



NORTH GROWTH  
MANAGEMENT



## MAY 2021 MONTHLY REPORT

JUNE 9, 2021

## Market and Fund Performance Update

Amid continued bouts of volatility and choppy trading, U.S. equities ended May roughly flat. Inflation concerns that include rising input costs due to supply chain bottlenecks as well as a tight labour market remain at the forefront of all the financial markets. As the earnings reporting season for the first quarter of 2021 comes to an end, business executives are the most optimistic they have been in decades and the percentage of S&P 500 companies issuing positive earnings guidance is extraordinarily high at nearly twice the five-year average.

### FIRST QUARTER EARNINGS

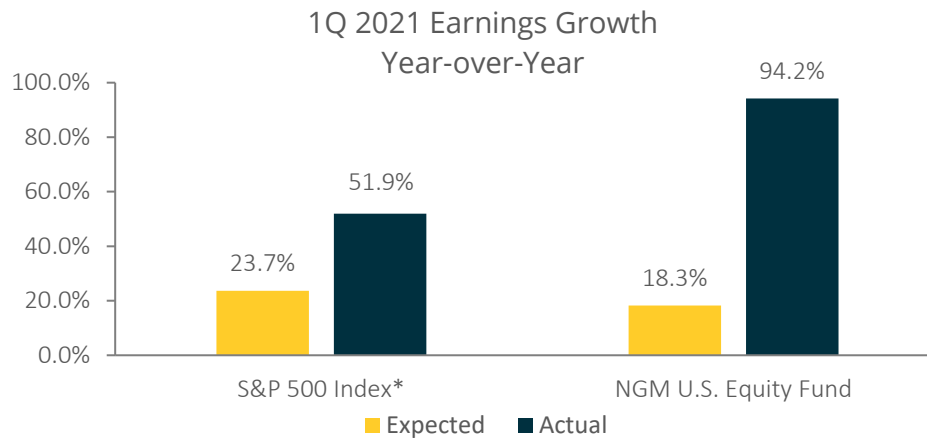
For the first quarter of 2021, corporate profits came in well above expectations and marked the highest year-over-year growth since 2010. As analysts expect an acceleration in S&P 500 earnings in the second quarter along with continued strength throughout 2021, the estimated profit growth for the year now stands at 33.7%, 10 percent higher than expectations were just a quarter ago.

The North Growth U.S. Equity Fund delivered exceptionally strong results. With over 90% of the portfolio having reported to date, profits on a weighted-average basis in the first quarter almost doubled, increasing 94.2%, over a year ago and substantially beating estimates of 18.3% growth. Approximately 90% of the portfolio's earnings results thus far have exceeded analysts' estimates.

As of May 28<sup>th</sup>, with 95% of the companies in the S&P 500 having reported results, earnings during the quarter increased 51.9% year-over-year while sales grew 10.7%. According to FactSet, 86% of the reported companies posted positive earnings surprises. The Consumer Discretionary, Financial and Materials sectors reported the highest earnings growth out of all eleven S&P 500 sectors, while the Industrials sector was the only one to report a year-over-year decline in earnings.

The U.S. Fund's earnings profile continues to be consistently solid and broad-based. In the latest quarter, the profit growth rate of the Fund continued to be much higher than that of the S&P 500 Index.

As illustrated by the chart on the following page, the U.S. Fund's earnings results for the first quarter were remarkably robust. We believe this underscores the success of our active management and stock selection process.



## OUR VIEW

Business fundamentals are sound as the U.S. economy is recovering in a boom-like pickup as quickly as it collapsed last year from the COVID-19 pandemic. New businesses are starting up at the fastest pace on record while the rate at which employees quit their jobs—a proxy for confidence in the labour market—is close to its highest since at least 2000. Additionally, American households face their lowest debt-service burden in nearly four decades, household incomes are up significantly from pre-pandemic levels and economists now project that the U.S. economy will surpass pre-pandemic levels in the current quarter.

Although a sustained rebound isn't assured given that a resurgence of coronavirus variants may derail business re-openings, the strong rates of corporate earnings growth coupled with executives' optimism are encouraging. Continued uncertainty will likely contribute to elevated market volatility in the near term.

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 1.3%. Except for the S&P 600 SmallCap which advanced 2.1%, the Fund outperformed all the indices we regularly track: the S&P 500 which gained 0.7%, the S&P 400 MidCap which was up 0.2%, and the NASDAQ Composite which declined –1.4%. As the Canadian dollar continued to strengthen last month against its U.S. counterpart, in Canadian dollars, the Fund lost –0.3% versus the S&P 500 which was down –0.9%.

