



## MAY 2020 MONTHLY REPORT

JUNE 9, 2020



## Market and Fund Performance Update

U.S. equities continued their relentless rally in May. The S&P 500 index advanced 4.8% last month, lifting its rebound to 36% from the March 23rd low and cutting its loss to just under 5% year-to-date. April and May 2020 turned out to be the S&P 500's best two-month stretch since 2009. Optimism about a potential coronavirus vaccine, the ebbing of virus infections amid business re-openings and an unprecedented amount of stimulus from central banks and governments around the world have overshadowed the rising geopolitical tensions, social turmoil, deep economic woes and declining corporate profits.

### FIRST QUARTER EARNINGS

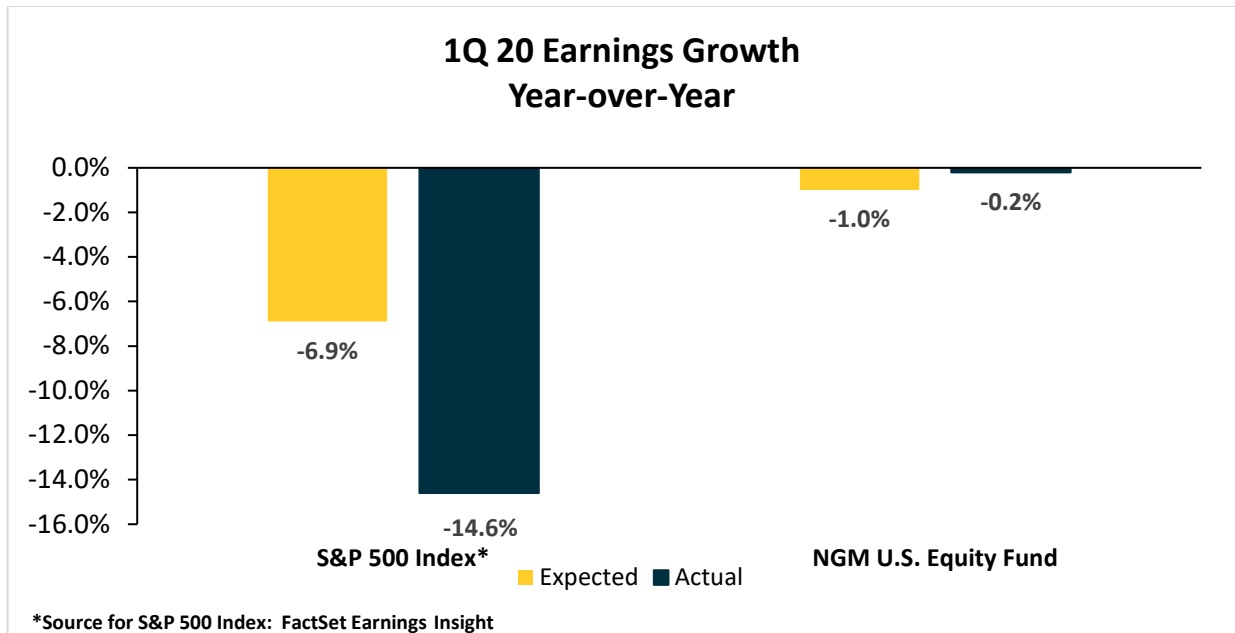
The earnings reporting season for the first quarter of 2020 is now largely behind us. As anticipated, earnings declined during the first three months of this year, with increasing and maximum pain to occur in the current quarter. Numerous companies have withdrawn their annual profit guidance due to the COVID-19 pandemic and analysts expect S&P 500 earnings to be down -21% for 2020.

The North Growth U.S. Equity Fund had a relatively strong reporting period. With 93% of the portfolio having reported so far, profits on a weighted-average basis in the first quarter were essentially flat, declining -0.2% over a year ago versus estimates of a -1.0% decline. Over 70% of the portfolio's earnings results have exceeded or met analysts' estimates.

For the market in general, earnings during the latest quarter decreased -14.6% year-over-year. First quarter 2020 marked the largest year-over-year decline in profits reported by the S&P 500 since the third quarter of 2009. The Utilities and Health Care sectors reported the highest earnings growth out of all eleven S&P 500 sectors, while Consumer Discretionary reported the largest earnings decline at -61.0% year-over-year.

According to FactSet, with 97% of the companies in the S&P 500 having reported earnings as of May 29th, 64% of the reporting companies delivered positive earnings surprises. The percentage of the index's companies reporting actual earnings above estimates is the lowest since 2012.

