



NORTH GROWTH  
MANAGEMENT



## AUGUST 2022 MONTHLY REPORT

SEPTEMBER 9, 2022

## Market and Fund Performance Update

Following a brief July rally, U.S. equities resumed their declines to end August lower after yet another turbulent month. Amid conflicting economic data and mixed earnings reports, central banks across the globe resolved to continue their fights against inflation with aggressive interest rate increases. Market sentiment pivoted to more caution given the sobering reality of tighter monetary conditions and slower economic growth, or likely recession.

### SECOND QUARTER EARNINGS

Corporate earnings for the second quarter of 2022 grew at the lowest rate since the end of 2020. Despite generally better-than-expected results, in aggregate, S&P 500 companies reported a below-average earnings surprise percentage relative to analyst's estimates. Moreover, if not for the Energy sector which had an outsized contribution to the index's earnings growth, the S&P 500 would have reported a year-over-year decline in profits.

The North Growth U.S. Equity Fund delivered a solid quarter. With over 90% of the portfolio having reported to date, earnings on a weighted-average basis expanded 8.2% over a year ago, beating estimates of 6.2% growth. Furthermore, 65% of the portfolio's earnings results thus far have exceeded analysts' estimates.

As of September 2nd, with nearly all the companies in the S&P 500 having reported results, earnings during the quarter increased 6.3% year-over-year while sales grew 13.9%. According to FactSet, 75% of the reporting companies posted positive earnings surprises. Seven of the index's eleven sectors reported year-over-year earnings growth, led clearly by Energy. If Energy were excluded, the S&P 500 would have reported a decrease in earnings of -4.0%. Four sectors, including Financials and Consumer Discretionary, reported a year-over-year decline in profits.

The U.S. Fund's earnings profile continues to be consistently strong and broad-based. In the second quarter, despite having no exposure to Energy, the largest contributor to the S&P 500's earnings, the Fund maintained a higher profit growth rate than that of the index.

The U.S. Fund's positive earnings results for the second quarter is illustrated by the following chart:



\*Source for S&P 500 Index: FactSet Earnings

## OUR VIEW

Undoubtedly, companies continue to face numerous macroeconomic headwinds, including higher costs, supply chain disruptions, labour shortages, as well as ongoing geopolitical conflicts. Yet the fundamentals of many businesses remain sound, and the weakness in share prices resulting in attractive equity valuations offers compelling long-term investment opportunities.

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

## TAX INFORMATION UPDATE

This year, Thursday, December 15<sup>th</sup>, is the distribution date for both the North Growth U.S. Equity Fund and North Growth Canadian Equity Fund. At this time, we do not anticipate an annual distribution for the U.S. Equity Fund.

As highlighted in the previous monthly reports, the Canadian Equity Fund expects to generate an income (eligible dividend) distribution of approximately \$1.50 per unit after benefitting from a one-time special

dividend paid by Dorel Industries in February. At this time, we do not anticipate a capital gains distribution for the Canadian Equity Fund.

Due to a number of factors beyond our control, the current estimates for the distributions may change materially over the next few months.

## U.S. EQUITY FUND

In August, the North Growth U.S. Equity Fund declined –7.7%. The Fund underperformed all the indices we follow regularly: the S&P 500 which lost –4.1%, the S&P 400 MidCap and S&P 600 SmallCap which fell –3.1% and –4.4% respectively, and the NASDAQ Composite which was down –4.5%. A weakening of the Canadian currency against its U.S. counterpart last month boosted the Fund’s return in Canadian dollars to –5.7% versus the S&P 500’s –1.9% monthly return in Canadian dollars.

## CANADIAN EQUITY FUND, SERIES N

August was a month of two halves for the S&P/TSX Composite. While the market rallied almost 3% in the first half, it gave up all those gains ending the month with a return of –1.6%. The North Growth Canadian Equity Fund, Series N, outperformed the index with a return of –0.6% for the month.

The overall market negativity from the U.S. crept into Canada when hawkish comments by Fed Chair Jerome Powell at the Jackson Hole Economic Symposium hit the airwaves. Fears of a recession affected most of the Canadian Equity portfolio, and a late month rally in the Materials and Energy sectors muted the Fund’s outperformance.