## CANADIAN EQUITY FUND, SERIES N

Led by the Energy and Materials sectors, Canadian equities continued their rally in May with the S&P/TSX Composite gaining 3.4% for the month. Lacking exposure to the recent winning sectors, the North Growth Canadian Equity Fund, Series N, lagged the index, declining –0.7%. Year-to-date, the Fund is up 6.9% versus the S&P/TSX Composite's return of 14.4%.

## North Growth U.S. Equity Fund

### SHORT TERM RATES OF RETURN (%) FOR PERIODS ENDED MAY 31, 2021

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>-0.31</b>	<b>3.88</b>	<b>12.37</b>	<b>8.59</b>
S&P 500 in \$CDN	-0.93	5.49	9.02	6.91
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>1.33</b>	<b>9.03</b>	<b>20.54</b>	<b>14.39</b>
S&P 500 \$U.S.	0.70	10.72	16.95	12.62
S&P 400 MidCap \$U.S.	0.20	9.60	26.56	18.81
S&P 600 SmallCap \$U.S.	2.08	7.63	33.40	23.15
NASDAQ Composite \$U.S.	-1.44	4.41	13.13	6.98

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED MAY 31, 2021

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>32.70</b>	<b>16.73</b>	<b>16.29</b>	<b>16.41</b>	<b>11.67</b>	<b>10.29</b>	<b>13.33</b>
S&P 500 \$CDN	23.01	15.33	15.27	16.94	11.25	7.05	10.54
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>51.38</b>	<b>19.44</b>	<b>18.20</b>	<b>13.86</b>	<b>10.98</b>	<b>11.63</b>	<b>13.44</b>
S&P 500 \$U.S.	40.32	18.00	17.16	14.38	10.57	8.35	10.65
S&P 400 MidCap \$U.S.	56.77	13.71	14.62	12.29	10.51	10.18	12.49
S&P 600 SmallCap \$U.S.	73.07	12.50	15.89	13.25	10.43	10.78	12.03
NASDAQ Composite \$U.S.	46.01	23.92	23.99	18.51	14.32	10.97	*11.71

Source: Bloomberg "Total Return Analysis" as of June 1, 2021

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

The inception of the Fund: October 13, 1992.

	May 31, 2021
Unit Price	\$ 57.75 CDN / \$ 47.78 US
Total Assets in Fund	\$ 658.4 Million CDN

## North Growth Canadian Equity Fund, Series N

### SHORT TERM RATES OF RETURN (%) FOR PERIODS ENDED MAY 31, 2021

	1 Month	3 Months	6 Months	YTD
<b>North Growth Canadian Equity Fund, Series N</b>	<b>-0.71</b>	<b>0.04</b>	<b>10.05</b>	<b>6.90</b>
S&P / TSX \$CDN	3.44	10.01	16.42	14.44

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED MAY 31, 2021

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	*Since Prospectus
<b>North Growth Canadian Equity Fund, Series N*</b>	<b>39.34</b>	<b>21.51</b>	<b>13.28</b>	<b>12.79</b>	<b>13.79</b>	<b>13.85</b>
S&P / TSX \$CDN	33.83	14.45	10.51	9.82	10.30	9.46

\* 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.

	May 31, 2021
Unit Price	\$ 26.03 CDN
Total Assets in Fund	\$ 62.5 Million CDN

## North Growth Canadian Money Market Fund

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED MAY 31, 2021

	*Current Yield	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs
<b>North Growth Canadian Money Market Fund</b>	<b>0.03</b>	<b>0.12</b>	<b>1.07</b>	<b>0.94</b>	<b>0.85</b>	<b>1.28</b>
30 Day Treasury Bill	N/A	0.13	1.06	0.91	0.86	1.26

*\* 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 often around 30 days. Historically, the Fund has generated very competitive yields with this simple approach because of our 0.25% management fee.

We manage the portfolio to ensure high liquidity and have no intention to extend maturities or reduce the quality of the holdings.

In the current environment of ultra-low interest rates near zero, the Fund, like most interest-yielding instruments, is offering virtually no return. The downward trend on rates does not appear to be abating. North Growth will temporarily lower the management fee as needed in order to maintain a positive yield for the Fund's unitholders. **The current yield quoted above is net of the management fee.** We will provide a monthly update in these reports on the management fee.

