

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE GBC AMERICAN GROWTH FUND INC.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

INCEPTION DATE
OCTOBER 1, 1988

THE PORTFOLIO MANAGEMENT TEAM
PEMBROKE MANAGEMENT LTD.

This interim Management Report of Fund Performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-668-7383, by writing to us at 150 King Street West, Suite 1210, Toronto, Ontario M5H 1J9 or by visiting our website at www.pml.ca or SEDAR at www.sedar.com. Shareholders may also contact us using one of these methods (except on the SEDAR website) to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment Objective and Strategies

The GBC American Growth Fund Inc. (the “Fund”) seeks to provide shareholders with long-term capital growth by investing primarily in small to mid-sized US companies. To achieve the Fund’s investment objective, we invest primarily in companies that have sustainable growth opportunities, a solid financial position, and a capable management team.

Risk

The overall risk of the Fund is as described in the Simplified Prospectus. There were no material changes to the Fund over the financial period that affected the overall level of risk associated with an investment in the Fund. The Fund is suitable for investors who have a medium tolerance for risk and are seeking long-term capital growth. The Fund holds US securities and as a result is exposed to US dollar currency risk. It is not the Fund’s policy to hedge currency exposure as the Board of Directors and Pembroke Management Ltd. (“Pembroke”) do not believe that hedging will add value in the long-term.

Results of Operations

For the six-month period ended June 30, 2018, the Fund posted a return of 19.80%. In comparison, the Fund’s benchmark index, the Russell 2000 posted a return of 13.01% for the same period. For the twelve months ended December 31, 2017, the Fund posted a return of 7.97% compared to the Fund’s benchmark which posted a 7.12% return.

North American equity markets generally moved higher in the first half of 2018. Buoyed by tax reform and a deregulation push in the US, business conditions remain favourable and economic growth is robust. More than large multinational companies, smaller companies are benefiting from the new US tax law and a strong US dollar. Unemployment levels are low and consumer confidence is high.

Carbonite (“CARB”) provides cloud-based data backup, disaster recovery services, software and on-premise data protection appliances, primarily for small and medium sized businesses. The company is benefiting from two important trends: 1) the rise in ransomware and viruses and 2) the move from on-premise to cloud-based solutions. CARB’s scale (e.g., in data centers and through its relatively large sales presence) allows it to offer competitive pricing at high margins. The expanding product scope also makes it a “one stop shop” in a fragmented market. The management team has successfully integrated several acquisitions, allowing the company to expand its product suite while also raising its profit margins. Pembroke’s investment team expects CARB to deliver a compelling combination of organic and acquired growth. Continued achievement of revenue and profit margin goals could lead to valuation expansion as more investors learn about CARB’s growth opportunity and strong competitive position.

Bofi Holdings (“BOFI”), an online bank whose stock has suffered periodic attacks from short-sellers, continues to meet its loan growth objectives while reporting impressive credit metrics. These successes demonstrate the company’s lending discipline and the benefits of using diverse data sets when making business or mortgage loans. As well, BOFI’s management has continued to diversify and strengthen its funding sources, making the bank less vulnerable to short attacks or a “bank run” than in the past. BOFI’s share prices has risen significantly since the short story began to unravel. Pembroke’s investment team has taken advantage of the run in the stock price to reduce its position but retains conviction in the long-term investment opportunity. Importantly, BOFI enjoys a higher return on capital than many of its competitors as its business model does not require a heavy investment in bricks-and-mortar branches. Pembroke believes that BOFI is on the cutting edge of what banking will look like in the future – a branchless system where banks compete based on deposit rates, services, and online usability.

Ferroglobe PLC (“GSM”), the world’s largest producer of silicon metal, ferro silicon and ferro manganese, posted impressive results for the first quarter of 2018. Revenue increased over 40% year-over-year and EBITDA was up over 200%. The company’s products are benefiting from numerous secular tailwinds: the growth in lighter-weight carbon, stainless steel and aluminum, proliferating semiconductors and solar panels, as well as the burgeoning demand for consumer products. As is the case with commodity-oriented stocks, however, the market often cares most about the short-term direction of change in the underlying commodities. In late March, the US Department of Commerce decided against implementing additional silicon metal tariffs, which prompted a decline in both the commodity price and GSM’s stock. Given that silicon metal demand is growing faster than supply and that the company is executing well, Pembroke’s investment team has added to its position.