The markets are currently in a period of uncertainty. There is a laundry list of macro factors that have escalated throughout the year to move markets. With the lower summer trading volumes in August, overreactions were the flavour of the day. This allowed us to take advantage of dislocations within the market. While we are not able to predict market movements going forward, we are laser-focused on adhering to our bottom-up “Growth at a Reasonable Price” philosophy.

Another portfolio holding, Sierra Wireless, announced it was being acquired by Semtech Corporation on August 2<sup>nd</sup>. This is the third month in a row where a portfolio holding has been acquired. While merger and acquisition activity lends itself to favourable short-term performance and an external validation of our investment style, it also leads to firms in the portfolio being acquired before they reach their full potential.

## North Growth U.S. Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Fund \$CDN</b>	<b>-5.65</b>	<b>-4.40</b>	<b>-14.49</b>	<b>-22.48</b>
S&P 500 in \$CDN	-1.93	-0.36	-5.87	-13.28
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>-7.72</b>	<b>-7.77</b>	<b>-17.18</b>	<b>-25.04</b>
S&P 500 \$U.S.	-4.08	-3.88	-8.84	-16.14
S&P 400 MidCap \$U.S.	-3.10	-2.92	-7.89	-13.58
S&P 600 SmallCap \$U.S.	-4.39	-3.80	-9.32	-14.74
NASDAQ Composite \$U.S.	-4.53	-1.98	-13.69	-24.06

### ANNUALIZED RATES OF RETURN (%) FOR PERIODS ENDED AUGUST 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>-20.88</b>	<b>7.63</b>	<b>9.52</b>	<b>13.94</b>	<b>9.40</b>	<b>9.65</b>	<b>12.09</b>
S&P 500 \$CDN	-7.75	11.87	12.83	16.38	10.58	8.80	10.22
<b>North Growth U.S. Equity Fund \$U.S.</b>	<b>-23.86</b>	<b>8.13</b>	<b>8.54</b>	<b>10.73</b>	<b>7.84</b>	<b>10.60</b>	<b>11.89</b>
S&P 500 \$U.S.	-11.23	12.39	11.82	13.11	9.00	9.74	10.03
S&P 400 MidCap \$U.S.	-10.37	10.58	8.71	11.34	8.81	10.47	11.58
S&P 600 SmallCap \$U.S.	-12.12	10.40	8.65	11.51	8.63	10.64	11.02
NASDAQ Composite \$U.S.	-21.96	15.01	14.02	15.76	11.85	12.79	*10.64

Source: Bloomberg "Total Return Analysis" as of August 31, 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.

	August 31, 2022
Unit Price	\$ 44.52 CDN / \$ 33.96 US
Total Assets in Fund	\$ 540.4 Million CDN

## North Growth Canadian Equity Fund, Series N

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth Canadian Equity Fund, Series N</b>	<b>-0.59</b>	<b>3.27</b>	<b>-6.20</b>	<b>-10.02</b>
Benchmark	-1.61	-5.99	-7.07	-7.19

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	*Since Prospectus
<b>North Growth Canadian Equity Fund, Series N*</b>	<b>-11.82</b>	<b>13.54</b>	<b>10.68</b>	<b>12.19</b>	<b>12.14</b>
Benchmark	-3.38	8.75	8.12	8.13	8.40

\* 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.

	August 31, 2022
Unit Price	\$ 24.78 CDN
Total Assets in Fund	\$ 67.0Million CDN

## North Growth Canadian Money Market Fund

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

	*Current Yield	1 Yr	3 Yrs	5 Yrs	10 Yrs	15 Yrs
<b>North Growth Canadian Money Market Fund</b>	<b>2.69</b>	<b>0.60</b>	<b>0.60</b>	<b>0.93</b>	<b>0.81</b>	<b>0.98</b>
30 Day Treasury Bill	N/A	0.58	0.61	0.90	0.81	0.95

*\* 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. We believe the 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.

