



MARCH 2020 MONTHLY REPORT

APRIL 7, 2020

Fund Performance Update

U.S. equities suffered severe declines in March as the record bull market officially ended on March 12th after 11 years and three days. Despite a week-long rally that boosted the S&P 500 by 17% near the end of the month, the index recorded its worst quarter since the financial crisis in 2008, losing 20%. Broadly, U.S. stocks fell during the first three months of the year as fears about the global coronavirus (COVID-19) pandemic and its impact on businesses and the economy grew.

STAYING FOCUSED

Undoubtedly, these are challenging times. With commerce around the world at a virtual standstill, it is increasingly clear that the economic disruption from the coronavirus pandemic will be longer and deeper than what was anticipated just weeks ago. We expect market volatility to remain elevated amid the vast amount of uncertainty.

At North Growth Management, as always, we continue to adhere to our disciplined, long-term investment approach. We are staying focused on what we have been doing over the past decades—researching and investing only in companies that meet our “Growth at a Reasonable Price” criteria. This investment philosophy has worked well for us over the long term, and we firmly believe it will work well going forward.

U.S. EQUITY FUND

In March, the North Growth U.S. Equity Fund depreciated -13.8%. The Fund lagged the S&P 500 which declined -12.4% and the NASDAQ Composite which was down -10.0%, yet outperformed the smaller capitalization indices, the S&P 400 MidCap and S&P 600 SmallCap, which fell -20.3% and -22.4% respectively. A weaker Canadian currency boosted the Fund’s monthly return to -9.0% in Canadian dollars versus the S&P 500’s -7.4% Canadian dollar March return.

CANADIAN EQUITY FUND, SERIES N

Likewise, Canadian equities were weak in March, with the S&P/TSX Composite declining -17.4%. The North Growth Canadian Equity Fund, Series N, depreciated -17.5%, closely tracking the Index. Year-to-date, the Canadian Fund, Series N, is down -19.2% versus the S&P/TSX Composite’s return of -20.9%.

REPORT ON BUSINESS MAGAZINE, APRIL 2020

On March 27th, the Globe and Mail's Report on Business Magazine published an interview with Erica Lau, our CEO and Lead Portfolio Manager. While the interview was conducted in February before the stock markets dived, the general content of the article, including North Growth's approach to investing and fossil-free position, remains relevant. The piece has been reprinted with permission on the following page of this monthly report.



ERICA LAU

CHIEF EXECUTIVE OFFICER AND LEAD PORTFOLIO MANAGER,
NORTH GROWTH MANAGEMENT LTD., VANCOUVER

Fossil-free investing is now gaining momentum, but Vancouver-based North Growth Management has long been far ahead of the curve. The firm oversees \$642 million in assets, and its North Growth U.S. Equity Fund sold its last energy stock 15 years ago. Launched by Rudy North (a co-founder of the former Phillips, Hager & North Investment Management Ltd.), the company also shuns tobacco stocks. Managers say these strategies haven't hurt long-term returns. Since its inception in 1992, the U.S. stock fund has outpaced the S&P 500. We asked veteran portfolio manager Erica Lau, 45, why she still eschews oil and gas, and is bullish on electronics retailer Best Buy.

Investment giant BlackRock Inc. announced plans in January to shift out of fossil fuel stocks in its actively managed funds. Why did North Growth decide early on to avoid energy and tobacco?

We divested our last oil and gas stock, Chesapeake Energy, in 2005. At that time, oil and gas producers didn't meet our strategy to buy growth stocks at reasonable prices. Our fossil-free position has since evolved, and we now believe those investments don't offer compelling returns as the world shifts toward decarbonization to mitigate climate change. Oil and gas stocks are also pretty risky because they're a commodity play. We have never owned tobacco stocks, but that is a moral position of our founder, who believes other industries can offer equally attractive returns. E-cigarette, vaping and cannabis stocks are also prohibited.

How are you investing in energy now?

We have been investing in clean and renewable energy since 2010. We believe that non-carbon-based sources will capture the dominant share of global energy demand growth. We own First Solar, a manufacturer of solar panels. We also like SolarEdge Technologies, which makes power optimizers that attach to the back of solar panels and inverters, which harvest the power. It was the fund's top performer last year with a 163% gain. In our younger Canadian Equity Fund, we have long been shareholders of Ballard Power Systems, whose hydrogen fuel cells can power electric buses and trains. Fuel cells can be more effective than battery technology, which has limited range and use in heavy-duty vehicles. Ballard is not yet profitable, but we believe in the long-term story.

Where else do you see opportunities?

