844</b>	<b>6,548</b>
<b>Expenses:</b>			
Management fees	8,12	246	239
Withholding taxes	4	61	60
Trailer fees	8	14	12
Transaction costs	11	9	19
<b>Total operating expenses</b>		<b>330</b>	<b>330</b>
<b>Increase in net assets attributable to holders of redeemable units, from operations excluding distributions</b>		<b>8,514</b>	<b>6,218</b>
<b>Increase in net assets attributable to holders of redeemable units, from operations</b>			
Series F	13	\$ 7,467	\$ 5,512
Series D	13	1,047	706
<b>Increase in net assets attributable to holders of redeemable units per unit, from operations</b>			
Series F	13	\$ 3.98	\$ 3.04
Series D	13	3.86	2.93

The accompanying notes are an integral part of these financial statements

# North Growth U.S. Equity Advisor Fund

## Statements of changes in net assets attributable to holders of redeemable units (unaudited)

(Amounts in thousands of Canadian dollars)

<b>For the period ended June 30, 2019</b>	<b>Series F</b>	<b>Series D</b>
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>\$ 56,983</b>	<b>\$ 8,106</b>
Increase in net assets attributable to holders of redeemable units, from operations	<b>7,467</b>	<b>1,047</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	1,933	519
Redemption of redeemable units	(4,527)	(152)
<b>Net (decrease)/increase from redeemable unit transactions</b>	<b>(2,594)</b>	<b>367</b>
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>4,873</b>	<b>1,414</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>\$ 61,856</b>	<b>\$ 9,520</b>
<b>For the period ended June 30, 2018</b>	<b>Series F</b>	<b>Series D</b>
<b>Net assets attributable to holders of redeemable units at beginning of year</b>	<b>\$ 57,363</b>	<b>\$ 7,040</b>
Increase in net assets attributable to holders of redeemable units, from operations	<b>5,512</b>	<b>706</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	1,292	1,346
Redemption of redeemable units	(1,061)	(370)
<b>Net increase from redeemable unit transactions</b>	<b>231</b>	<b>976</b>
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>5,743</b>	<b>1,682</b>
<b>Net assets attributable to holders of redeemable units at end of year</b>	<b>\$ 63,106</b>	<b>\$ 8,722</b>

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# North Growth U.S. Equity Advisor Fund

## Statements of cash flows

(Amounts in thousands of Canadian dollars)

For the periods ended June 30,	2019	2018
<b>Cash (used in)/provided by:</b>		
<b>Operating activities</b>		
Increase in net assets attributable to holders of redeemable units, from operations	\$ 8,514	\$ 6,218
<b>Adjust for:</b>		
Foreign exchange loss on cash	(31)	(17)
Net realized gain on sale of investments	(2,174)	(6,134)
Interest income on short term notes	(51)	-
Dividend income	(398)	(392)
Withholding taxes on dividend income	61	60
Change in broker and interest receivable	(12)	6
Change in unrealized appreciation of investments	(6,180)	24
Change in unrealized appreciation/(depreciation) of cash	(96)	-
Purchases of investments	(29,786)	(17,277)
Proceeds from sale of investments	23,025	17,107
Change in accrued liabilities	3	3
Dividends received	330	316
<b>Net cash flow used in operating activities</b>	<b>(6,795)</b>	<b>(86)</b>
<b>Financing activities</b>		
Proceeds from issuances of redeemable units	2,407	2,588
Amounts paid on redemption of redeemable units	(4,679)	(1,421)
<b>Net cash flow (used in)/from financing activities</b>	<b>(2,272)</b>	<b>1,167</b>
Foreign exchange loss on cash	31	17
Net (decrease)/increase in cash	(9,067)	1,081
Cash at beginning of year	9,407	8,958
<b>Cash at end of year</b>	<b>\$ 371</b>	<b>\$ 10,056</b>

The accompanying notes are an integral part of these financial statements



# North Growth U.S. Equity Advisor Fund

## Schedule of equity investment portfolio (unaudited)

As at June 30, 2019

*(Amounts in thousands of Canadian dollars, number of shares expressed in thousands)*