The U.S. Fund's earnings profile continues to be consistently solid and broad-based. Despite the slight dip in weighted-average profits this quarter, we are pleased with the positive comparison of the Fund's earnings to that of the S&P 500 Index.



## OUR VIEW

Business fundamentals remain weak as the U.S. economy is on track for the worst recession in decades due to the coronavirus pandemic. In the current quarter where corporate profits are likely to fall over 40% by analysts' projections, the S&P 500 has appreciated almost 20% over the past two months. We continue to expect market volatility to be elevated given the vast amount of uncertainty during these unprecedented times.

We remain laser-focused on individual stock analysis that adheres to our "growth at a reasonable price" investment philosophy. As always, we engage in active stock selection as opposed to macro-driven investment decisions.

## U.S. EQUITY FUND

In May, the North Growth U.S. Equity Fund appreciated 8.0%. The Fund outperformed all the indices we regularly track: the S&P 500 which gained 4.8%, the S&P 400 MidCap and S&P 600 SmallCap which advanced 7.3% and 4.3% respectively, and the NASDAQ Composite which was up 6.9%. As the Canadian currency continued to strengthen last month against its U.S. counterpart, in Canadian dollars, the Fund gained 7.0% versus the S&P 500 which increased 3.8%.

## CANADIAN EQUITY FUND, SERIES N

The North Growth Canadian Equity Fund, Series N, was flat in May whereas the S&P/TSX Composite appreciated 3.0%. Year-to-date, the Canadian Fund, Series N, is down -7.6% versus the S&P/TSX Composite's negative return of -9.7%.

## North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>7.01</b>	<b>9.37</b>	<b>4.93</b>	<b>3.80</b>
S&P 500 in \$CDN	3.84	6.36	1.57	0.88
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>7.96</b>	<b>6.53</b>	<b>1.14</b>	<b>-2.22</b>
S&P 500 \$U.S.	4.76	3.59	-2.10	-4.97
S&P 400 MidCap \$U.S.	7.31	-2.27	-11.44	-13.86
S&P 600 SmallCap \$U.S.	4.31	-8.77	-18.45	-20.81
NASDAQ Composite \$U.S.	6.90	11.08	10.16	6.28

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>16.98</b>	<b>10.92</b>	<b>10.80</b>	<b>14.56</b>	<b>8.99</b>	<b>10.03</b>	<b>12.68</b>
S&P 500 \$CDN	15.01	11.01	12.15	16.26	9.38	5.51	10.11
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>14.77</b>	<b>10.14</b>	<b>8.54</b>	<b>11.50</b>	<b>8.31</b>	<b>10.48</b>	<b>12.26</b>
S&P 500 \$U.S.	12.84	10.23	9.86	13.15	8.70	5.94	9.70
S&P 400 MidCap \$U.S.	-0.81	2.51	4.68	10.45	8.29	8.29	11.15
S&P 600 SmallCap \$U.S.	-8.11	0.32	3.93	10.02	7.62	8.47	10.28
NASDAQ Composite \$U.S.	28.86	16.56	14.70	16.87	11.96	6.34	*10.67

Source: Bloomberg "Total Return Analysis" as of June 1, 2020

\* This return is a simple price appreciation because total return data is not available on Bloomberg.

The inception of the Fund: October 13, 1992.

Unit Price	\$ 50.90 CDN \$ 36.92 US
Total Assets in Fund	\$ 548.2 Million CDN

## North Growth Canadian Equity Fund, Series N

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth Canadian Equity Fund, Series N</b>	<b>0.00</b>	<b>-5.62</b>	<b>-6.77</b>	<b>-7.55</b>
S&P / TSX \$CDN	3.04	-5.68	-9.29	-9.70

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

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	*Since Prospectus
<b>North Growth Canadian Equity Fund, Series N*</b>	<b>5.96</b>	<b>2.14</b>	<b>5.11</b>	<b>8.17</b>	<b>4.38</b>	<b>11.00</b>
S&P / TSX \$CDN	-2.11	0.43	2.81	5.10	3.36	6.73

\* 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 \$ 20.16 CDN

Total Assets in Fund \$ 41.9 Million CDN

## North Growth Canadian Money Market Fund

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

	*Current Yield	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs
<b>North Growth Canadian Money Market Fund</b>	<b>0.35</b>	<b>1.47</b>	<b>1.35</b>	<b>1.01</b>	<b>0.91</b>	<b>1.46</b>
30 Day Treasury Bill	N/A	1.51	1.31	0.98	0.92	1.46

*\* 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.

