PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE GBC AMERICAN GROWTH FUND INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2019

INCEPTION DATE
OCTOBER 1, 1988

THE PORTFOLIO MANAGMENT TEAM
PEMBROKE MANAGEMENT LTD.

This annual 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 year 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 year ended December 31, 2019, the Fund posted a return of 14.64%. In comparison, the Fund's benchmark index, the Russell 2000 posted a 19.51% return for the year. For the year ended December 31, 2018, the Fund posted a return of 7.87% compared to the Fund's benchmark which posted a return of -3.23%.

In the US, a strong overall year for markets belied significant underlying shifts. In the first half of the year, the market was led by growth stocks, which benefited from low interest rates, limited exposure to US-China trade tensions, and secular growth in the face of muted economic expansion. The market surge in the second half of the year, and specifically the final four months, was driven by cyclical and value companies as investors positioned themselves for a resolution to the US-China trade war and potential economic acceleration. While certain sectors and styles may fall in and out of favour for brief periods, Pembroke remains focused on investing in profitable, well-capitalized, shareholder-focused growth companies. Pembroke is also committed to running portfolios diversified across industries and sectors.

Shares in Installed Building Products ("IBP") surged in 2019 after a challenging 2018. The company raised profit margins while continuing to execute its consolidation strategy in the residential insulation market. The company is also leveraging its relationships to offer more products and services to its customer base while also pushing into the commercial market for insulation. Home construction in the US is healthy, but there is ample opportunity for ongoing growth given the slowdown in building following the 2008 financial crisis.

Shares in Paycom Software ("PAYC") continued their march higher on the back of strong third-quarter 2019 results and a robust outlook for the remainder of 2019. In the third quarter, revenue rose over 31% and adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") jumped over 44%. PAYC is run by its founder, who holds over $2 billion of stock in the company. The company provides payroll and workforce management solutions to its primarily US customers, displacing older technology with its cloud-based solutions that are quick to implement and easy to use. The company has a proven ability to cross-sell services into its existing customer base as well as to open offices in new regions and win significant market share from its competitors. Pembroke took advantage of the stock's weakness during October to add to its position.

Boingo Wireless ("WIFI") has been in Pembroke's US portfolio for roughly four years. During that time, the stock had a strong run driven by increasing EBITDA, a turn to positive free cash flow, and general confidence in the company's ability to build network infrastructure to help its telecom customers deal with increasingly congested mobile data networks. The stock underwent a significant decline in 2019 caused by accounting changes, concerns regarding Sprint's merger with T-Mobile and what that will mean for the company, a CEO transition, and finally speculation regarding WIFI's relevance in a 5G-network world. Pembroke's investment team accepts that the investment has some complex elements and challenges that may have been underappreciated at the outset, but it does not believe that the company's growth opportunities have been impaired. Pembroke continues to own a position in the company based on the fact that WIFI has a strong reputation with its customers and that network congestion challenges are likely to persist.

Shares in Green Dot ("GDOT"), a financial technology and bank holding company focused on enabling branchless banking transactions, declined in 2019 following two quarters of disappointing financial guidance. The company cited the need to increase marketing spending in order to innovate and launch new products. Moreover, management noted increasing pressures in its legacy reloadable prepaid card business from competitors with "freemium" offerings, who are aggressively vying for market share and forgoing profitability in the short-term. While GDOT's direct deposit and digital banking offerings are growing at an admirable pace, the attrition rate of the legacy prepaid card operations proved to be a more significant headwind to overall corporate growth than was anticipated by the market. As such, the valuation multiples being afforded to GDOT shares compressed significantly. Pembroke sold its position in GDOT after the second negative revision of guidance, and shares have continued to decline since.

Results of Operations (Cont'd)

At December 31, 2019, the total net asset value of the Fund was $187.0 million as compared to $176.0 million at December 31, 2018. The cash position was 0.93% of net asset value. The number of shares outstanding in the Fund as at December 31, 2019 was 4.8 million compared with 5.2 million as at December 31, 2018.

