

# **North Growth U.S. Equity Advisor Fund**

Annual Financial Statements  
and Independent Auditor's Report to the Unitholders

Years ended December 31, 2023,  
and December 31, 2022



**KPMG LLP**

PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## **INDEPENDENT AUDITOR'S REPORT**

To the Unitholders of North Growth U.S. Equity Advisor Fund

### ***Opinion***

We have audited the financial statements of North Growth U.S. Equity Advisor Fund (the Fund), which comprise:

- the statements of financial position as at December 31, 2023 and 2022
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Other Information***

The Manager is responsible for the other information. Other information comprises:

- the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of the Manager and Those Charged with Governance for the Financial Statements***

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada  
March 15, 2024

# North Growth U.S. Equity Advisor Fund

December 31, 2023

## Table of contents

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

Notes to the financial statements ..... 6-20

**North Growth U.S. Equity Advisor Fund**  
**Statements of financial position**  
**December 31, 2023 and 2022**

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

	Note	2023	2022
<b>Assets</b>			
Cash		\$ 3,539	\$ 1,671
Receivable for units issued		9	-
Dividends receivable		28	55
Equity investments, at fair value		49,266	67,618
		<b>52,842</b>	<b>69,344</b>
<b>Liabilities</b>			
Accrued liabilities	12	33	44
Payable for units redeemed		-	1
		<b>33</b>	<b>45</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 52,809</b>	<b>\$ 69,299</b>
<b>Represented by:</b>			
<b>Net assets attributable to holders of redeemable units</b>			
<b>Series F</b>		<b>\$ 47,062</b>	<b>\$ 63,644</b>
<b>Series D</b>		<b>5,747</b>	<b>5,655</b>
<b>Net assets attributable to holders of redeemable units per unit</b>			
<b>Series F</b>		<b>\$ 40.63</b>	<b>\$ 36.32</b>
<b>Series D</b>		<b>40.74</b>	<b>36.47</b>

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

*/Erica Lau/*

Erica Lau  
CEO and Director

**North Growth U.S. Equity Advisor Fund**  
**Statements of comprehensive income**  
**Year ended December 31, 2023 and 2022**

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

	Note	2023	2022
<b>Revenue:</b>			
Dividend income		\$ 713	\$ 752
Interest income		146	35
Other income		-	21
Foreign exchange gain on cash		41	44
Trading loss covered by the manager		-	20
Change in fair value of investments			
Net realized gain / (loss)		11,503	(1,845)
Decrease in unrealized appreciation		(374)	(15,618)
<b>Total revenue</b>		<b>12,029</b>	<b>(16,591)</b>
<b>Expenses:</b>			
Management fees	8,12	432	519
Withholding taxes	4	86	119
Trailer fees	8	18	25
Transaction costs	11	21	51
<b>Total operating expenses</b>		<b>557</b>	<b>714</b>
<b>Increase / (Decrease) in net assets attributable to holders of redeemable units, from operations excluding distributions</b>		<b>11,472</b>	<b>(17,305)</b>
<b>Distribution to holders of redeemable units</b>			
From net investment income	5	(343)	(143)
From net realized gain on investments	5	(2,613)	-
		(2,956)	(143)
<b>Increase / (Decrease) in net assets attributable to holders of redeemable units, from operations</b>		<b>\$ 8,516</b>	<b>\$ (17,448)</b>
<b>Increase / (Decrease) in net assets attributable to holders of redeemable units, from operations</b>			
<b>Series F</b>		<b>\$ 7,850</b>	<b>\$ (14,494)</b>
<b>Series D</b>		<b>666</b>	<b>(2,954)</b>
<b>Increase / (Decrease) in net assets attributable to holders of redeemable units, from operations (excluding distributions)</b>			
<b>Series F</b>	13	<b>\$ 10,493</b>	<b>\$ (14,351)</b>
<b>Series D</b>	13	<b>979</b>	<b>(2,954)</b>
<b>Increase / (Decrease) in net assets attributable to holders of redeemable units per unit, from operations (excluding distributions)</b>			
<b>Series F</b>	13	<b>\$ 7.53</b>	<b>\$ (8.02)</b>
<b>Series D</b>	13	<b>6.70</b>	<b>(13.35)</b>