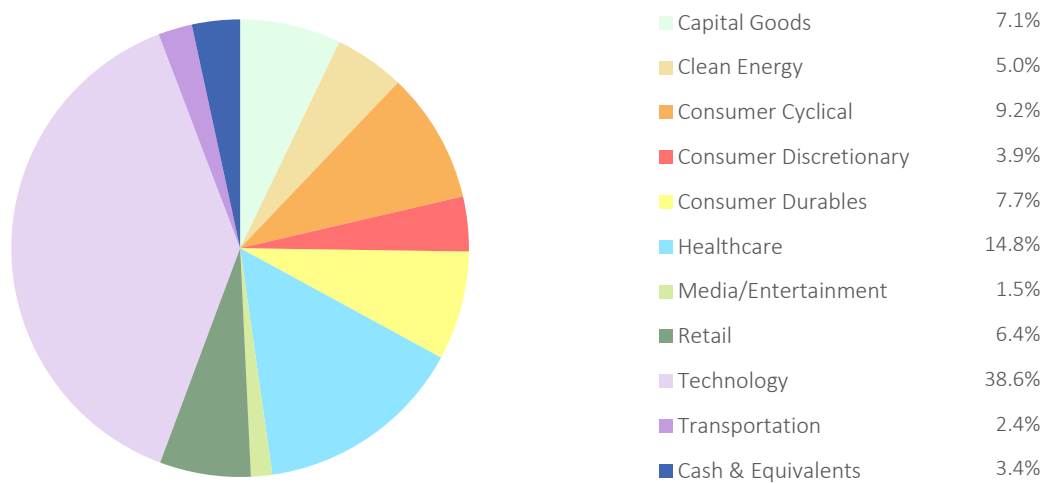
**Management fee (May 1 - 31, 2021) for the Fund: 0.20%**

## Equity Fund Holdings and Composition

### U.S. EQUITY FUND — TOP 10 HOLDINGS AS AT MAY 31, 2021

Ranking	Security	% of Net Assets
1	Applied Materials Inc.	5.63
2	Ciena Corp.	4.61
3	Jabil Inc.	3.55
4	II-VI Inc.	3.32
5	Lumentum Holdings Inc.	3.10
6	American Eagle Outfitters Inc.	3.03
7	First Solar Inc.	2.93
8	Bristol-Myers Squibb Company	2.72
9	D.R. Horton, Inc.	2.70
10	Motorola Solutions Inc.	2.62
<b>Top 10</b>		<b>34.21</b>
<b>Total Equities</b>		<b>96.61</b>
<b>Cash</b>		<b>3.39</b>
<b>Total Assets</b>		<b>100.00</b>

### U.S. EQUITY FUND — SECTOR MIX AS AT MAY 31, 2021

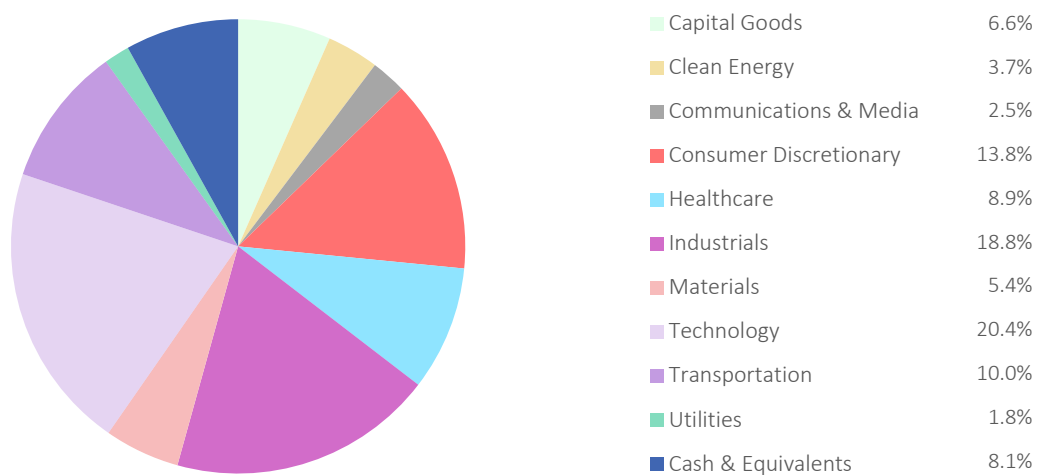




## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT MAY 31, 2021

Ranking	Security	% of Net Assets
1	TFI International Inc.	7.68
2	ATS Automation Tooling Systems Inc.	6.60
3	Aritzia Inc.	5.99
4	CAE Inc.	5.34
5	Leon's Furniture Ltd.	5.26
6	Open Text Corporation	4.62
7	Intertape Polymer Group Inc.	4.39
8	Heroux-Devtek Inc.	4.30
9	Innergex Renewable Energy Inc.	3.69
10	Profound Medical Corp.	3.66
<b>Top 10</b>		<b>51.53</b>
<b>Total Equities</b>		<b>91.93</b>
<b>Cash</b>		<b>8.07</b>
<b>Total Assets</b>		<b>100.00</b>

## CANADIAN EQUITY FUND — SECTOR MIX AS AT MAY 31, 2021



# 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>, 2020 the office is again open. To ensure safe distancing, meetings will be scheduled by appointment only.