Number of Shares	Foreign Common Shares	Cost	Carrying Value
57	Cisco Systems Inc.	\$ 1,227	\$ 4,063
41	First Solar Inc.	2,079	3,541
41	Applied Materials Inc.	1,125	2,412
36	Intel Corporation	821	2,286
91	American Eagle Outfitters Inc.	1,883	2,020
46	Jabil Inc	1,673	1,919
35	Ciena Corp	1,035	1,905
7	Apple Inc.	275	1,711
8	Motorola Solutions Inc	1,068	1,680
7	Amgen Inc.	903	1,644
18	Gilead Sciences Inc.	1,034	1,627
28	Boston Scientific Corporation	851	1,597
17	Cerner Corporation	891	1,595
29	Johnson Controls International plc	1,372	1,592
14	Abbott Laboratories	736	1,562
19	Itron Inc.	1,046	1,545
10	Zimmer Biomet Holdings Inc.	879	1,532
26	Herman Miller Inc.	661	1,518
18	SolarEdge Technologies Inc.	668	1,504
53	HP Inc.	1,424	1,454
11	Electronic Arts Inc.	900	1,398
25	Pfizer Inc.	648	1,396
65	DSP Group Inc.	548	1,222
6	FedEx Corp.	1,183	1,203
35	TPI Composites Inc	1,040	1,128
23	II-VI Inc.	1,040	1,115
6	Microsoft Corporation	173	1,111
7	Texas Instruments Inc.	203	1,106
26	Skechers U.S.A., Inc.	990	1,076
3	Anthem Inc.	162	944
5	The Walt Disney Company	752	914
7	Citrix Systems Inc.	430	906
12	Fortune Brands Home & Security Inc	683	886
17	Masco Corp	681	847
5	Varian Medical Systems Inc.	277	846
2	Ulta Beauty Inc.	469	794
8	Best Buy Co., Inc.	686	730
13	Foot Locker, Inc.	729	730
24	Urban Outfitters Inc.	908	718
12	Bristol-Myers Squibb Company	746	712
6	LogMeIn Inc	785	605
13	Varex imaging Corporation	526	541
3	Watts Water Technologies Inc	368	408
4	Jacobs Engineering Group Inc.	367	398
2	Coherent, Inc	374	277
<b>Total investments</b>		<b>\$ 37,319</b>	<b>\$ 60,718</b>

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# North Growth U.S. Equity Advisor Fund

## Schedule of short-term debt investment portfolio (unaudited)

(Amounts in thousands of Canadian dollars)

<b>As at June 30, 2019</b>				
<b>Par Value \$</b>	<b>Short Term Notes (treasury bills 100%)</b>	<b>Cost \$</b>	<b>Fair Value \$</b>	
3,750	Government of Canada, 1.65%, October 3, 2019	\$ 3,731	\$	3,731
6,545	United States Treasury Bills, 2.16%, October 3, 2019	\$ 6,500	\$	6,500
<b>Total short term note investments</b>		<b>\$ 10,231</b>	<b>\$</b>	<b>10,231</b>
<b>As at December 31, 2018</b>				
<b>Par Value \$</b>	<b>Short Term Notes (treasury bills 100%)</b>	<b>Cost \$</b>	<b>Fair Value \$</b>	
-	There were no short-term notes in the portfolio on December 31, 2018	\$ -	\$	-
<b>Total short term note investments</b>		<b>\$ -</b>	<b>\$</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements

# Notes to the financial statements

## 1. THE FUND

The North Growth U.S. Equity Advisor Fund (the "Fund") is an open-ended mutual fund established under the laws of the Province of British Columbia and is governed by the Declaration of Trust dated May 7, 2009 (the Declaration of Trust), as amended from time to time. The address of the Fund's registered office is 830 – 505 Burrard Street, Vancouver, British Columbia. The Fund invests in equity securities of companies of the United State of America. The financial statements are presented in Canadian dollars ("CAD"), which is the Fund's functional currency. The financial statements were authorized for issue by North Growth Management Ltd. (the "Manager") on August 20, 2019.

For purposes of these financial statements, reference herein to "year" or "years" includes, where applicable, "period" or "periods".

## 2. BASIS OF PRESENTATION

These interim financial statements for the half year reporting period ended June 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), notably, Accounting Standard 34 *Interim Financial Reporting* as published by the International Accounting Standards Board ("IASB").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods in the financial statements.

#### (a) Basis of Measurement

The financial statements are based on the historical cost basis except for investments which are measured at fair value.