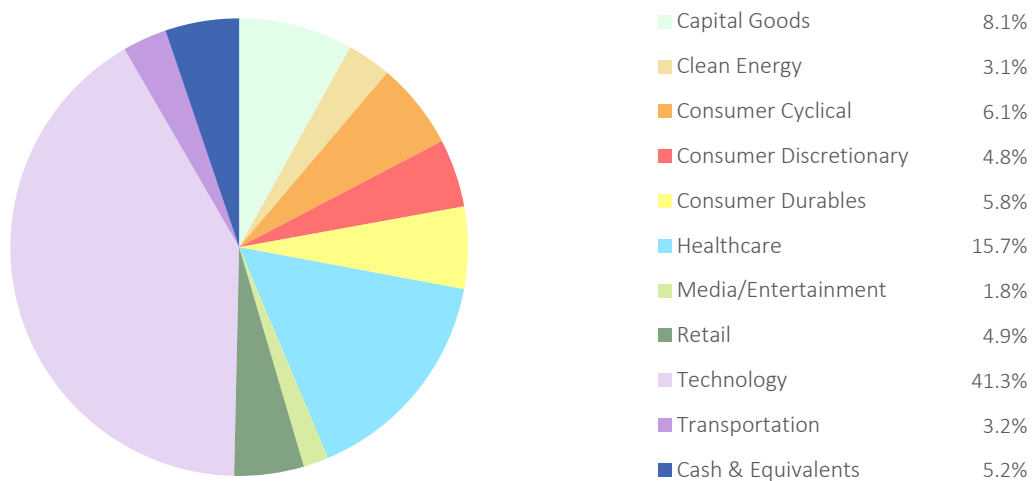
The current yield quoted above is net of the management fee.

## Equity Fund Holdings and Composition

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

Ranking	Security	% of Net Assets
1	Ciena Corp.	5.39
2	Jabil Inc.	5.01
3	Qualcomm Inc.	3.91
4	Lumentum Holdings Inc.	3.69
5	Bristol-Myers Squibb Company	3.69
6	Elevance Health, Inc.	3.33
7	SolarEdge Technologies Inc.	3.12
8	II-VI Inc.	3.11
9	Motorola Solutions Inc.	3.11
10	HP Inc.	3.09
<b>Top 10</b>		<b>37.45</b>
<b>Total Equities</b>		<b>94.78</b>
<b>Cash</b>		<b>5.22</b>
<b>Total Assets</b>		<b>100.00</b>

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

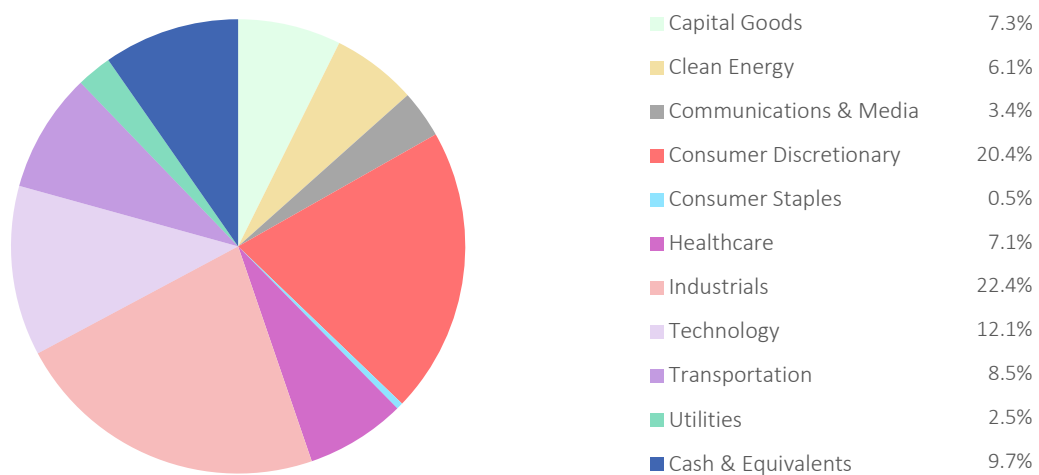




## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT AUGUST 31, 2022

Ranking	Security	% of Net Assets
1	Aritzia Inc.	8.10
2	TFI International Inc.	7.50
3	ATS Automation Tooling Systems Inc.	7.35
4	IBI Group Inc.	5.85
5	Calian Group Ltd.	5.55
6	Leon's Furniture Ltd.	4.65
7	Innergex Renewable Energy Inc.	3.91
8	CAE Inc.	3.85
9	Bombardier Inc., Class B	3.60
10	Heroux-Devtek Inc.	3.43
<b>Top 10</b>		<b>53.79</b>
<b>Total Equities</b>		<b>90.32</b>
<b>Cash</b>		<b>9.68</b>
<b>Total Assets</b>		<b>100.00</b>

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



# Investing with Us

## INVESTING WITH NORTH GROWTH MANAGEMENT:

North Growth Management is a focused firm. Our objective is to achieve 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.

