



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 analysts' 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 Advisor 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:



## 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 Advisor Fund and North Growth Canadian Equity Fund. At this time, we do not anticipate an annual distribution for the U.S. Equity Advisor 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 ADVISOR FUND

In August, the North Growth U.S. Equity Advisor 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

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 Advisor Fund

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Advisor Fund \$CDN (Series F)</b>	<b>-5.74</b>	<b>-4.38</b>	<b>-14.29</b>	<b>-22.11</b>
<b>North Growth U.S. Equity Advisor Fund \$CDN (Series D)</b>	<b>-5.77</b>	<b>-4.45</b>	<b>-14.42</b>	<b>-22.27</b>
S&P 500 in \$CDN	-1.93	-0.36	-5.87	-13.28
<b>North Growth U.S. Equity Advisor Fund \$U.S. (Series F)</b>	<b>-7.81</b>	<b>-7.76</b>	<b>-16.99</b>	<b>-24.69</b>
<b>North Growth U.S. Equity Advisor Fund \$U.S. (Series D)</b>	<b>-7.83</b>	<b>-7.83</b>	<b>-17.12</b>	<b>-24.84</b>
S&P 500 \$U.S.	-4.08	-3.88	-8.84	-16.14

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
<b>NGM U.S. Equity Advisor Fund \$CDN (Series F)</b>	<b>-20.53</b>	<b>7.94</b>	<b>9.73</b>	<b>13.93</b>	<b>12.71</b>
<b>NGM U.S. Equity Advisor Fund \$CDN (Series D)</b>	<b>-20.78</b>	<b>7.61</b>	<b>9.40</b>	<b>13.53</b>	<b>12.28</b>
S&P 500 \$CDN	-7.75	11.87	12.83	16.38	14.78
<b>NGM U.S. Equity Advisor Fund \$U.S. (Series F)</b>	<b>-23.53</b>	<b>8.44</b>	<b>8.74</b>	<b>10.73</b>	<b>10.80</b>
<b>NGM U.S. Equity Advisor Fund \$U.S. (Series D)</b>	<b>-23.76</b>	<b>8.11</b>	<b>8.42</b>	<b>10.34</b>	<b>10.38</b>
S&P 500 \$U.S.	-11.23	12.39	11.82	13.11	12.84

Source: Bloomberg "Total Return Analysis" as of August 31, 2022

\*Date of inception: October 23, 2009.

## North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund Series F</b>	<b>-0.56</b>	<b>3.35</b>	<b>-6.06</b>	<b>-9.84</b>
<b>NGM Canadian Equity Fund Series D</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 THE PERIOD ENDED AUGUST 31, 2022

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
<b>NGM Canadian Equity Fund Series F</b>	<b>-11.55</b>	<b>13.89</b>	<b>11.02</b>	<b>12.41</b>	<b>12.37</b>
<b>NGM Canadian Equity Fund Series D</b>	<b>-11.81</b>	<b>13.54</b>	<b>10.69</b>	<b>12.01</b>	<b>11.72</b>
Benchmark**	-3.38	8.75	8.12	8.13	8.40

\*The Benchmark Since Inception return is calculated from the Series F Date of Inception, June 15, 2012. The Series D Date of Inception is June 29, 2012.

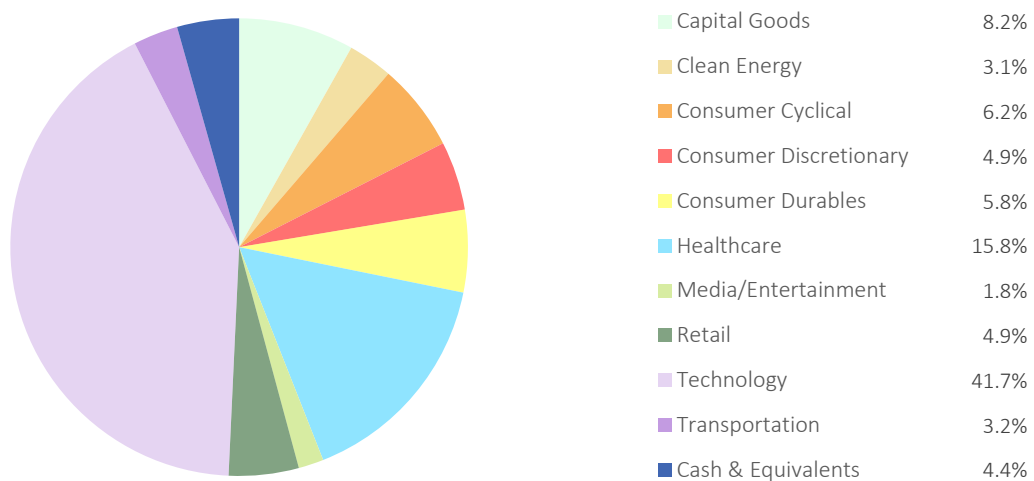
\*\* Benchmark = S&P/TSX Composite Index