#### (b) Financial instruments

##### i. Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Fund may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Fund may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

#### ii. Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Fund's investments in securities are classified as FVTPL.

The Fund's investment in short-term Canadian debt securities are valued at their cost. This value, together with accrued interest, approximates fair value using closing prices.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

iii. Amortized Cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies cash, dividends receivable, interest receivable, accrued liabilities and distributions payable to holders of redeemable units as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(c) Accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts in these financial statements. Actual results may differ from these estimates.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Investment transactions, income, and transaction costs

Interest income is recognized on an accrual basis using the effective interest method. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Investment transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

Transaction costs, such as brokerage commissions included in the purchase and sale of securities by the Fund, incurred for financial instruments classified as FVTPL, are recognized in the Statement of comprehensive income in the year incurred. Transaction costs are incremental costs that are directly paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties.

#### (e) Translation of foreign currencies

The Fund's subscriptions and redemptions are denominated in CAD, which is also its functional and presentation currency. Foreign currency assets and liabilities are translated into CAD at the rate of exchange prevailing on the year-end date except for the historical costs of investments which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments and investment income in foreign currencies are translated into CAD at the approximate rate of exchange prevailing on the dates of such transactions. Gains and losses from transactions in and the translation of foreign currencies are considered to be investment transactions and accordingly are included in the net gain or loss on investments.

#### (f) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has designated the redeemable units as financial liabilities at FVTPL because they are managed and their performance evaluated on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year. Refer to Note 13 for the calculation.

**(g) Unrealized appreciation or depreciation of investments**

The unrealized appreciation or depreciation of investments represents the aggregate of the difference between their average cost and fair value at the reporting date.

**(h) Per unit amounts**

The net asset value per unit is calculated based on the number of units outstanding at the end of the year.

Increase (decrease) in net assets per unit in the Statement of comprehensive income represent the increase (decrease) in the net assets from operations excluding distribution, divided by the average number of units outstanding during the year.

### 4. TAXATION

The Fund is classified as a "Mutual Fund Trust" under the Income Tax Act (Canada). The Fund distributes to its unitholders all of its annual taxable income, including its taxable net realized capital gains, with the result that the Fund does not pay any income taxes. Accordingly, the Fund does not record any income taxes in its financial statements.

The Fund currently incurs withholding taxes imposed by the United States on dividend income at a rate of 15%. Such dividend income is recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.



## 5. DISTRIBUTION TO UNITHOLDERS

The Fund makes annual distributions, typically in December, to unitholders of its taxable net investment income and the net realized capital gains on sale of investments. No distributions occur in years when there is no taxable net investment income or net realized capital gain on the sale of investments. There were no distributions during the period ended June 30, 2019 (2018 – none).

Distributed amounts are reinvested in additional units of the Fund unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

## 6. CAPITAL DISCLOSURES

The capital of the Fund is represented by issued and redeemable units with no par value. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's net asset value per unit upon redemption. The Fund does not have any externally imposed capital requirements.

The relevant movements in capital are shown in the Statement of changes in net assets attributable to holders of redeemable units and Note 7. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 10, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

## 7. REDEEMABLE UNITS

Unitholders' equity includes a fund's units outstanding, retained net investment income, net realized gains or losses on sale of investments, and the unrealized appreciation or depreciation of investments.

The Fund has two series of units, Series F and Series D, which are similar in all respects except that Series D units have a dealer compensation structure. Both series are only available to investors who purchase units from authorized third-party dealers. The number of units of each series that may be issued is unlimited. Subscriptions and redemptions may be transacted in either CAD or USD.

During the periods ended June 30, 2019 and 2018, the number of units issued, redeemed and outstanding was as follows:

	Series F	Series D
Units outstanding at January 1, 2019	1,883,915.025	267,050.584
Redeemable units issued	58,698.571	15,389.853
Redeemable units redeemed	(133,398.872)	(4,566.986)
Units outstanding at June 30, 2019	1,809,214.724	277,873.451

	Series F	Series D
Units outstanding at January 1, 2018	1,808,366.983	221,218.448
Redeemable units issued	38,652.710	39,958.417
Redeemable units redeemed	(31,652.039)	(10,713.125)
Units outstanding at June 30, 2018	1,815,367.654	250,463.740

## 8. MANAGEMENT FEES AND OTHER EXPENSES

The Manager provides research, accounting, sales, and management services and acts as investment advisor. Management fees are calculated daily and payable monthly at an annual rate of 0.70% of the net assets of each series of units of the Fund (2018 – 0.70%).

Trailer fees, a form of dealer compensation, apply only to Series D units and are calculated daily and payable monthly at an annual rate of 0.30% of the net asset value of the Series D units.

For the period ended June 30, 2019, out of its all-in management fee, the Manager has disbursed Independent Review Committee fees in the amount of \$13 (2018 – \$9).