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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.

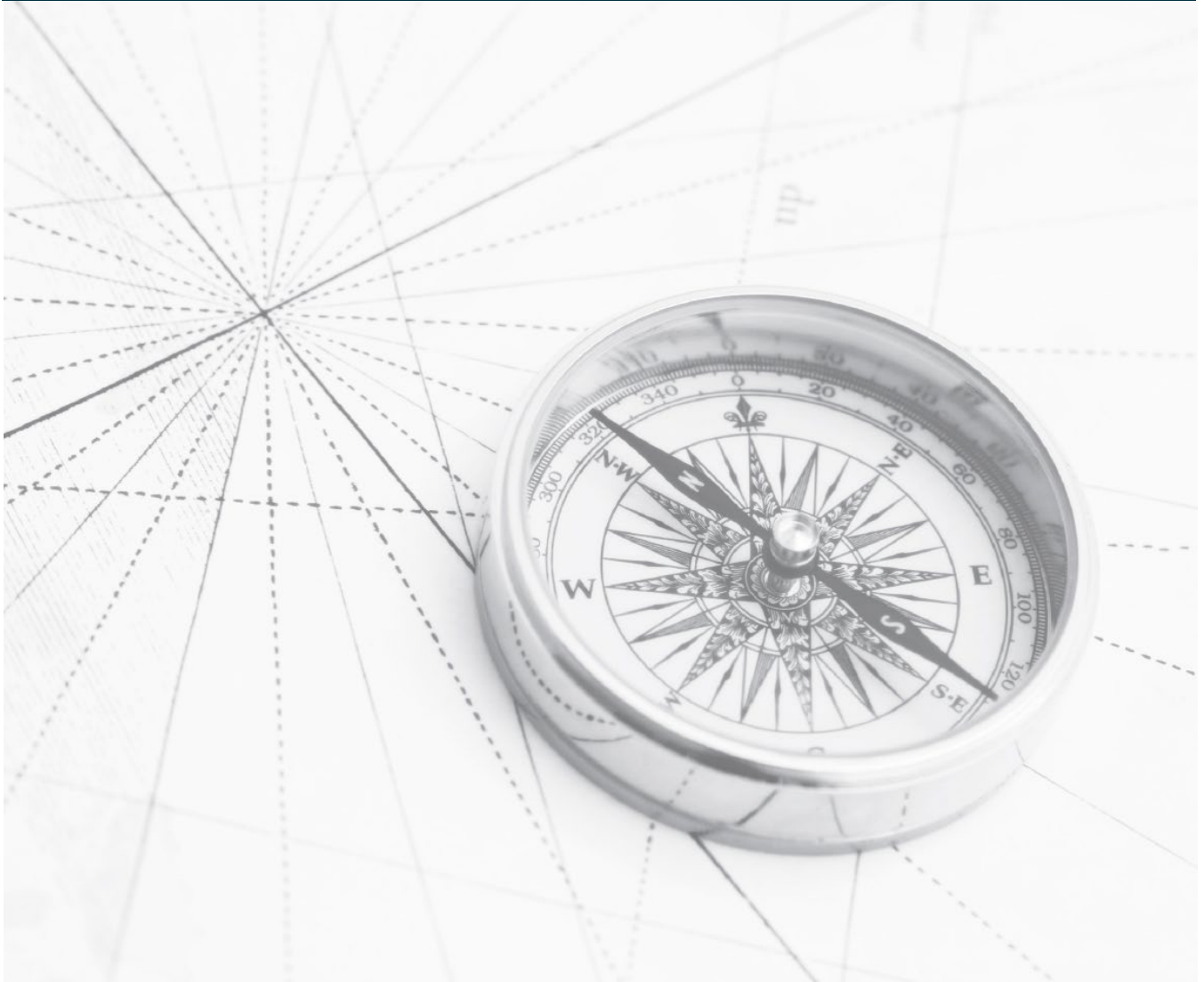


## A NOTE ON FORWARD-LOOKING STATEMENTS

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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