Unrealized appreciation on investments at December 31, 2019 was $40.5 million as compared to $25.8 million at December 31, 2018 resulting in an increase in unrealized appreciation on investments of $14.7 million. The Fund had net realized gains on investments sold during the year of $11.1 million.

Fees and Expenses

During the year, the Fund paid a total of $0.5 million in operating expenses. The management expense ratio ("MER") for shareholders was 0.18%. There are no management fees charged to the Fund starting January 1, 2018 as the management fees are charged directly to the shareholders outside the Fund. Refer to the Management Fees section for further details on this.

Shareholder Activity

Throughout the year, $11.7 million flowed into the Fund by way of subscriptions and $26 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

Outlook

As the bull market passes the ten-year mark, the team is focused on balance sheets, valuation, and diversification in order to protect capital in the event of an unforeseen economic downturn. Nevertheless, the fundamental backdrop continues to be positive for US equities, with low interest rates supporting valuations, innovation driving growth and investment opportunities, and strong employment driving robust consumer activity. Additionally, with most economists predicting another year of global economic growth below 3%, shares in companies able to grow their revenue and earnings at high single-digit or low double-digit growth rates should be rewarded. Finally, it would not be surprising for the trade war between the US and China to rear its head again. Many small/mid capitalization companies exposed primarily to the US economy are well-positioned to prosper regardless of these geo-political tensions. The underlying fundamentals and valuation characteristics of the portfolio leave the Pembroke team confident in the US portfolio's positioning heading into 2020.

The next Annual Meeting of the Fund will take place at 4:00PM on Monday, March 16, 2020, at the offices of PPW, 1002 Sherbrooke St. West, Montreal, Quebec. All shareholders are invited to attend the Annual Meeting and we would ask you to confirm your attendance in advance.

At the Annual Meeting the Shareholders are being asked to consider and, if deemed advisable, to pass a special resolution approving a change of name of the Fund from **The GBC American Growth Fund Inc.** to **Pembroke American Growth Fund Inc**. With the goal of strengthening the Pembroke brand, the Fund Manager will be renaming the GBC family of mutual funds to use the word "Pembroke" when the 2020 Simplified Prospectus is filed with the appropriate securities regulator.

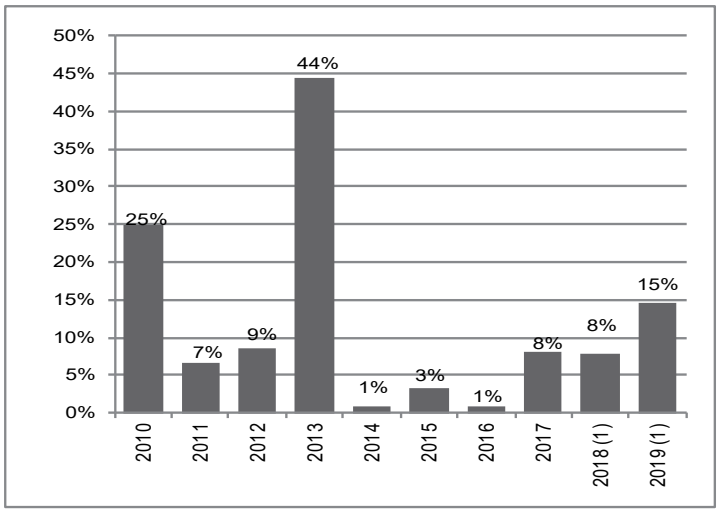
Past Performance

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 assume 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) Effective January 1, 2018, management fees are charged directly to shareholders based on their assets under management and Fund performance is reported net of transaction costs and all other expenses, **excluding** management fees and applicable taxes. Prior to January 1, 2018, Fund performance was reported net of transaction costs and all other expenses, **including** management fees and applicable taxes. Refer to the Management Fees section for further details on this.