Installed Building Products (“IBP”) is America’s second largest installer of insulation for the homebuilding and commercial construction markets. The company is facing short-term margin pressure due to sharply rising input costs – primarily insulation and labor. IBP and its key competitor both vehemently maintain they will more than pass through these added costs during 2018 and even expand their profit margins. Given the cyclical nature of the homebuilding and building products sectors, investors are more short-term focused. The Pembroke Investment team believe the stock will remain a compelling investment due to the company’s track record, competitive position and pricing power.

Results of Operations (Cont'd)

As at June 30, 2018 the total net asset value of the Fund was \$200 million as compared to \$172 million as at December 31, 2017. The cash position was 0.6% of net asset value. The number of shares outstanding in the Fund as at June 30, 2018 was 5.3 million compared with 5.4 million as at December 31, 2017.

Unrealized appreciation on investments as at June 30, 2018 was \$51.1 million as compared to \$32.7 million as at December 31, 2017 resulting in an increase in unrealized appreciation on investments of \$18.4 million. The Fund had net realized gains on investments sold during the period of \$15 million.

Fees and Expenses

During the six-month period, the Fund paid a total of \$0.3 million in operating expenses. The management expense ratio ("MER") for shareholders was 0.20%. There are no management fees charged to the Fund starting January 1, 2018. Refer to the Management fee section for further details on this change.

Shareholder Activity

Throughout the six-month period, \$2.6 million flowed into the Fund by way of subscriptions and \$8.2 million flowed out of the Fund as a result of redemptions.

Related Party Transactions

Pembroke Private Wealth Management Ltd. ("PPW") is the Fund's Manager. The Fund Manager provides the day-to-day management of the business and operations of the Fund. The fees paid to the Fund Manager are shown in the "Management Fees" section of this report. Pembroke is the portfolio manager of the Fund. Pembroke is the parent company of the Fund Manager, PPW. Pembroke's fees are paid by the Fund Manager, for services including investment, management, administration, advisory and accounting. The related party transactions take place in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Recent Developments

At the Annual Meeting of shareholders, which took place on March 19th, 2018, Deloitte LLP were reappointed as the auditors and four Directors were re-elected. The Directors are Mr. Ian Aitken, who has served since 2009, Mr. Marc Courtois, who has served since 2004, Mr. Glen Roane who has served since 2008 and Mr. Lloyd Segal, who has served since 2006. Mr. Marc Courtois was subsequently elected to serve as Chair of the Board of Directors. The next Annual Meeting of the Fund is scheduled to take place on Monday, March 18th, 2019.

Outlook

The first half of 2018 has been a success for the Fund on an absolute and relative basis. A combination of strong results from many of the Fund's holdings as well as a strong economic backdrop have contributed to a solid performance. The Pembroke investment team see consumer confidence manifested in company results - especially in the form of big ticket purchases, including recreational vehicles and auto sales. Similarly, business confidence is evidenced by aggressive technology spending and hiring. Many of the Fund's holdings are delivering robust growth in this environment.

Pembroke's investment team continues to manage the weightings of expensive holdings and is keeping a close eye on balance sheets given the rise in interest rates. The investment team is also carefully monitoring the increased risk of trade wars and is satisfied that most of its holdings are more domestically focused than dependent on international markets or supply chains. Most importantly, the investment team is encouraged by the upside potential and quality of the Fund's largest holdings. The fact that the investment team is identifying new opportunities for investment indicates that, while certain sectors of the market are expensive, there remain attractive pockets of opportunity for discerning investors.

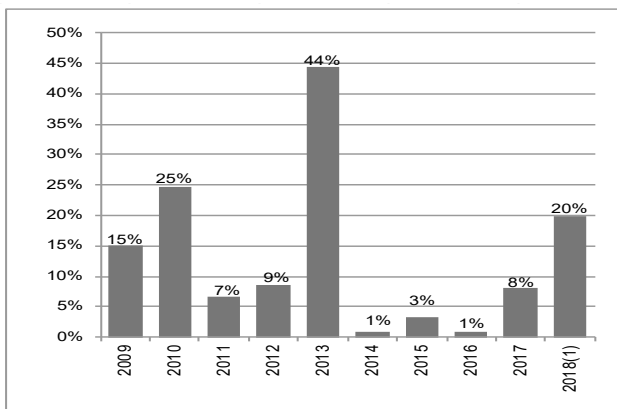
Past Performance

The indicated rates of return are the historical annual compounded total return changes in share values and reinvestment of all distributions and do not take into account sales, redemptions, distributions or other optional charges that would have reduced returns. Mutual funds are not guaranteed, their values may increase or decrease and past performance may not be repeated.