## 9. FINANCIAL INSTRUMENTS

### *Financial instruments by category*

The following tables present the carrying amounts of the Fund's financial assets by category as at June 30, 2019. All of the Fund's financial liabilities as at June 30, 2019 were carried at amortized cost.

Assets	Financial assets at FVTPL	Financial assets at amortized cost	Total
Equity investments	\$60,718	-	\$60,718
Short-term Canadian Debt	10,231	-	10,231
Cash	-	371	371
Interest receivable	-	10	10
Subscriptions receivable		45	45
Broker receivable	-	2	2
Dividends receivable	-	43	43
Total	\$70,949	\$471	\$71,420

## 9. FINANCIAL INSTRUMENTS (CONT'D)

The following tables present the carrying amounts of the Fund's financial assets by category as at December 31, 2018. All of the Fund's financial liabilities as at December 31, 2018 were carried at amortized cost.

Assets	Financial assets at FVTPL	Financial assets at amortized cost	Total
Equity investments	\$55,687	-	\$55,687
Cash		9,407	9,407
Dividends receivable		36	36
Total	\$55,687	\$9,443	\$65,130

### *Fair Value Measurement*

The Fund classifies fair value measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3** Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

As at June 30, 2019	Level 1	Level 2	Level 3	Total
Equities	\$60,718	-	-	\$60,718
Short-term Debt	-	\$ 10,231	-	10,231

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	\$55,687	-	-	\$55,687

## 9. FINANCIAL INSTRUMENTS (CONT'D)

The carrying amount of the Fund's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security is actively traded and quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Fund only invests in Level 1 equities, upon analysis at June 30, 2019, there was no requirement to reclassify any of the securities.

## 10. FINANCIAL RISK MANAGEMENT

### *Investment Strategy*

The Fund aims to achieve long-term capital growth by investing primarily in equity securities of United States issuers. All equity securities are subject to normal market fluctuations and present a risk of loss of capital. The Manager manages this risk through a careful selection of securities. Securities are selected for key fundamental characteristics such as price earnings ratio, earnings growth and revenue growth. The goal is to identify securities of quality companies with financial strength and strong earnings growth that can be purchased at a reasonable price. The portfolio is monitored on a daily basis.

### *Financial Risk Management*

The Fund may be exposed to a variety of financial risks that are concentrated in its investment holdings. These financial risks include market risk (including interest rate risk, currency risk and price risk), liquidity risk, credit risk, and concentration risk. The Fund's overall risk management philosophy seeks to minimize the potential adverse effects of these risks on the Fund's financial performance. The maximum risk resulting from investing in financial instruments is the fair value of the financial instruments.

## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

The Fund's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

### *Interest Rate Risk*

Interest rate risk represents the potential loss resulting from fluctuations in interest rates and has the greatest impact on longer term debt instruments. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30, 2019 (%)	December 31, 2018 (%)
0-1 month	-	-
1-3 months	100	-
Total	100	-

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Currency Risk*

The Fund invests primarily in securities denominated in U.S. dollars and their value, expressed in Canadian dollars, is affected by changes in the rate of exchange between the Canadian and U.S. dollars. When the value of the Canadian dollar falls in relation to the U.S. dollar, then the value of the U.S. investments rises. When the value of the Canadian dollar rises, the value of the U.S. investments falls. Currency risk represents the potential loss that the Fund could incur from fluctuations in the Canadian dollar versus the U.S. dollar exchange rate. The Fund does not attempt to manage this risk.

The table below indicates the foreign currency to which the Fund had significant exposure at June 30, 2019 and December 31, 2018, in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to the foreign currency with all other variables being held constant.

	Exposure				Impact of 10% change, in Canadian Dollars, on net assets attributable to holders of redeemable units			
	Equities	Notes	Cash	Total	Equities	Notes	Cash	Total
U.S. Dollar – June 30, 2019	\$60,718	\$6,500	\$115	\$67,333	\$6,072	\$650	\$12	\$6,733
% of net assets attributable to holders of redeemable units	85.07	9.11	0.16	94.34	8.51	0.91	0.02	9.43
U.S. Dollar – December 31, 2018	\$55,687	-	\$4,375	\$60,062	\$5,569	-	\$438	\$6,006
% of net assets attributable to holders of redeemable units	85.56	-	6.72	92.28	8.56	-	0.67	9.23

## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Other Price Risk*

The Fund is exposed to price risk, which is the risk that the fair value of equity securities will be affected by changes in general market conditions. Changes in market conditions are influenced by corporate developments, changes in interest rates, changes in the level of inflation, and other political and economic developments. Equity securities in certain companies or companies within a certain industry may fluctuate differently because of changes in outlook for those individual companies or the particular industry. The share price of companies with smaller market capitalization is usually more volatile than that of more established companies with larger market capitalization.