Annual compound returns

The following table shows the Fund's annual compound total return for the periods shown ending on December 31, 2019. The annual compound total return is also compared to the Russell 2000 Total Return and to the S&P 500 Total Return Indices on the same compound basis.

All index returns are calculated in Canadian dollars on a total return basis.

December 31, 2019	1 yr (4)	3 yr	5 yr	10 yr	Since inception(1)
The GBC American Growth Fund Inc.	14.64%	10.12%	6.87%	11.37%	10.71%
Russell 2000 Total Return Index (2)	19.51%	7.40%	10.70%	14.22%	N/A
S&P 500 Total Return Index (3)	25.18%	14.00%	14.25%	15.99%	10.60%

(1) Pembroke has served as the portfolio manager or the sub-advisor of the Fund since December 1968. The Fund has existed as an open ended mutual fund corporation since October 1, 1988.

(2) The Russell 2000 Total Return Index is a measure of the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index that includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

(3) The S&P 500 Total Return Index is a market capitalization-weighted index, composed of 500 widely-held common stocks, including reinvestment of dividends, that is generally considered representative of the US stock market.

(4) Effective January 1, 2018, management fees are charged directly to shareholders based on their assets under management and Fund performance is reported net of transaction costs and all other expenses, **excluding** management fees and applicable taxes. Prior to January 1, 2018, Fund performance was reported net of transaction costs and all other expenses, **including** management fees and applicable taxes. Refer to the Management Fees section for further details on this change.

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	27.62%
Industrials	21.85%
Health Care	15.53%
Consumer Discretionary	14.02%
Financials	10.09%
Communication Services	3.73%
Consumer staples	1.59%
Cash	0.93%
Other Net Current Assets	4.64%
Total	**100.00%**

Top 25 Holdings

	Company	% of Net Asset Value	Industry Sector
1	Stoneridge	3.80%	Consumer Discretionary
2	Installed Building Products	3.73%	Consumer Discretionary
3	BioTelemetry	3.70%	Health Care
4	Euronet Worldwide	3.59%	Information Technology
5	Woodward	3.38%	Industrials
6	SiteOne Landscape Supply	3.30%	Industrials
7	WNS Global Services	3.24%	Information Technology
8	Paycom	3.23%	Information Technology
9	Axos Financial	3.22%	Financials
10	Genpact	3.09%	Information Technology
11	Albany International	3.08%	Industrials
12	Gentherm	3.00%	Consumer Discretionary
13	Pure Storage	2.91%	Information Technology
14	HMS Holdings	2.77%	Health Care
15	National General Holdings	2.73%	Financials
16	Franklin Covey	2.50%	Industrials
17	Charles River Laboratories	2.41%	Health Care
18	Globus Medical	2.34%	Health Care
19	LCI Industries	2.25%	Consumer Discretionary
20	Encore Capital Group	2.24%	Financials
21	CRA International	2.19%	Industrials
22	Trex Company	2.04%	Industrials
23	Healthstream	1.91%	Health Care
24	Seacoast Banking Corporation of Florida	1.90%	Financials
25	Monolithic Power Systems	1.84%	Information Technology
	Top 25 Holdings	**70.39%**	

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 years indicated. This information is derived from the Fund's audited annual financial statements. The information presented is based on prescribed regulations and, as a result, is not expected to sum due to the increase (decrease) in net assets attributable to holders of redeemable shares being based on the average shares outstanding during the year and all other numbers being based on the actual shares outstanding at the relevant point in time.