The Fund's performance numbers have been prepared under the assumption that all distributions are reinvested in additional shares of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes, whether paid to you in cash or reinvested in additional shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares that you own. This would decrease your capital gains or increase your capital losses when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-year returns

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year. The percentage figures indicated have been rounded to the nearest whole number due to space constraints.



(1) Six-month return to June 30, 2018

Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly.

Industry Sector	% of Net Asset Value
Information Technology	27.6%
Health Care	18.8%
Industrial	16.7%
Consumer Discretionary	12.8%
Financials	8.3%
Telecommunication Services	4.4%
Materials	2.6%
Consumer staples	1.7%
Energy	1.5%
Cash	0.6%
Other Net Current Assets	5.0%
Total	100.00%

Top 25 Holdings

Company	% of Net Asset Value	Industry Sector
1 Carbonite	4.2%	Information Technology
2 HMS Holdings	3.7%	Health Care
3 Pure Storage	3.7%	Information Technology
4 Stoneridge	3.4%	Consumer Discretionary
5 National Gen Holdings	3.3%	Financials
6 Boingo Wireless	3.2%	Telecommunication Services
7 WNS Holdings	3.0%	Information Technology
8 Premier	2.9%	Health Care
9 Euronet Worldwide	2.9%	Information Technology
10 Upland Software	2.9%	Information Technology
11 BioTelemetry	2.9%	Health Care
12 Monolithic Power Systems	2.9%	Information Technology
13 Gentherm	2.7%	Consumer Discretionary
14 Bofl Holding	2.6%	Financials
15 Albany International	2.5%	Industrials
16 LCI Industries	2.4%	Consumer Discretionary
17 Installed Building Products	2.3%	Consumer Discretionary
18 Franklin Covey	2.2%	Industrials
19 Healthstream	2.2%	Health Care
20 Masonite International	2.0%	Industrials
21 PetIQ	1.9%	Health Care
22 Ferroglobe	1.9%	Materials
23 Charles River Laboratories	1.8%	Health Care
24 J2 Global	1.8%	Information Technology
25 GTT Communications	1.7%	Information Technology
Top 25 Holdings	67.0%	

THE GBC AMERICAN GROWTH FUND INC.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the financial periods indicated. This information is derived from the Fund's audited annual financial statements (excluding June 30, 2018 information). The information presented is based on prescribed regulations and, as a result, is not expected to add up due to the increase (decrease) in net assets attributable to holders of redeemable shares being based on the average shares outstanding during the period and all other numbers being based on the actual shares outstanding at the relevant point in time. The June 30, 2018 interim financial statements are unaudited.

THE FUND'S NET ASSETS PER SHARE						
	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net assets attributable to holders of redeemable shares, beginning of period ⁽¹⁾	31.65	29.31	29.03	28.08	28.25	19.56
Increase (decrease) in net assets attributable to holders of redeemable shares:						
Total revenue	0.07	0.07	0.06	0.08	0.04	0.02
Total expenses	(0.05)	(0.62)	(0.56)	(0.60)	(0.57)	(0.49)
Realized gains (losses) for the period	2.82	3.16	0.99	4.09	4.07	2.36
Unrealized gains (losses) for the period	3.42	(0.27)	(0.40)	(2.52)	(3.34)	6.81
Total Increase (decrease) in net assets attributable to holders of redeemable shares ⁽²⁾	6.26	2.34	0.09	1.05	0.20	8.70
Distributions to holders of redeemable shares:						
From income (excluding dividends)	-	-	-	-	(0.40)	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return on capital	-	-	-	-	-	-
Total distributions to holders of redeemable shares ⁽³⁾	-	-	-	-	(0.40)	-
Net assets attributable to holders of redeemable shares, end of period ⁽⁴⁾	37.91	31.65	29.31	29.03	28.08	28.25

(1) This information is derived from the Fund's audited annual financial statements or unaudited interim financial statements.