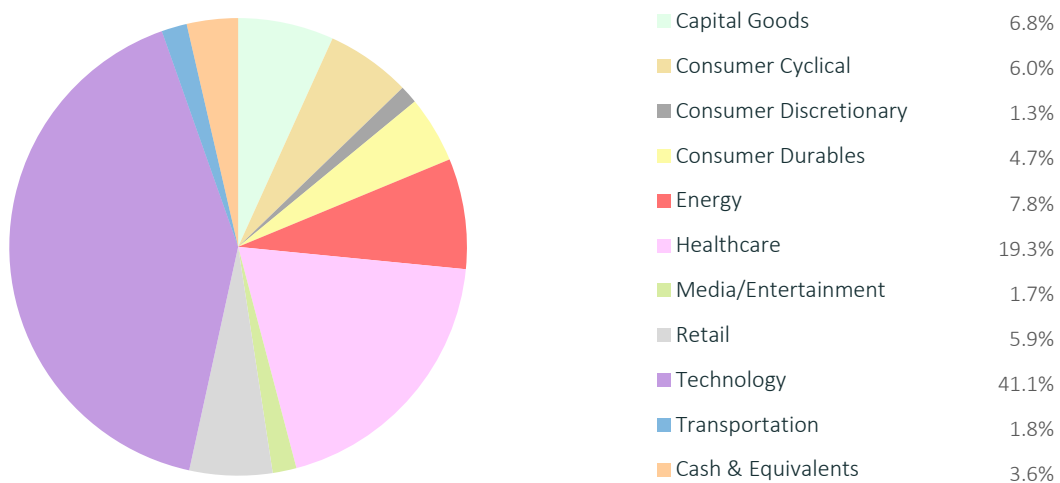


## Equity Fund Holdings and Composition

### U.S. EQUITY FUND — TOP 10 HOLDINGS AS AT MAY 31, 2020

Ranking	Security	% of Net Assets
1	Ciena Corp.	6.02
2	SolarEdge Technologies Inc.	4.21
3	Intel Corporation	3.93
4	Cisco Systems Inc.	3.81
5	Applied Materials Inc.	3.66
6	II-VI Inc.	3.58
7	First Solar Inc.	3.05
8	Bristol-Myers Squibb Company	2.87
9	Jabil Inc.	2.86
10	Itron Inc.	2.63
<b>Top 10</b>		<b>36.62</b>
<b>Total Equities</b>		<b>96.38</b>
<b>Cash</b>		<b>3.62</b>
<b>Total Assets</b>		<b>100.00</b>

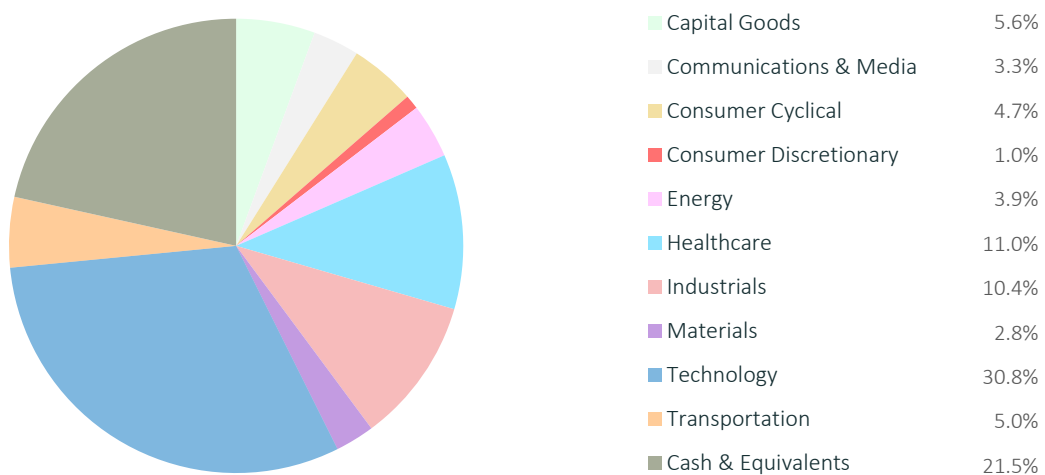
### U.S. EQUITY FUND — SECTOR MIX AS AT MAY 31, 2020



## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT MAY 31, 2020

Ranking	Security	% of Net Assets
1	Ballard Power Systems Inc.	9.75
2	Open Text Corporation	6.94
3	Zymeworks Inc.	6.17
4	ATS Automation Tooling Systems Inc.	5.62
5	Aritzia Inc.	4.69
6	CAE Inc.	4.42
7	Innergex Renewable Energy Inc.	3.87
8	Heroux-Devtek Inc.	3.55
9	TFI International Inc.	3.48
10	Sierra Wireless Inc.	3.27
<b>Top 10</b>		<b>51.76</b>
<b>Total Equities</b>		<b>78.47</b>
<b>Cash</b>		<b>21.53</b>
<b>Total Assets</b>		<b>100.00</b>

## CANADIAN EQUITY FUND — SECTOR MIX AS AT MAY 31, 2020



# 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.

As of June 1<sup>st</sup>, the office is again open. To ensure safe distancing, meetings will be scheduled by appointment only.