Our U.S. fund is invested 40% in technology and 20% in health care. As valuations rose, we reduced our weightings in Microsoft and Apple, which we have owned since the early 2000s. We've

added smaller tech names, such as Motorola Solutions, a data communications and telecom equipment provider. In health care, we like Bristol-Myers Squibb after its purchase last year of Celgene, a biotech we owned. Bristol-Myers has a strong oncology franchise and can benefit from Celgene's drug pipeline. Medical device companies, such as Abbott Laboratories and Zimmer Biomet Holdings, have done well for us. We also own health insurer Anthem despite some U.S. Democratic presidential

candidates calling for a publicly funded health care system. Political headwinds come and go. We just pay attention to the fundamentals.

Why do you own Best Buy when retailers are struggling?

We see value in this sector because some retailers have undergone a lot of changes. Best Buy shares gained 64% last year. It has grown earnings because of its online offerings and services. It owns Geek Squad tech support, and it bought Great Call and other companies to offer health care and technology services to seniors. We still like American Eagle Outfitters and Urban Outfitters, even though their stocks underperformed last year. Both retailers have strong balance sheets and omnichannel retail strategies. We believe those brands are still valuable to consumers.

What is your outlook for the U.S. stock market?

We have been cautious since 2017. We're in the longest U.S. economic expansion and bull market ever, with huge political uncertainty and geopolitical risks. The coronavirus will also have a negative impact globally. We expect slower economic growth and earnings this year. As a defensive move, we have diversified—we are holding more stocks that have smaller weightings. /Shirley Won

NORTH GROWTH U.S. EQUITY FUND (\$CDN) ANNUALIZED % RETURN



S&P 500 INDEX (\$CDN)



North Growth U.S. Equity Fund

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED MARCH 31, 2020

	1 Month	3 Months	6 Months	YTD
NGM U.S. Equity Fund \$CDN	-8.98	-13.62	-8.81	-13.62
S&P 500 in \$CDN	-7.40	-12.18	-6.05	-12.18
NGM U.S. Equity Fund \$U.S.	-13.84	-20.92	-14.88	-20.92
S&P 500 \$U.S.	-12.35	-19.60	-12.31	-19.60
S&P 400 MidCap \$U.S.	-20.25	-29.70	-24.73	-29.70
S&P 600 SmallCap \$U.S.	-22.40	-32.64	-27.10	-32.64
NASDAQ Composite \$U.S.	-10.03	-13.91	-3.15	-13.91

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED MARCH 31, 2020

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
NGM U.S. Equity Fund \$CDN	-5.00	5.53	6.78	12.32	8.11	9.23	12.01
S&P 500 \$CDN	-1.24	7.39	9.17	14.28	8.73	4.68	9.62
NGM U.S. Equity Fund \$U.S.	-10.52	3.28	4.38	8.63	6.97	9.35	11.48
S&P 500 \$U.S.	-6.98	5.10	6.37	10.53	7.58	4.79	9.10
S&P 400 MidCap \$U.S.	-22.51	-4.09	0.56	7.88	6.97	6.94	10.40
S&P 600 SmallCap \$U.S.	-25.89	-5.34	0.45	8.06	6.51	7.34	9.70
NASDAQ Composite \$U.S.	0.78	10.45	10.76	13.76	10.65	3.68	*9.90

Source: Bloomberg "Total Return Analysis" as of March 31, 2020

* These returns are a simple price appreciation because total return data is not available on Bloomberg.

The inception of the Fund: October 13, 1992.

Unit Price	\$ 42.36 CDN \$ 29.86 US
Total Assets in Fund	\$ 473.0 Million CDN

North Growth Canadian Equity Fund, Series N

SHORT TERM RATES OF RETURN (%) FOR THE PERIOD ENDED MARCH 31, 2020

	1 Month	3 Months	6 Months	YTD
NGM Canadian Equity Fund Series N	-17.46	-19.15	-10.09	-19.15
S&P / TSX \$CDN	-17.38	-20.90	-18.39	-20.90

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED MARCH 31, 2020

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	*Since Prospectus
NGM Canadian Equity Fund Series N*	-1.52	-3.61	2.75	5.92	1.50	9.35
S&P / TSX \$CDN	-14.21	-3.69	-1.92	2.85	0.89	5.07

* The Canadian Equity Fund became a reporting issuer on June 15, 2012. It is not permitted to publish performance data prior to this date it became a reporting issuer.

Unit Price \$ 17.63 CDN

Total Assets in Fund \$ 36.4 Million CDN

North Growth Canadian Money Market Fund

ANNUALIZED RATES OF RETURN (%) FOR THE PERIOD ENDED MARCH 31, 2020

	*Current Yield	1 Year	3 Years	5 Years	10 Years	15 Years
NGM Canadian Money Market Fund	1.31	1.62	1.34	1.01	0.90	1.48
30 Day Treasury Bill	N/A	1.75	1.31	0.98	0.92	1.48

** The Current Yield for the Money Market Fund is the average of the annualized daily yield for the most recent seven-day period. This measure is no longer available for the 30-day T-Bill Index.*

We take a very simple approach to managing the North Growth Canadian Money Market Fund. We invest in a portfolio of high quality short term bonds. The average maturity of the portfolio is most often less than 30 days. Historically the Fund has generated very competitive yields with this simple approach because the management fee is, and always has been, 0.25%.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities in order to chase a few basis points. We believe our money market fund has superior liquidity characteristics due to its very low average maturity. The North Growth Canadian Money Market Fund's yield will quickly rise in response to any future increase in the Bank of Canada's overnight rate.

