



NORTH GROWTH  
MANAGEMENT



# JANUARY 2022 MONTHLY REPORT

FEBRUARY 8, 2022



## Market and Fund Performance Update

U.S. equities got off to a turbulent start in 2022. Down  $-5.2\%$ , the S&P 500 Index recorded its biggest monthly decline since the onset of the pandemic in March 2020 and the weakest January since the global financial crisis in 2009. The tech-heavy NASDAQ, having dropped more than 10% from its high, is in correction territory, while the small-cap Russell 2000, off over 20% from November 2021, is in a bear market.

The threat of rising interest rates in an inflationary environment has hit stocks particularly hard. Investor sentiment has fallen sharply; according to the latest American Association of Individual Investors (AAII) Sentiment Survey, bearish sentiment about the direction of the stock market is at its highest level since 2013.

### OUR VIEW

Despite the many challenges facing equities—including the S&P 500 having just finished its best three-year run in two decades as the Federal Reserve is set to hike rates and withdraw its easy money policies—the underlying U.S. economy remains resilient and solid. Moreover, corporate earnings growth, while slowing from last year’s phenomenal peak, is still expected to be positive because most companies continue to benefit from increasing demand.

As we stated in our recently published Annual Report, we believe market volatility will remain elevated this year. We are actively looking for and researching investment opportunities amid the volatility. Given that only a few mega-cap technology companies have powered the S&P 500 higher while the stock prices of many smaller businesses have lagged, there is a stark valuation gap in the market. Depressed investor sentiment over the past month has further led to a meaningful contraction in the valuation multiples of numerous quality firms with decent earnings and strong balance sheets.

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

### U.S. EQUITY FUND

In January, the North Growth U.S. Equity Fund declined  $-7.4\%$ . The Fund underperformed the S&P 500 which lost  $-5.2\%$ , was relatively in line with the S&P 400 MidCap and S&P 600 SmallCap which were down  $-7.2\%$  and  $-7.3\%$  respectively, and outperformed the NASDAQ Composite which depreciated

-9.0%. A slightly weaker Canadian currency boosted the Fund's January return to -7.1% in Canadian dollars versus the S&P 500's -4.9% Canadian dollar monthly return.

## CANADIAN EQUITY FUND, SERIES N

The North Growth Canadian Equity Fund, Series N, reported -2.6% of performance, lagging the S&P/TSX Composite in January which reported -0.4%. Financials and Energy continued their recent spell of outperformance as the only two sectors that recorded any meaningful positive performance last month.

Most holdings in the Fund underperformed the index after getting caught in the risk-off sentiment that dominated most global equity markets. However, there were two notable outperformers. The Fund's strong conviction in Aritzia paid off with the company posting blowout earnings again which handily beat analysts' conservative expectations. Additionally, the Fund continued building a position in Dorel Industries. We believe the stock was significantly undervalued despite announcing a special dividend for a one-time payout worth 60% of the stock price. It was the Fund's best performer with a return of 22.1% in January. We continue to be laser focused on our bottom-up analysis and sticking to our "growth at a reasonable price" investment philosophy.

## T3, T5008, T4RIF AND T4RSP TAX SLIPS

We are in the process of generating T3, T5008, T4RIF and T4RSP slips for the 2021 tax year. We plan on mailing these out on or before February 18<sup>th</sup>. Please contact our CFO, Rachid Nayel, [rachid@northgrowth.com](mailto:rachid@northgrowth.com), if you do not receive your tax slips by the end of February.

## RRSP AND TFSA REMINDER

We are in RRSP season. The deadline for contributions for the 2021 tax year is Tuesday, March 1<sup>st</sup>. As a reminder, North Growth Management offers both in-house RSP and RIF accounts free of any additional fees.

We also offer in-house TFSA accounts free of any additional fees. The TFSA contribution limit for 2022 is \$6,000. If you have never contributed to a TFSA and have been eligible since its introduction in 2009, your cumulative contribution room will be \$81,500 in 2022.

Please contact our Director of Business Development and Client Service, Marcus Vander Leek, [marcus@northgrowth.com](mailto:marcus@northgrowth.com), if you have any inquiries.