**North Growth U.S. Equity Advisor Fund**  
**Statements of changes in net assets attributable to holders of redeemable units**  
**Year ended December 31, 2023 and 2022**  
*(Amounts in thousands of Canadian dollars)*

**2023**

	Series F	Series D
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>\$ 63,644</b>	<b>\$ 5,655</b>
Increase in net assets attributable to holders of redeemable units, from operations	7,850	666
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	2,858	171
Reinvestment of distributions to holders of redeemable units	1,122	310
Redemption of redeemable units	(28,412)	(1,055)
<b>Net decrease from redeemable unit transactions</b>	<b>(24,432)</b>	<b>(574)</b>
<b>Net (decrease) / increase in net assets attributable to holders of redeemable units</b>	<b>(16,582)</b>	<b>92</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>\$ 47,062</b>	<b>\$ 5,747</b>

**2022**

	Series F	Series D
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	<b>\$ 74,593</b>	<b>\$ 16,248</b>
Decrease in net assets attributable to holders of redeemable units, from operations	(14,494)	(2,954)
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	5,981	1,007
Reinvestment of distributions to holders of redeemable units	46	-
Inter-series transfer of redeemable units	8,052	(8,052)
Redemption of redeemable units	(10,534)	(594)
<b>Net increase / (decrease) from redeemable unit transactions</b>	<b>3,545</b>	<b>(7,639)</b>
<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(10,949)</b>	<b>(10,593)</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>\$ 63,644</b>	<b>\$ 5,655</b>



**North Growth U.S. Equity Advisor Fund**  
**Statements of cash flows**  
**Year ended December 31, 2023 and 2022**

*(Amounts in thousands of Canadian dollars)*

	<b>2023</b>	<b>2022</b>
<b>Cash provided by / (used in):</b>		
<b>Operating activities</b>		
Increase / (Decrease) in net assets attributable to holders of redeemable units, from operations	\$ 8,516	\$ (17,448)
<b>Adjust for:</b>		
Foreign exchange gain on cash	(41)	(44)
Net realized gain on sale of investments	(11,503)	1,845
Interest income on short term notes	-	(7)
Dividend income	(713)	(752)
Withholding taxes on dividend income	86	119
Change in unrealized appreciation of investments	374	15,618
Return of capital	-	109
Purchase of investments	(12,394)	(44,055)
Proceeds from sale of investments	42,084	44,759
Change in accrued liabilities	(11)	(13)
Dividends received	654	628
Distributions to holders of redeemable units	2,956	143
<b>Net cash flow provided by operating activities</b>	<b>30,008</b>	<b>902</b>
<b>Financing activities</b>		
Distributions paid to holders of redeemable units	(1,524)	(97)
Proceeds from issuances of redeemable units	3,020	7,274
Amounts paid on redemption of redeemable units	(29,468)	(11,157)
<b>Net cash flow used in financing activities</b>	<b>(27,972)</b>	<b>(3,980)</b>
Foreign exchange gain on cash	41	44
Net increase / (decrease) in cash	2,036	(3,078)
Change in unrealized appreciation of cash	(209)	28
Cash at beginning of year	1,671	4,677
<b>Cash at end of year</b>	<b>\$ 3,539</b>	<b>\$ 1,671</b>