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## WHERE TO FIND NGM FUND PRICES

Please visit [www.northgrowth.com](http://www.northgrowth.com) to view the Funds’ daily prices or to be added to our e-mail list to receive daily notification of the Funds’ prices.

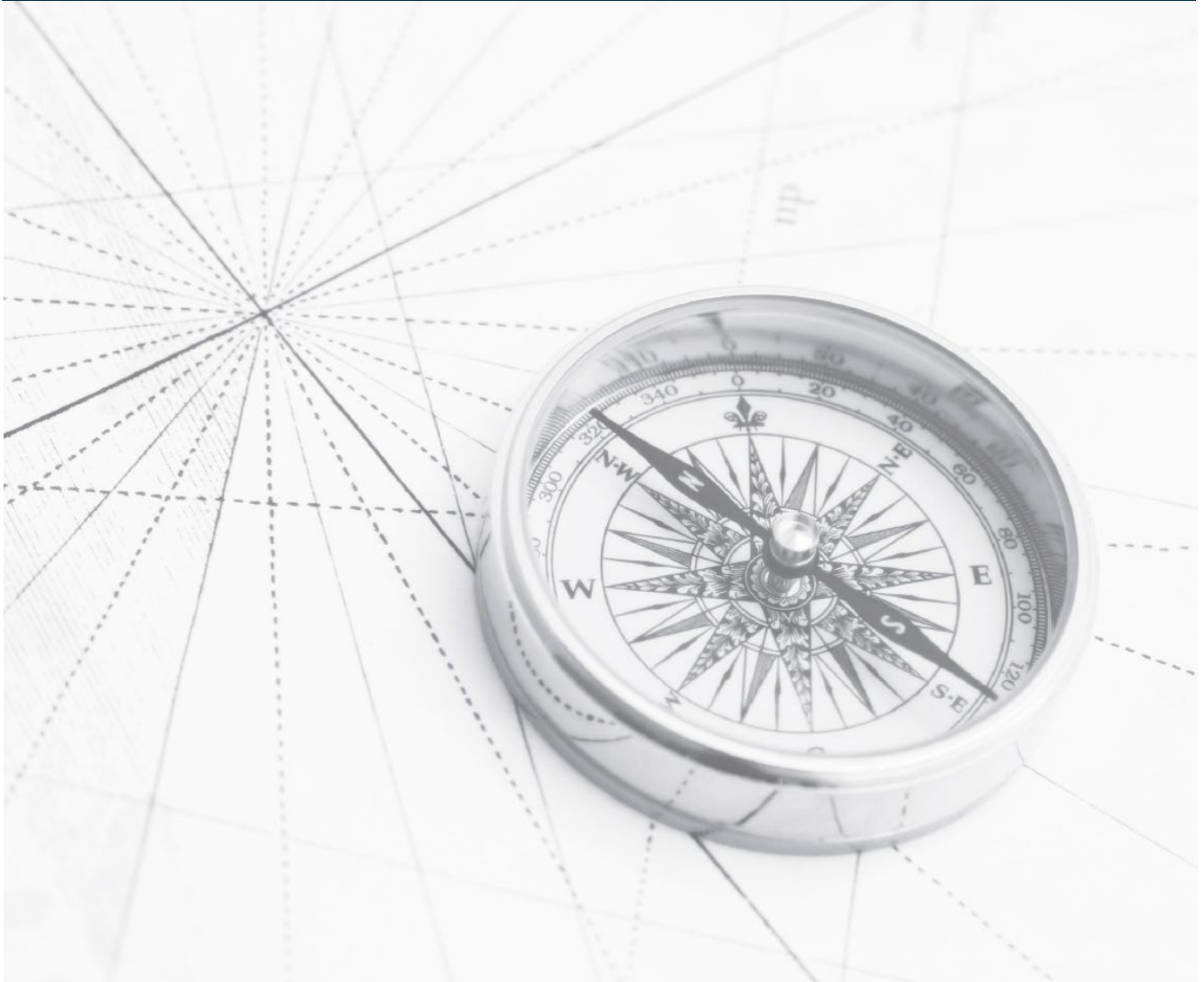


## A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that reflect our current expectations or forecasts of future events. Forward-looking statements are inherently subject to risks, uncertainties and assumptions that could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and assumptions include general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in government regulations, changes in tax laws, unexpected judicial or regulatory proceedings and catastrophic events. The foregoing list of important risks, uncertainties and assumptions is not exhaustive. Please consider these and other factors carefully and do not place undue reliance on forward-looking statements. Any forward-looking information contained in this report is current only as of the date of this report.



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