## North Growth U.S. Equity Fund

### SHORT TERM RATES OF RETURN (%) FOR PERIODS ENDED JANUARY 31, 2022

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>-7.11</b>	<b>-0.99</b>	<b>-4.09</b>	<b>-7.11</b>
S&P 500 in \$CDN	-4.87	1.05	5.57	-4.87
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>-7.41</b>	<b>-3.60</b>	<b>-6.03</b>	<b>-7.41</b>
S&P 500 \$U.S.	-5.17	-1.61	3.44	-5.17
S&P 400 MidCap \$U.S.	-7.21	-5.36	-1.89	-7.21
S&P 600 SmallCap \$U.S.	-7.27	-5.28	-2.49	-7.27
NASDAQ Composite \$U.S.	-8.96	-7.96	-2.63	-8.96

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED JANUARY 31, 2022

	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs	20 Yrs	Since Inception
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>7.18</b>	<b>17.31</b>	<b>15.29</b>	<b>16.18</b>	<b>10.30</b>	<b>10.27</b>	<b>13.04</b>
S&P 500 \$CDN	22.70	19.40	16.25	18.20	10.73	8.11	10.78
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>7.69</b>	<b>18.60</b>	<b>15.81</b>	<b>13.45</b>	<b>9.73</b>	<b>11.50</b>	<b>12.95</b>
S&P 500 \$U.S.	23.29	20.71	16.78	15.43	10.16	9.31	10.70
S&P 400 MidCap \$U.S.	14.05	14.55	11.04	12.63	9.64	10.18	12.09
S&P 600 SmallCap \$U.S.	10.65	13.25	10.83	12.92	9.45	10.27	11.57
NASDAQ Composite \$U.S.	9.68	26.18	21.66	18.98	13.65	11.66	*11.57

Source: Bloomberg "Total Return Analysis" as of February 1, 2022

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

The inception of the Fund: October 13, 1992.

	January 31, 2022
Unit Price	\$ 53.35 CDN / \$ 41.94 US
Total Assets in Fund	\$ 654.6 Million CDN

## North Growth Canadian Equity Fund, Series N

### SHORT TERM RATES OF RETURN (%) FOR PERIODS ENDED JANUARY 31, 2022

	1 Month	3 Months	6 Months	YTD
<b>North Growth Canadian Equity Fund, Series N</b>	<b>-2.59</b>	<b>-4.36</b>	<b>-0.21</b>	<b>-2.59</b>
Benchmark	-0.41	0.97	5.37	-0.41

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED JANUARY 31, 2022

	1 Yr	3 Yrs	5 Yrs	9 Yrs	*Since Prospectus
<b>North Growth Canadian Equity Fund, Series N*</b>	<b>11.86</b>	<b>21.00</b>	<b>14.36</b>	<b>12.79</b>	<b>13.86</b>
Benchmark	24.98	14.13	9.76	9.04	9.74

\* 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. North Growth Canadian Equity Fund Benchmark: S&P/TSX Composite Index.

	January 31, 2022
Unit Price	\$ 26.83 CDN
Total Assets in Fund	\$ 72.2 Million CDN

## North Growth Canadian Money Market Fund

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED JANUARY 31, 2022

	*Current Yield	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs
<b>North Growth Canadian Money Market Fund</b>	<b>0.06</b>	<b>0.05</b>	<b>0.73</b>	<b>0.87</b>	<b>0.80</b>	<b>1.10</b>
30 Day Treasury Bill	N/A	0.10	0.75	0.86	0.81	1.08

*\* 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.