**North Growth U.S. Equity Advisor Fund**  
**Schedule of equity investment portfolio**  
**December 31, 2023**

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

<b>Number of Shares</b>	<b>Foreign Common Shares</b>	<b>Cost</b>	<b>Carrying Value</b>
22	Jabil Inc	\$ 950	\$ 3,726
13	Applied Materials Inc.	726	2,805
42	Ciena Corporation	2,041	2,521
5	Motorola Solutions Inc.	803	1,885
9	Qualcomm Inc.	1,739	1,816
31	Coherent Corp.	1,582	1,805
38	HP Inc.	1,076	1,527
8	Global Payments Inc.	1,333	1,427
2	Elevance Health, Inc.	570	1,401
20	Tempur Sealy International, Inc.	722	1,379
> 1	Booking Holdings Inc	731	1,290
7	Jacobs Solutions Inc.	915	1,276
42	InMode Ltd.	1,794	1,244
2	Nvidia Corp.	291	1,199
10	Abercrombie & Fitch Co.	229	1,194
> 1	NVR Inc.	1,034	1,157
23	Tapestry Inc	975	1,129
16	Lumentum Holdings Inc.	1,796	1,092
3	FedEx Corp.	753	1,019
3	Align Technology, Inc.	1,208	986
7	Integer Holdings Corporation	947	978
13	Johnson Controls International plc	663	977
2	Microsoft Corporation	158	974
17	Brinker International Inc.	576	971
9	Fortune Brands Innovations, Inc.	706	925
3	Charles River Laboratories International, Inc.	840	923
5	Electronic Arts Inc.	567	910
1	Thermo Fisher Scientific, Inc.	826	906
4	Apple Inc.	118	897
4	Texas Instruments Inc.	246	886
6	SolarEdge Technologies Inc.	1,071	798
52	Warner Bros. Discovery Inc.	933	786
3	Watts Water Technologies Inc	419	785
1	United Rentals, Inc.	528	690
5	Crocs, Inc.	379	679
1	Old Dominion Freight Line, Inc.	484	649
1	Ulta Beauty Inc.	534	619
3	Atkore Inc.	579	611
39	Arhaus Inc	488	605
2	RH	554	599
1	West Pharmaceutical Services, Inc.	352	459
1	Biogen Inc	226	311
14	Masterbrand, Inc.	189	283
2	Axonics Inc	134	167
<b>Total investments</b>		<b>\$ 33,785</b>	<b>\$ 49,266</b>

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

---

## 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 March 15, 2024.

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

## 2. Basis of Presentation

These financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

## 3. Material Accounting Policies

### Amendments to IAS 1, Presentation of Financial Statements - Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 that require entities to disclose material accounting policy information instead of significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Fund adopted this amendment effective the 2023 annual period with no substantial impact on the disclosure of its accounting policies.

The accounting policies set out below have been applied consistently to all year 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.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

*(Amounts in thousands of Canadian dollars, unless otherwise stated)*

---

## 3. Material Accounting Policies (continued)

### *(b) Financial instruments (continued)*

#### *(i) Recognition and measurement (continued)*

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.

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.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

*(Amounts in thousands of Canadian dollars, unless otherwise stated)*

---

## 3. Material Accounting Policies (continued)

### *(b) Financial instruments (continued)*

#### (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 Statements 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 and U.S. debt securities are valued at their fair value. The cost, together with accrued interest, approximates fair value using closing prices.

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, interest receivable, dividends receivable, and accrued liabilities 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.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

---

## 3. Material Accounting Policies (continued)

### (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.

Information about significant areas of estimation uncertainty, and critical judgement in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 9.

### (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 Statements 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 net asset value per unit is calculated in both CAD and United States Dollars ("USD"), allowing for subscriptions and redemptions in either currency, at the subscriber's discretion. The CAD is the Fund's 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.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

---

## 3. Material Accounting Policies (continued)

### (f) Redeemable units (continued)

Distributions to holders of redeemable units are recognized in the Statements of comprehensive income when they are authorized and no longer at the discretion of the Manager.

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 end of 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 Statements of comprehensive income represent the increase/(decrease) in the net assets from operations excluding distributions, divided by the average number of units outstanding during the year. Refer to Note 13 for the calculation.

## 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% (2022 - 15%) and from Ireland at a rate of 25% (2022 - 25%). Such dividend income is recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of comprehensive income.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

*(Amounts in thousands of Canadian dollars, unless otherwise stated)*

---

## **5. Distributions 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 the 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. During the year ended December 31, 2023, the fund distributed net realized net investment income of \$343 (2022 - \$143) and capital gains of \$2,613 (2022 - nil).