(2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) in net assets attributable to holder's of redeemable shares is based on the weighted average number of shares outstanding over the financial period.

(3) Dividends were paid in cash and/or reinvested in additional shares of the Fund.

(4) This table is not intended to be a reconciliation of beginning to ending net assets per share.

RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)

	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total net asset value (\$) (000's) ⁽¹⁾	200,006	172,033	176,790	190,039	197,632	201,198
Number of shares outstanding (000's) ⁽¹⁾	5,275	5,436	6,031	6,546	7,038	7,122
Management expense ratio (%) ⁽²⁾⁽⁵⁾	0.20	1.90	1.90	1.89	1.88	1.90
Management expense ratio before waivers or absorptions (%) ⁽²⁾⁽⁵⁾	0.20	1.90	1.90	1.89	1.88	1.90
Trading expense ratio (%) ⁽³⁾	0.15	0.12	0.17	0.14	0.17	0.17
Portfolio turnover rate (%) ⁽⁴⁾	25.92	37.03	43.60	48.38	56.88	42.36
Net asset value per shares (\$)	37.91	31.65	29.31	29.03	28.08	28.25

(1) This information is provided as at June 30 or December 31 of the period shown, as applicable.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated period (including Harmonized Sales Tax, Goods and Service Tax, income tax and interest) but excluding foreign withholding taxes, commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. Pembroke Private Wealth Management Ltd. ("PPW") may, at its discretion and without notice to shareholders, waive or absorb certain operating expenses. The GBC American Growth Fund Inc. did not have any expenses waived or absorbed in any of the periods presented.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) As a comparative, if the New Fee Payment Model change effective January 1st, 2018 would have been in effect throughout fiscal period 2017, the adjusted MER of the Fund in 2017 would have been 0.19%.

THE GBC AMERICAN GROWTH FUND INC.

Financial Highlights (Cont'd)**Management Fees**

Further to the special meetings of holders of the GBC Mutual Funds held on January 8, 2018 (the "Meetings"), PPW announced that shareholders of the Fund approved a New Fee Payment Model. Under this new fee payment structure effective January 1, 2018, management fees are no longer charged to the Fund. Instead, the management fees are charged directly to shareholders. Subject to the maximum fees set forth below, shareholders will be charged management fees based on their assets under management. Such management fees will be payable directly to PPW by the redemption (without charge) of a sufficient number of shares of the Fund held. This new approach results in enhanced fee transparency, aligns the mutual fund fee structure with the pooled fund fee structure and in certain cases results in reduced fees.

Following this approval, the amount of management fees shareholders pay will be determined based on the amount of assets under management, subject to the following maximum annual management fees:

Name of the Fund	Assets under management		
	Under \$1 million	Between \$1 million and \$5 million	Above \$5 million
The GBC Money Market Fund	0.10%	0.10%	0.10%
The GBC Canadian Bond Fund	0.65%	0.50%	0.40%
The GBC Growth and Income Fund	1.30%	1.20%	0.85%
The GBC Canadian Growth Fund	1.70%	1.50%	1.00%
The GBC American Growth Fund Inc.	1.50%	1.50%	1.00%
The GBC International Growth Fund	1.50%	1.50%	1.00%

Management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, and providing other services. For the period ended June 30, 2018, none of the management fees received by the Manager were used to fund commission payments and other dealer compensation (collectively "distribution-related costs") paid to registered dealers and brokers for shares of the Fund bought and held by investors.

P E M B R O K E

THE GBC AMERICAN GROWTH FUND INC.

Caution Regarding Forward-looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Further, it should be noted that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

P E M B R O K E

P R I V A T E W E A L T H M A N A G E M E N T

150 King Street West, Suite 1210
Toronto, Ontario M5H 1J9, Canada
Tel. 416-366-2550 800-668-7383 Fax 416-366-6833

1002 Sherbrooke Street West, Suite 1700
Montreal, Quebec H3A 3S4, Canada
Tel. 514-848-0716 800-667-0716 Fax 514-848-9620

Pembroke Private Wealth Management Ltd.
is a mutual fund dealer and manager of the GBC Funds
Pembroke Management Ltd. is an investment adviser.

Custodial service provided by RBC Investor Services Trust.
Shareholder Recordkeeping provided by L&T Infotech Financial Services Technologies Inc.
Annual audit performed by Deloitte LLP.