THE FUND'S NET ASSETS PER SHARE

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Net assets attributable to holders of redeemable shares, beginning of year [1]	34.14	31.65	29.31	29.03	28.08
Increase (decrease) in net assets attributable to holders of redeemable shares:					
Total revenue	0.10	0.13	0.07	0.06	0.08
Total expenses	(0.10)	(0.10)	(0.62)	(0.56)	(0.60)
Realized gains (losses) for the year	2.18	3.94	3.16	0.99	4.09
Unrealized gains (losses) for the year	2.95	(1.31)	(0.27)	(0.40)	(2.52)
Total Increase (decrease) in net assets attributable to holders of redeemable shares [2]	**5.13**	**2.66**	**2.34**	**0.09**	**1.05**
Distributions to holders of redeemable shares:					
From income and excluding dividends	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return on capital	-	-	-	-	-
Total distributions to holders of redeemable shares [3]	**-**	**-**	**-**	**-**	**-**
Net assets attributable to holders of redeemable shares, end of year [4]	**39.14**	**34.14**	**31.65**	**29.31**	**29.03**

(1) This information is derived from the Fund's audited annual 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 year.

(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)

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value ($) (000's)[1]	187,292	176,028	172,033	176,790	190,039
Number of redeemable shares outstanding (000's)[1]	4,785	5,156	5,436	6,031	6,546
Management expense ratio (%)[2]	0.18	0.17	1.90	1.90	1.89
Management expense ratio before waivers or absorptions (%)[2]	0.18	0.17	1.90	1.90	1.89
Trading expense ratio (%) [3]	0.09	0.12	0.12	0.17	0.14
Portfolio turnover rate (%) [4]	34.45	48.95	37.03	43.60	48.38
Net asset value per shares ($)	39.14	34.14	31.65	29.31	29.03

(1) This information is provided as at December 31 of the year shown.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated year (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 year. PPW may, at its discretion and without notice to shareholders, waive or absorb certain operating expenses. The Fund did not have any expenses waived or absorbed in any of the years 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 year.

(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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Financial Highlights (Cont'd)

Management Fees

Management fees are charged directly to shareholders. Subject to the maximum fees set forth below, shareholders are charged management fees based on the assets under management of their PPW relationship. Such management fees are payable directly to PPW by the redemption (without charge) of a sufficient number of shares of the Fund held. This 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.

Assets under management under $5 million		
Name of the Fund	**Assets under management**	
	Under $1 million	**Between $1 million and $5 million**
The GBC Money Market Fund	0.10%	0.10%
The GBC Canadian Bond Fund	0.65%	0.50%
The GBC Corporate Bond Fund	0.75%	0.60%
The GBC Growth and Income Fund	1.30%	1.20%
The GBC Global Balanced Fund	1.30%	1.00%
The GBC Canadian Growth Fund	1.70%	1.50%
The GBC American Growth Fund Inc.	1.50%	1.50%
The GBC International Growth Fund	1.50%	1.50%

Assets under management above $5 million			
Name of the Fund	**Assets under management**		
	First $10 million	**Next $15 million**	**Above $25 million**
The GBC Money Market Fund	0.10%	0.10%	0.10%
The GBC Canadian Bond Fund	0.40%	0.40%	0.40%
The GBC Corporate Bond Fund	0.50%	0.50%	0.50%
The GBC Growth and Income Fund	0.85%	0.75%	0.65%
The GBC Global Balanced Fund	0.75%	0.75%	0.75%
The GBC Canadian Growth Fund	1.00%	0.85%	0.75%
The GBC American Growth Fund Inc.	1.00%	0.85%	0.75%
The GBC International Growth Fund	1.00%	0.85%	0.75%

Management fees paid directly by shareholders of the Fund to PPW through a redemption of shares was $2.6 million for the year ended December 31, 2019.

Under the Pembroke Family Advantage Program, the value of family holdings of all family members designated by the investor will be considered to determine the management fee applicable to all family members. In order to benefit from the Pembroke Family Advantage Program, family members must be designated by the investor using the form prepared by PPW and must be approved by PPW prior to any management fee reduction being applicable. Management fees are determined based on the amount of assets under management with PPW and Pembroke.

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 year ended December 31, 2019, 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.

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.

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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 & Treasury Services
Shareholder Recordkeeping provided by L&T Infotech Financial Services Technologies Inc.
Annual audit performed by Deloitte LLP.