



NORTH GROWTH  
MANAGEMENT



## OCTOBER 2022 MONTHLY REPORT

NOVEMBER 4, 2022



## Market and Fund Performance Update

Amid ongoing mixed earnings reports for the third quarter of 2022, equities ended October with strong gains after a brutal slump during the preceding two months. Cautious optimism that central banks, including the Federal Reserve, may soon shift away from large interest rate hikes to less aggressive tightening as inflation begins to ease helped propel the markets higher.

### A CASE STUDY OF “GROWTH AT A REASONABLE PRICE”: JABIL

The past month offered no new economic or market developments of note as stocks remain in a challenging bearish environment. So, in a departure from our usual commentary, we are profiling a company in the U.S. Equity Advisor Fund that exemplifies our “Growth at a Reasonable Price” investment philosophy: Jabil Inc.

As of October 31<sup>st</sup>, Jabil, at an approximate 5.6% weight, is the second largest holding in the U.S. Fund. This leading position has resulted from steady stock price appreciation and meaningful outperformance since we accumulated the security mostly between July 2017 and June 2018. The last purchase of the stock in February 2020 had brought the holding to just over 3% of the portfolio at the time. The Fund’s average U.S. dollar cost of the stock is \$33.54. On October 31<sup>st</sup>, Jabil closed at \$64.25 per share.

Jabil operates as a worldwide manufacturing services company. Historically concentrated in electronics manufacturing and assembly, the company embarked on a diversification push in 2017 to pursue further profitable growth. Today, Jabil’s business is balanced evenly among the eight key end markets of healthcare and packaging, automotive and transportation, connected devices, mobility, digital print and retail, industrial and semiconductor capital equipment, 5G wireless and cloud, as well as networking and storage. Importantly, no product family accounts for more than 5% of Jabil’s revenues.

Over the past five years since strategically diversifying its business into higher-margin end markets, Jabil grew sales by an average annual rate of 12% while earnings per share expanded on average 29% per year. The company has consistently boosted its operating margin by intentionally shifting business to higher-growth industry sectors and engaging in continuous manufacturing improvements. Jabil’s investments in operations include factory digitization and automation, engineering capabilities, supply chain tools and value-added design services.

Despite the impressive track record of growth, Jabil trades at only 9 times trailing 12-month earnings and 7.5 times projected earnings for the next year. During the Fund’s entire holding period of Jabil so

far, the company's price/earnings (P/E) multiple has remained attractive both on an absolute basis and relative to the market; therefore, we have not decreased the weighting of our position size.

Jabil's depressed equity valuation persists mainly from investors' longstanding perception of the company as a low-value "white box" computer manufacturer. Through its successful penetration into multiple growth industries over the past five years, Jabil is now exposed to a plethora of long-term secular demand drivers such as the transition to clean energy and electrification of transportation. For example, the company is involved in the manufacture of content in electric vehicles and charging stations, grid management and utility-scale batteries of energy storage systems, as well as components of orthopedic devices and medical diagnostic equipment.

We believe that the investment community has largely overlooked Jabil's competitive strengths and severely underestimated the company's ability to sustain higher margins and earnings growth. Focusing ahead on the next five years, considering the vast array of strong end markets Jabil serves, we believe it could reasonably grow its earnings per share at an average annual rate of 15% to 20%. Yet at its current valuation, even if our conservative assumptions prove inaccurate and Jabil were to grow profits at only 5% to 10%, the stock would still make a good investment. Attractively valued with a bright outlook, solid balance sheet and modest dividend, Jabil presents a compelling "Growth at a Reasonable Price" investment.

## TAX INFORMATION UPDATE

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. With over one month to go, it is important to emphasize that our guidance are estimates which could still change materially. Currently, we do not anticipate an annual distribution for the U.S. Equity Advisor Fund.

We anticipate the total distribution for the Canadian Equity Fund, Series F, to be approximately \$2.50 per unit (consisting of around \$1.60 income or eligible dividend and around \$0.90 capital gains) or 10% of the unit price.

## U.S. EQUITY ADVISOR FUND

In October, the North Growth U.S. Equity Advisor Fund, Series F, gained 8.6% in US Dollars. The Fund outperformed the S&P 500 which appreciated 8.1% and the NASDAQ Composite which advanced 3.9%. The Fund underperformed the S&P 400 MidCap and S&P 600 SmallCap indices which returned 10.5% and 12.4% respectively. In Canadian dollars, the Fund gained 7.4% versus the S&P 500's 6.8% monthly gain.

## CANADIAN EQUITY FUND

October was an exceptionally strong month for global equities. The Bank of Canada increased hopes of a sooner than anticipated central bank pivot with a lower-than-expected rate hike. The resolution of the crisis in the U.K. that affected all global equity markets in September further buoyed sentiment. This helped the S&P/TSX Composite post a gain of 5.6%, its strongest return since November 2020 when COVID-19 vaccines were first unveiled. Even though the strength in the benchmark was powered by Energy and Financials, the North Growth Canadian Equity Fund, Series F, managed to slightly outperform the index with a return of 6.0% on the back of strong performance from its Industrial and Consumer Discretionary holdings.