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

### **North Growth Management Ltd.**

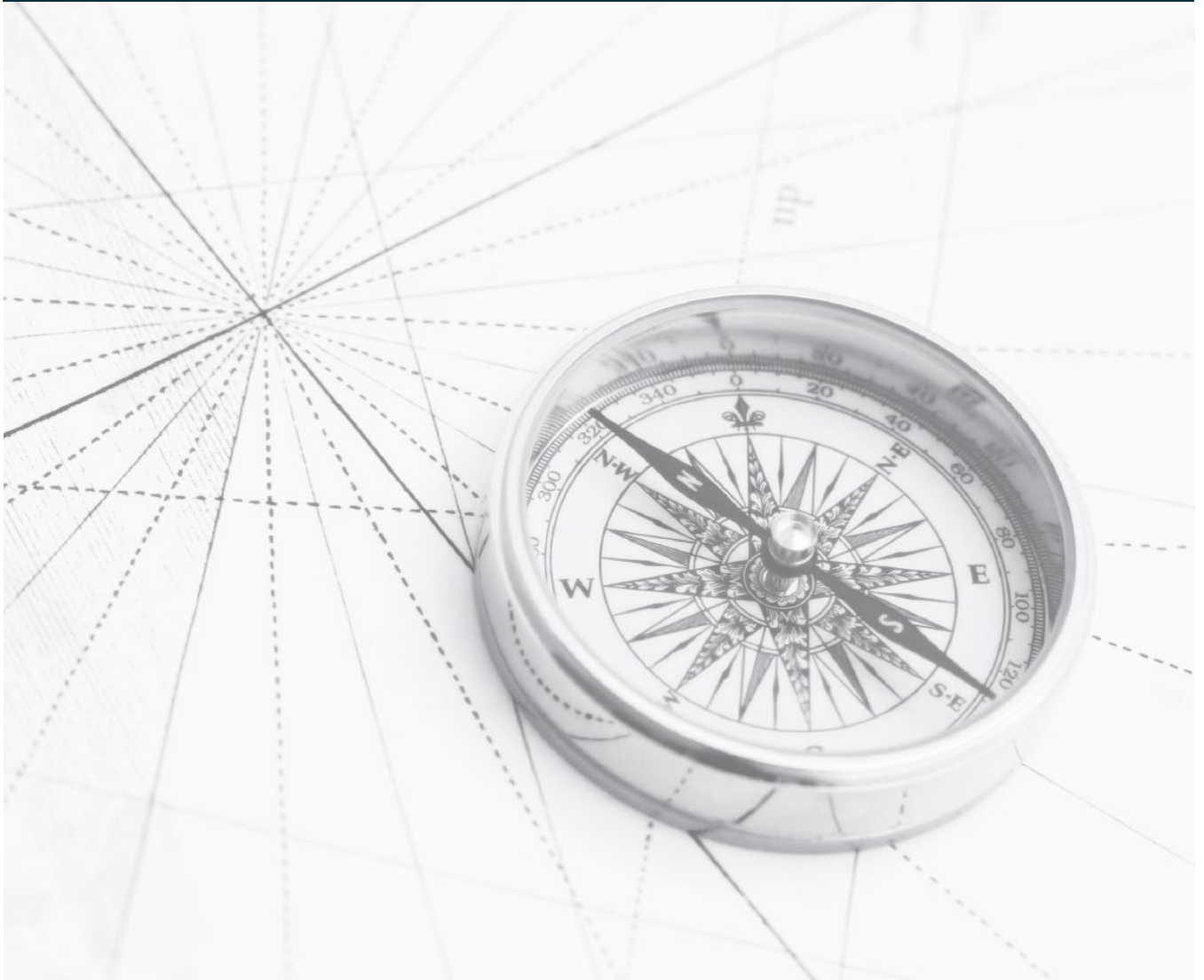
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## WHERE TO FIND NGM FUND PRICES

Please visit [www.northgrowth.com](http://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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