## Equity Fund Holdings and Composition

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

Ranking	Security	% of Net Assets
1	Ciena Corp.	5.45
2	Jabil Inc.	5.06
3	Qualcomm Inc.	3.96
4	Lumentum Holdings Inc.	3.73
5	Bristol-Myers Squibb Company	3.73
6	Elevance Health, Inc.	3.36
7	SolarEdge Technologies Inc.	3.15
8	II-VI Inc.	3.15
9	Motorola Solutions Inc.	3.14
10	HP Inc.	3.12
<b>Top 10</b>		<b>37.85</b>
<b>Total Equities</b>		<b>95.63</b>
<b>Cash</b>		<b>4.37</b>
<b>Total Assets</b>		<b>100.00</b>

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

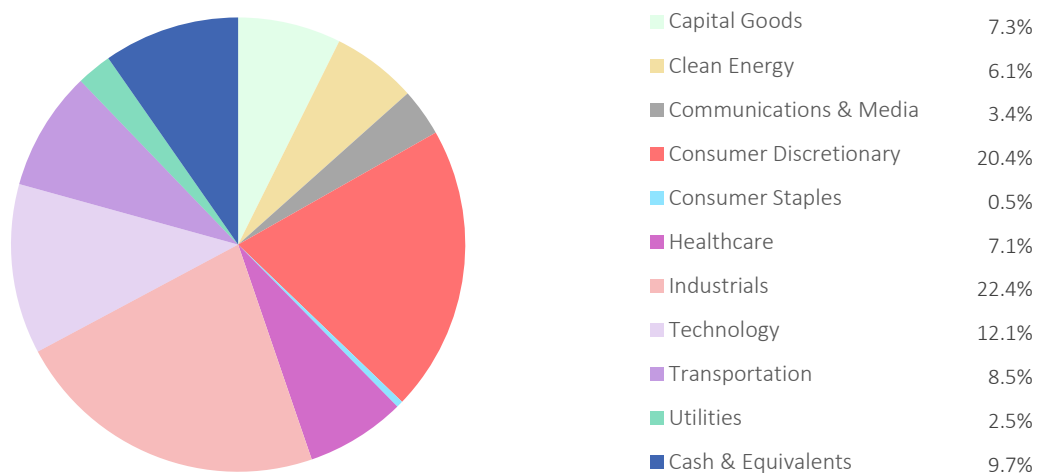




## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT AUGUST 31, 2022

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.

### FUND CODES

<b>Canadian Equity Fund</b> (only Canadian dollar investments)	<b>Series D</b> reference Fund Code <b>NGM 272</b> <b>Series F</b> reference Fund Code <b>NGM 270</b>
<b>U.S. Equity Advisor Fund</b> (for investments in Canadian dollars)	<b>Series D</b> reference Fund Code <b>NGM 372</b> <b>Series F</b> reference Fund Code <b>NGM 370</b>
<b>U.S. Equity Advisor Fund</b> (for investments in U.S. dollars)	<b>Series D</b> reference Fund Code <b>NGM 373</b> <b>Series F</b> reference Fund Code <b>NGM 371</b>

For any questions contact:

**Marcus Vander Leek, CFA**

*Director of Business Development and Client Service*

Email: [marcus@northgrowth.com](mailto:marcus@northgrowth.com) Phone: 604-354-9275