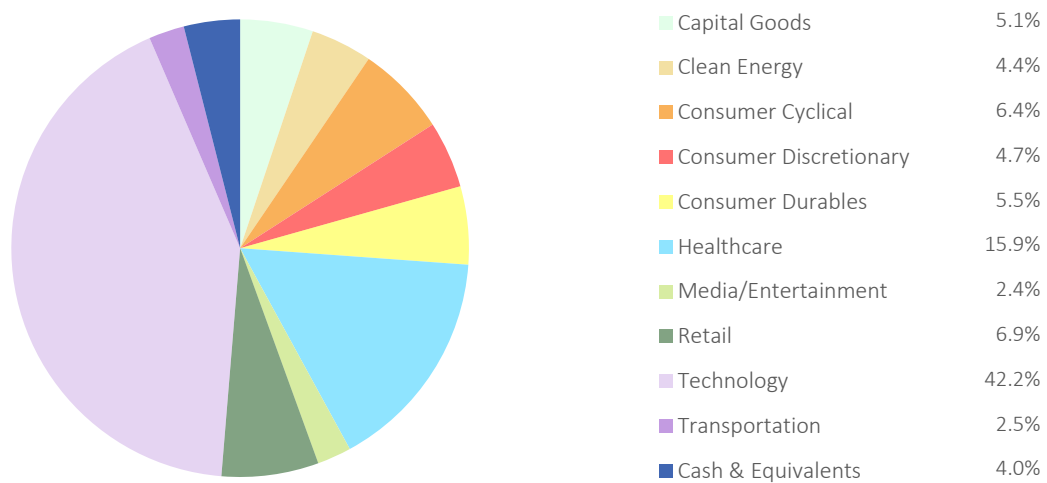
**Management fee (January 1 - 31, 2022) for the Fund: 0.25%**

## Equity Fund Holdings and Composition

### U.S. EQUITY FUND — TOP 10 HOLDINGS AS AT JANUARY 31, 2022

Ranking	Security	% of Net Assets
1	Ciena Corp.	5.64
2	Applied Materials Inc.	5.45
3	Jabil Inc.	4.09
4	Lumentum Holdings Inc.	4.09
5	Qualcomm Inc.	3.72
6	II-VI Inc.	3.35
7	HP Inc.	3.16
8	Anthem Inc.	2.99
9	D.R. Horton, Inc.	2.93
10	Best Buy Co., Inc.	2.85
<b>Top 10</b>		<b>38.27</b>
<b>Total Equities</b>		<b>96.03</b>
<b>Cash</b>		<b>3.97</b>
<b>Total Assets</b>		<b>100.00</b>

### U.S. EQUITY FUND — SECTOR MIX AS AT JANUARY 31, 2022

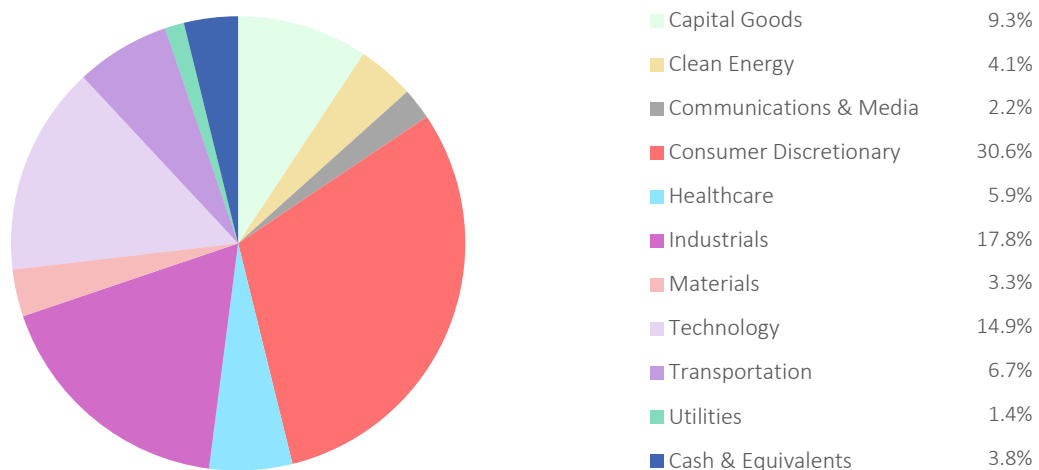




## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT JANUARY 31, 2022

Ranking	Security	% of Net Assets
1	Dorel Industries Inc., Class B	9.54
2	Aritzia Inc.	9.45
3	ATS Automation Tooling Systems Inc.	9.30
4	TFI International Inc.	6.73
5	Leon's Furniture Ltd.	5.06
6	CAE Inc.	4.36
7	Open Text Corporation	4.28
8	Heroux-Devtek Inc.	4.02
9	Intertape Polymer Group Inc.	3.35
10	Innergex Renewable Energy Inc.	3.32
<b>Top 10</b>		<b>59.41</b>
<b>Total Equities</b>		<b>96.16</b>
<b>Cash</b>		<b>3.84</b>
<b>Total Assets</b>		<b>100.00</b>