Equity Fund Holdings

U.S. EQUITY FUND — HOLDINGS AS AT MARCH 31, 2020

Ranking	Security	% of Net Assets
1	Ciena Corp.	5.60
2	Intel Corporation	4.03
3	Cisco Systems Inc.	3.94
4	Applied Materials Inc.	3.56
5	SolarEdge Technologies Inc.	3.43
6	Apple Inc.	2.96
7	Amgen Inc.	2.91
8	Gilead Sciences Inc.	2.85
9	First Solar Inc.	2.82
10	Jabil Inc.	2.80
11	Bristol-Myers Squibb Company	2.79
12	II-VI Inc.	2.70
13	Zimmer Biomet Holdings Inc.	2.51
14	Electronic Arts Inc.	2.46
15	Itron Inc.	2.44
16	Motorola Solutions Inc.	2.35
17	Microsoft Corporation	2.34
18	Cerner Corporation	2.18
19	HP Inc.	2.17
20	Pfizer Inc.	2.17
21	Abbott Laboratories	2.13
22	Citrix Systems Inc.	2.13
23	Anthem Inc.	2.07
24	American Eagle Outfitters Inc.	2.06
25	Jacobs Engineering Group Inc.	2.06
26	FedEx Corp.	1.99
27	Best Buy Co., Inc.	1.97
28	Herman Miller Inc.	1.95
29	Boston Scientific Corporation	1.91

Ranking	Security	% of Net Assets
30	Skechers U.S.A., Inc.	1.85
31	Johnson Controls International plc	1.83
32	Foot Locker, Inc.	1.57
33	Texas Instruments Inc.	1.51
34	Masco Corp.	1.33
35	Fortune Brands Home & Security Inc.	1.19
36	Booking Holdings Inc.	1.15
37	Varian Medical Systems Inc.	1.11
38	The Walt Disney Company	1.07
39	Nvidia Corp.	1.06
40	RH	0.89
41	Brinker International Inc.	0.81
42	Urban Outfitters Inc.	0.78
43	Watts Water Technologies Inc.	0.63
44	Coherent, Inc.	0.58
45	Facebook, Inc.	0.53
Total Equities		95.17
Cash		4.83
Total Assets		100.00

CANADIAN EQUITY FUND — HOLDINGS AS AT MARCH 31, 2020

Ranking	Security	% of Net Assets
1	Ballard Power Systems Inc.	9.78
2	Open Text Corporation	6.86
3	Zymeworks Inc.	6.79
4	ATS Automation Tooling Systems Inc.	5.31
5	Innergex Renewable Energy Inc.	4.49
6	Heroux-Devtek Inc.	4.39
7	CAE Inc.	4.38
8	Aritzia Inc.	3.65
9	EXFO Inc.	3.50
10	Novanta Inc.	2.80
11	TELUS Corporation	2.64
12	Evertz Technologies Limited	2.51
13	Sierra Wireless Inc.	2.49
14	TFI International Inc.	2.48
15	Knight Therapeutics Inc.	2.43
16	Profound Medical Corp.	2.06
17	Air Canada	1.73
18	Bombardier Inc., Class B	1.64
19	Intertape Polymer Group Inc.	1.52
20	Celestica Inc.	1.36
21	Magellan Aerospace Corp.	1.25
22	Quebecor Inc., Class B	0.98
	Total Equities	75.04
	Cash	24.96
	Total Assets	100.00

Investing with Us

INVESTING WITH NORTH GROWTH MANAGEMENT:

North Growth Management is a focused firm. Our objective is consistent, superior, long term returns on our equity funds based on our “Growth at a Reasonable Price” investment philosophy.

CONDUCTING TRANSACTIONS

The cut-off time for same-day transactions is one hour before the applicable markets close, normally 3 p.m. Eastern Time or 12 p.m. (noon) Pacific Time. Please note that U.S. markets close early on the day before Independence Day and on the Friday after U.S. Thanksgiving and both U.S. and Canadian markets close early on Christmas Eve. The cut-off time on those days is 12 p.m. (noon) Eastern Time or 9 a.m. Pacific Time. Orders received after the cut-off time will be processed on the next business day.

Our office is temporarily closed to help prevent the spread of COVID-19. The North Growth team is working remotely.

For the time being, we ask that clients transact via wire instructions or electronic payments to ensure timeliness in processing transactions.

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WHERE TO FIND NGM FUND PRICES

Please visit www.northgrowth.com to view the Fund's daily prices or to be added to our e-mail list to receive daily notification of the Fund's prices.



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