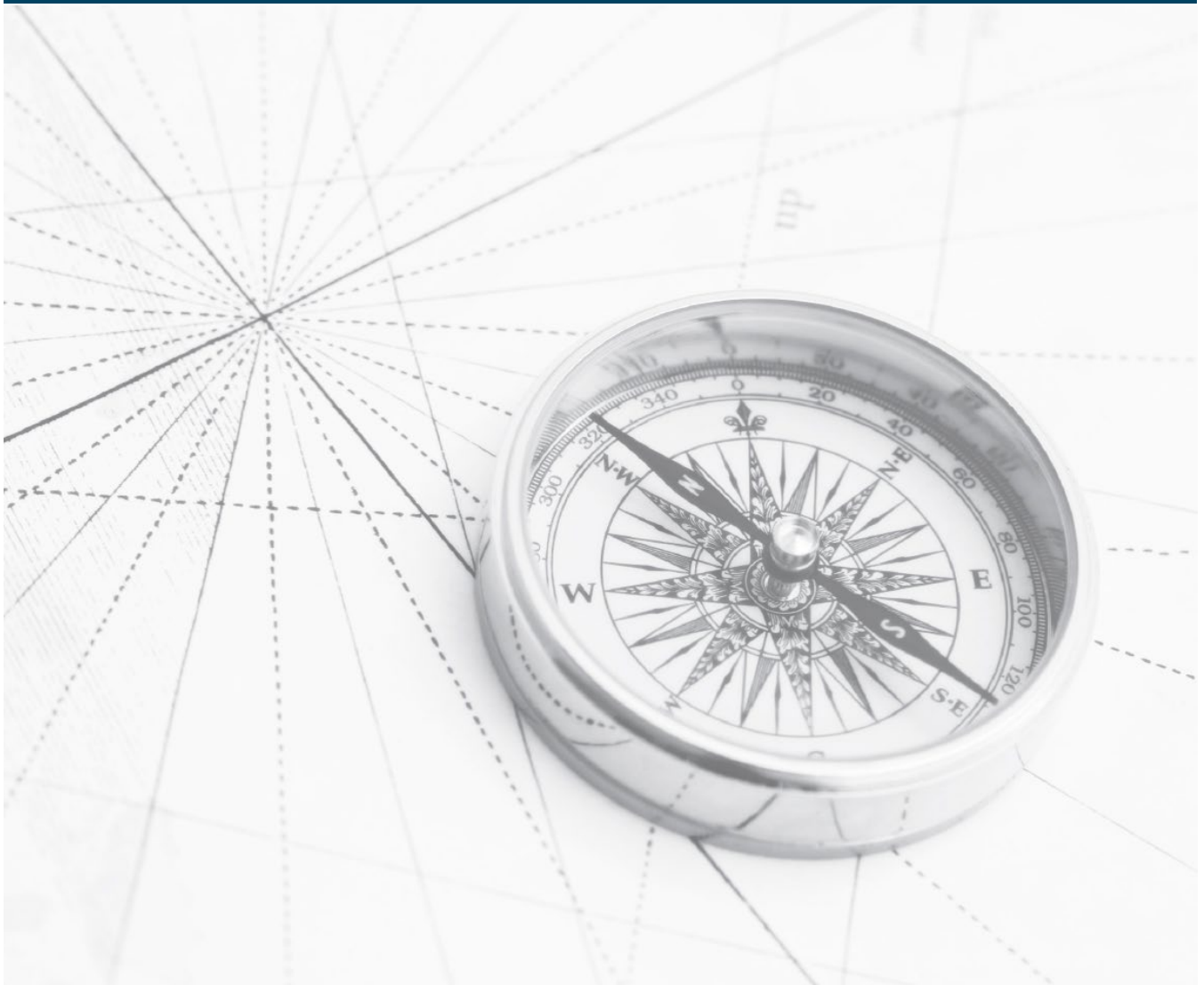
## A NOTE ON FORWARD-LOOKING STATEMENTS

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.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.



NORTH GROWTH  
MANAGEMENT



Suite 830, One Bentall Centre  
505 Burrard Street, Box 56  
Vancouver, BC V7X 1M4

T: 604-688-5440  
F: 604-688-5402  
info@northgrowth.com

**northgrowth.com**