Smaller companies may be developing new products that have not yet been tested in the marketplace or their products may quickly become obsolete. They may also have limited resources, including limited access to funds or unproven management. Smaller companies may trade less frequently and in smaller volume than shares of large companies. They may have few shares outstanding so a sale or purchase of shares may have a greater impact on the share price. The value of shares in small capitalization companies may rise and fall dramatically.

The overall market exposures were as follows:

Year	Fair Value (\$)	Net Assets (%)
Investments at June 30, 2019	60,718	85.07
Investments at December 31, 2018	55,687	85.56

Management does not believe that there is a good way of predicting potential future relationships between the Fund's net assets and any given indices. Calculation of market risk is consistent with the industry norm of using a Beta calculation which is calculated based on observed historical changes in value in relationship to a given index. Management calculated the 3-year Beta of the Fund in relation to the S&P 500 Index at 0.96 (December 31, 2018 – 0.99).



## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

Based on this number and, assuming all other variables are held constant, portfolio theory implies that a 10% move in the Index would have the following impact on net assets:

Year	Benchmark	Change in Benchmark (%)	Impact on Net Assets (\$)
June 30, 2019	S&P 500	+/- 10.00	+/- 5,829
December 31, 2018	S&P 500	+/- 10.00	+/- 5,513

The benchmark selected represents a general view of the Fund's investable universe. The S&P 500 Index tracks the common share price of 500 leading United States companies. The Fund is not managed to mimic this benchmark.

### *Liquidity Risk*

Liquidity risk represents the potential loss stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The value of securities is subject to greater fluctuation if they are not traded regularly. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Fund has no restrictions with regards to the market capitalization of its investments. If the Fund becomes more highly concentrated in stocks of companies with smaller market capitalization, liquidity risk will increase.

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

JUNE 30, 2019

Financial liabilities	On demand	< 3 months	Total
Accrued liabilities	\$ -	\$44	\$44

DECEMBER 31, 2018

Financial liabilities	On demand	< 3 months	Total
Accrued liabilities	\$ -	\$41	\$ 41

*Credit Risk*

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund.

Payments to brokers for securities purchased are only made upon delivery of the securities to the Fund. Delivery to brokers for securities sold is only made once the Fund has received payment from the broker. Therefore, the risk of default is considered minimal.

Credit risk is generally associated with derivative contracts and debt securities, such as bonds. The Canadian short-term notes held by the fund on June 30, 2019 had a credit rating of R-1 (high) and the U.S. short-term notes had a credit rating of AAA (December 31, 2018 – no short-term notes).

## 10. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Concentration Risk*

Concentration risk arises as a result of the concentration of exposure within the same category, whether it is geographic location, product type, or industry sector. The following is a summary of the Fund's concentration risk:

Market Segment	June 30, 2019	December 31, 2018
Capital Goods	5.52%	3.70%
Consumer Cyclical	5.34%	4.32%
Consumer Durables	4.56%	3.60%
Energy	8.65%	8.68%
Healthcare	17.37%	21.10%
Media & Entertainment	1.28%	-
Retail	3.16%	1.79%
Technology	37.50%	40.48%
Transportation	1.69%	1.89%
Other Net Assets	14.93%	14.44%

### *Capital Risk Management*

Units issued and outstanding are considered to be capital of the Fund. The Fund does not have any special capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 3:00 p.m., EST (12:00 p.m. Pacific), on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable. The units are redeemed for cash equal to a pro rata share of the Fund's NAV.

## 11. PORTFOLIO TRANSACTIONS

Information as to portfolio transactions is available to unitholders without charge, on request to the Manager.

Commissions paid to investment dealers and brokers during the period ended June 30, 2019 amounted to \$9 (2018 – \$19).

## 12. RELATED PARTY TRANSACTIONS

As at June 30, 2019, the Manager, and other entities under common control, own 58.24% (December 31, 2018 – 58.67%) of the units of the Fund.

Management fees paid to the Manager during the period ended June 30, 2019 amounted to \$246 (2018 – \$239).