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 of net assets 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 financial 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.



# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 7. Redeemable Units

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 year ended December 31, 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

	Series F	Series D
<b>Units outstanding at January 1, 2023</b>	<b>1,752,398.9323</b>	<b>155,073.8760</b>
Redeemable units issued	70,452.0849	4,157.9851
Redeemable units issued on reinvestments	27,347.4407	7,555.2071
Redeemable units redeemed	(693,229.7060)	(25,730.6745)
<b>Units outstanding at December 31, 2023</b>	<b>1,156,968.7519</b>	<b>141,056.3937</b>

	Series F	Series D
<b>Units outstanding at January 1, 2022</b>	<b>1,669,706.1665</b>	<b>361,633.1286</b>
Redeemable units issued	162,202.5742	24,073.3789
Redeemable units issued on reinvestments	1,231.9410	-
Redeemable units transferred between series	216,808.1600	(215,783.2365)
Redeemable units redeemed	(297,549.9090)	(14,849.3950)
<b>Units outstanding at December 31, 2022</b>	<b>1,752,398.9323</b>	<b>155,073.8760</b>

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 8. Management Fees and Other Expenses

The Manager provides trustee, fund accounting, transfer agent, 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 (2022 - 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 (2022 - 0.30%).

For the year ended December 31, 2023, out of its all-in management fee, the Manager has disbursed Independent Review Committee fees in the amount of \$24 (2022 - \$21).

## 9. Financial Instruments

The following table presents the carrying amounts of the Fund's financial assets by category at December 31, 2023. All of the Fund's financial liabilities as at December 31, 2023 were carried at amortized cost, except for redeemable units at FVTPL.

Assets	Financial assets at FVTPL	Financial assets at amortized cost	Total
Equity investments	\$ 49,266	\$ -	\$ 49,266
Cash	-	3,539	3,539
Receivable for units issued	-	9	9
Dividends receivable	-	28	28
<b>Total</b>	<b>\$ 49,266</b>	<b>\$ 3,576</b>	<b>\$ 52,842</b>

The following tables present the carrying amounts of the Fund's financial assets by category as at December 31, 2022. All of the Fund's financial liabilities as at December 31, 2022 were carried at amortized cost, except for redeemable units at FVTPL.

Assets	Financial assets at FVTPL	Financial assets at amortized cost	Total
Equity investments	\$ 67,618	\$ -	\$ 67,618
Cash	-	1,671	1,671
Dividends receivable	-	55	55
<b>Total</b>	<b>\$ 67,618</b>	<b>\$ 1,726</b>	<b>\$ 69,344</b>

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 9. Financial Instruments (continued)

### *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).

<b>As at December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 49,266	\$ -	\$ -	\$ 49,266

  

<b>As at December 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 67,618	\$ -	\$ -	\$ 67,618

The carrying amount of the Fund's cash, accrued interest receivable, dividend, broker receivable, receivable for units issued, accrued liabilities and payables for units approximate fair value due to the short term nature, and net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount. They 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 and Level 2 short-term debt. Upon analysis on December 31, 2023 and 2022, there was no requirement to reclassify any of the securities in the Fund's portfolio.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

---

## 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.

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.

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 10. Financial Risk Management (continued)

### Currency Risk

The Fund invests primarily in securities denominated in USD and their value, expressed in CAD, is affected by changes in the rate of exchange between the Canadian and USD. When the value of the CAD falls in relation to the USD, then the value of the U.S. investments rises. When the value of the CAD rises, the value of the U.S. investments falls. Currency risk represents the potential loss that the Fund could incur from fluctuations in the CAD versus the USD 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 December 31, 2023 and December 31, 2022, in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the CAD 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 CAD on net assets attributable to holders of redeemable units		
	Investments	Cash	Total	Investments	Cash	Total
USD- December 31, 2023	\$ 49,266	\$ 2,705	\$ 51,971	\$ 4,927	\$ 271	+/- \$ 5,197
% of net assets attributable to holders of redeemable units	93.29	5.12	98.41	9.33	0.51	9.84
USD - December 31, 2022	\$ 67,618	\$ 1,671	\$ 69,289	\$ 6,762	\$ 167	+/- \$ 6,929
% of net assets attributable to holders of redeemable units	97.57	2.41	99.98	9.76	0.24	10.00