## CANADIAN EQUITY FUND — SECTOR MIX AS AT JANUARY 31, 2022



## 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.

Please contact:

**Marcus Vander Leek, CFA**

*Director of Business Development and Client Service*

Email: [marcus@northgrowth.com](mailto:marcus@northgrowth.com)

### 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.

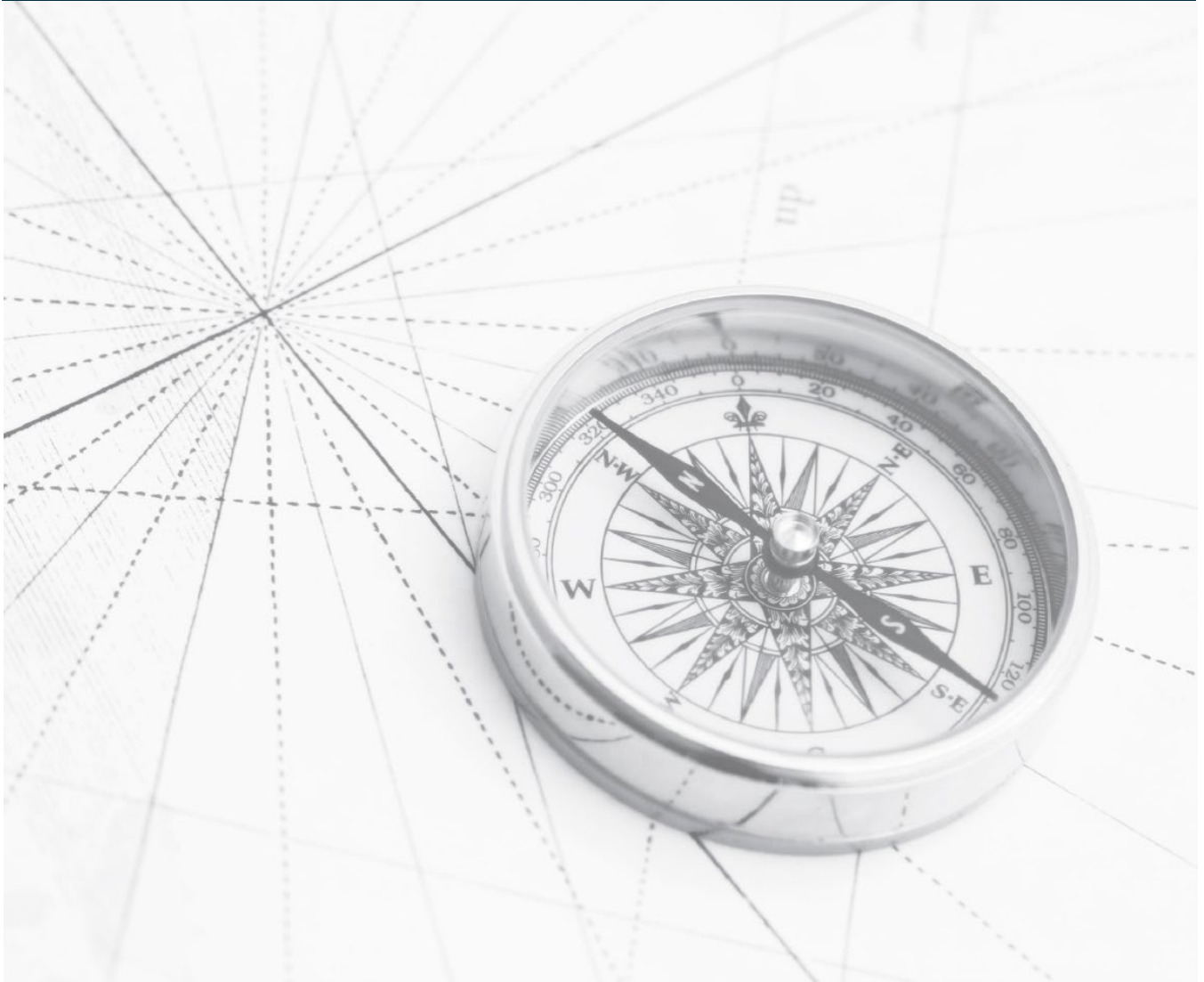


## A NOTE ON FORWARD-LOOKING STATEMENTS

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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