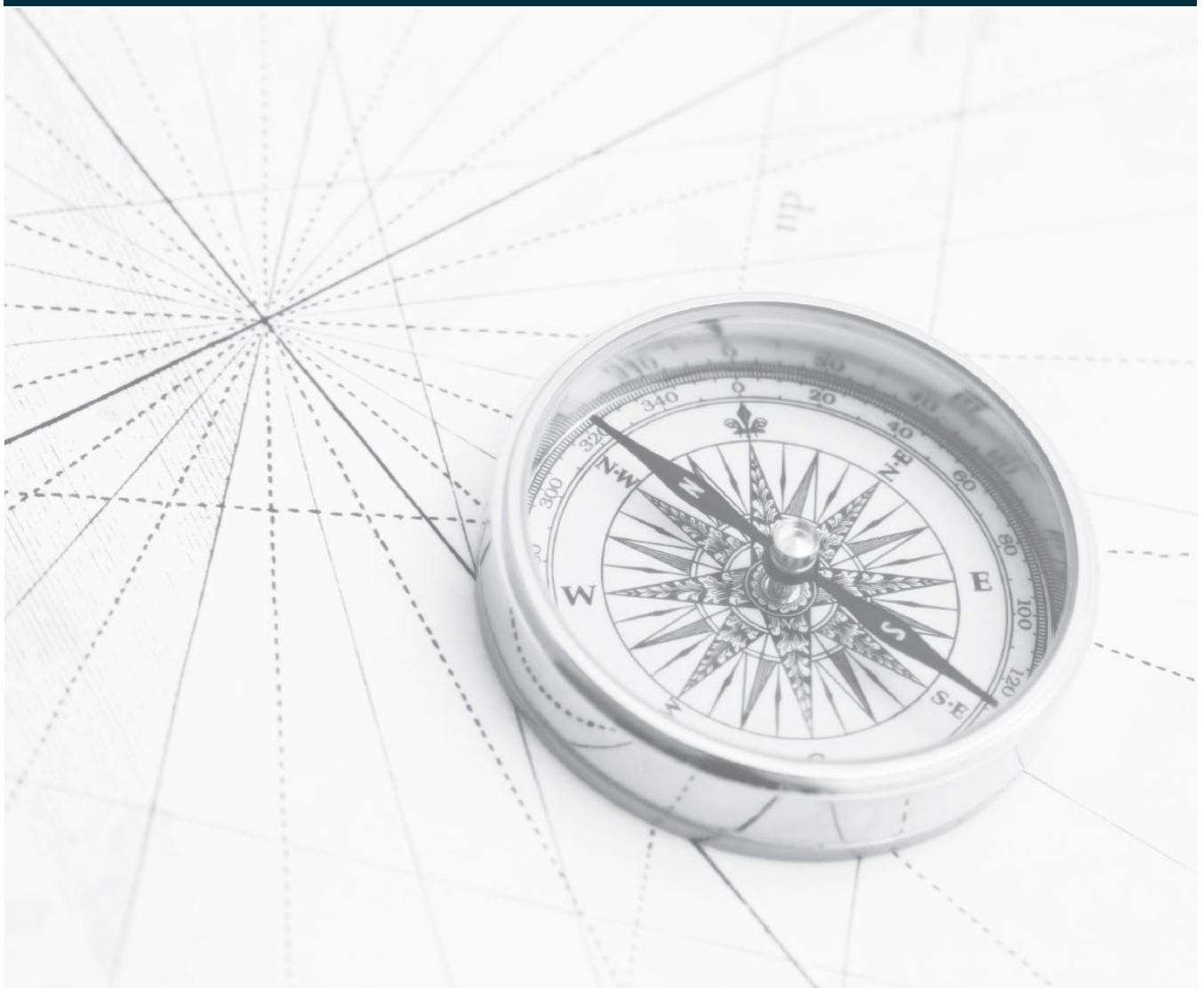
Included in accounts payable and accrued liabilities at June 30, 2019 are management fees owing to the Manager in the amount of \$41 (December 31, 2018 – \$39).

### 13. INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2019 and 2018 is calculated as follows:

2019	F	D
Decrease in net assets attributable to holders of redeemable units, from operations	\$ 7,467	\$ 1,047
Weighted average units outstanding during the period	1,876	271
Decrease in net assets attributable to holders of redeemable units per unit, from operations	\$ 3.98	\$ 3.86

2018	F	D
Increase in net assets attributable to holders of redeemable units, from operations	\$ 5,512	\$ 706
Weighted average units outstanding during the period	1,812	241
Increase in net assets attributable to holders of redeemable units per unit, from operations	\$ 3.04	\$ 2.93



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](mailto:info@northgrowth.com)

[northgrowth.com](http://northgrowth.com)