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 10. Financial Risk Management (continued)

### *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 (< \$2,000,000) 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 Fund's overall exposure to small capitalization companies at the end of the preceding two years were as follows:

<b>Year</b>	<b>Fair Value (\$)</b>	<b>Net Assets (%)</b>
Investments at December 31, 2023	978	1.85
Investments at December 31, 2022	2,007	2.97

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 Composite Index at 1.11 (2022 – 1.04). 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:

<b>Year</b>	<b>Benchmark</b>	<b>Change in Benchmark (%)</b>	<b>Impact on Net Assets (\$)</b>
December 31, 2023	S&P 500	+/- 10.00	+/- 5,469
December 31, 2022	S&P 500	+/- 10.00	+/- 7,032

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

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 10. Financial Risk Management (continued)

### *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.

### **December 31, 2023**

<b>Financial liabilities</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>Total</b>
Accrued liabilities	-	\$ 33	\$ 33

### **December 31, 2022**

<b>Financial liabilities</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>Total</b>
Accrued liabilities	-	\$ 44	\$ 44
Payable for units redeemed	-	1	1
	-	45	45

### *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 Fund's portfolio did not include any short-term notes at December 31, 2023 (2022 - none).

# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 10. Financial Risk Management (continued)

### *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:

<b>Market Segment</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Capital Goods	8.22%	7.51%
Clean Energy	1.51%	3.33%
Consumer Cyclical	8.13%	7.40%
Consumer Discretionary	2.19%	3.80%
Consumer Durables	7.18%	6.34%
Healthcare	13.97%	18.88%
Media/Entertainment	1.49%	1.35%
Retail	3.01%	5.55%
Technology	44.47%	40.57%
Transportation	3.16%	2.85%
Other Net Assets	6.67%	2.42%

### *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

Commissions paid to investment dealers and brokers during the year ended December 31, 2023 amounted to \$21 (2022 - \$51).



# North Growth U.S. Equity Advisor Fund

Notes to the financial statements

Years ended December 31, 2023 and 2022

(Amounts in thousands of Canadian dollars, unless otherwise stated)

## 12. Related Party Transactions

As at December 31, 2023, the Manager, and other entities under common control, own 3.14% (December 31, 2022 – 3.15%) of the units of the Fund under the same terms as arms-length unitholders.

Management fees paid to the Manager during the year ended December 31, 2023 amounted to \$432 (2022 - \$519).

Included in accrued liabilities at December 31, 2023 are management fees owing to the Manager in the amount of \$32 (December 31, 2022 - \$42).

## 13. Change 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 years ended December 31, 2023 and decrease for the period ended December 31, 2022 are calculated as follows:

<b>2023</b>	<b>F</b>	<b>D</b>
Increase in net assets attributable to holders of redeemable units, from operations (excluding distributions)	\$ 10,493	\$ 979
Weighted average units outstanding during the year	1,394	146
<b>Increase in net assets attributable to holders of redeemable units per unit, from operations (excluding distributions)</b>	<b>\$ 7.53</b>	<b>\$ 6.70</b>

  

<b>2022</b>	<b>F</b>	<b>D</b>
Decrease in net assets attributable to holders of redeemable units, from operations (excluding distributions)	\$ (14,673)	\$ (2,472)
Weighted average units outstanding during the year	1,790	221
<b>Decrease in net assets attributable to holders of redeemable units per unit, from operations (excluding distributions)</b>	<b>\$ (8.02)</b>	<b>\$ (13.35)</b>