## North Growth U.S. Equity Advisor Fund

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

	1 Month	3 Months	6 Months	YTD
<b>North Growth U.S. Equity Advisor Fund \$CDN (Series F)</b>	<b>7.36</b>	<b>-4.75</b>	<b>-3.92</b>	<b>-21.29</b>
<b>North Growth U.S. Equity Advisor Fund \$CDN (Series D)</b>	<b>7.33</b>	<b>-4.82</b>	<b>-4.07</b>	<b>-21.49</b>
S&P 500 in \$CDN	6.83	0.19	0.84	-11.40
<b>North Growth U.S. Equity Advisor Fund \$U.S. (Series F)</b>	<b>8.63</b>	<b>-10.51</b>	<b>-9.96</b>	<b>-26.89</b>
<b>North Growth U.S. Equity Advisor Fund \$U.S. (Series D)</b>	<b>8.60</b>	<b>-10.58</b>	<b>-10.09</b>	<b>-27.08</b>
S&P 500 \$U.S.	8.10	-5.86	-5.50	-17.70

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
<b>NGM U.S. Equity Advisor Fund \$CDN (Series F)</b>	<b>-16.21</b>	<b>7.33</b>	<b>8.08</b>	<b>14.25</b>	<b>12.63</b>
<b>NGM U.S. Equity Advisor Fund \$CDN (Series D)</b>	<b>-16.46</b>	<b>7.01</b>	<b>7.76</b>	<b>13.85</b>	<b>12.20</b>
S&P 500 \$CDN	-5.89	11.56	11.71	16.36	14.77
<b>NGM U.S. Equity Advisor Fund \$U.S. (Series F)</b>	<b>-23.97</b>	<b>6.04</b>	<b>6.85</b>	<b>10.74</b>	<b>10.40</b>
<b>NGM U.S. Equity Advisor Fund \$U.S. (Series D)</b>	<b>-24.20</b>	<b>5.72</b>	<b>6.53</b>	<b>10.35</b>	<b>9.98</b>
S&P 500 \$U.S.	-14.61	10.22	10.44	12.79	12.50

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

\*Date of inception: October 23, 2009.

## North Growth Canadian Equity Fund

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

	1 Month	3 Months	6 Months	YTD
<b>NGM Canadian Equity Fund Series F</b>	<b>5.99</b>	<b>-1.22</b>	<b>0.90</b>	<b>-10.44</b>
<b>NGM Canadian Equity Fund Series D</b>	<b>5.96</b>	<b>-1.30</b>	<b>0.74</b>	<b>-10.67</b>
Benchmark**	5.57	-0.55	-4.92	-6.19

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

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
<b>NGM Canadian Equity Fund Series F</b>	<b>-12.02</b>	<b>11.86</b>	<b>8.04</b>	<b>12.12</b>	<b>12.09</b>
<b>NGM Canadian Equity Fund Series D</b>	<b>-12.29</b>	<b>11.52</b>	<b>7.72</b>	<b>11.73</b>	<b>11.44</b>
Benchmark**	-4.89	8.84	7.12	7.76	8.38

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

\* 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.

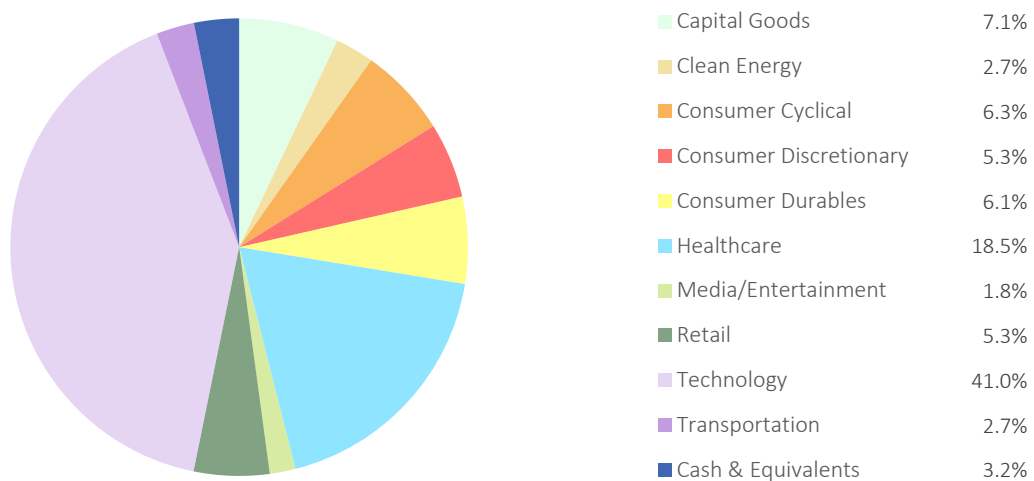
\*\* Benchmark = S&P/TSX Composite Index

## Equity Fund Holdings and Composition

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

Ranking	Security	% of Net Assets
1	Ciena Corp.	5.61
2	Jabil Inc.	5.58
3	Bristol-Myers Squibb Company	4.43
4	Elevance Health, Inc.	3.92
5	Lumentum Holdings Inc.	3.44
6	Applied Materials Inc.	3.35
7	Motorola Solutions Inc.	3.33
8	D.R. Horton, Inc.	3.30
9	Qualcomm Inc.	3.24
10	HP Inc.	3.11
<b>Top 10</b>		<b>39.31</b>
<b>Total Equities</b>		<b>96.83</b>
<b>Cash</b>		<b>3.17</b>
<b>Total Assets</b>		<b>100.00</b>

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

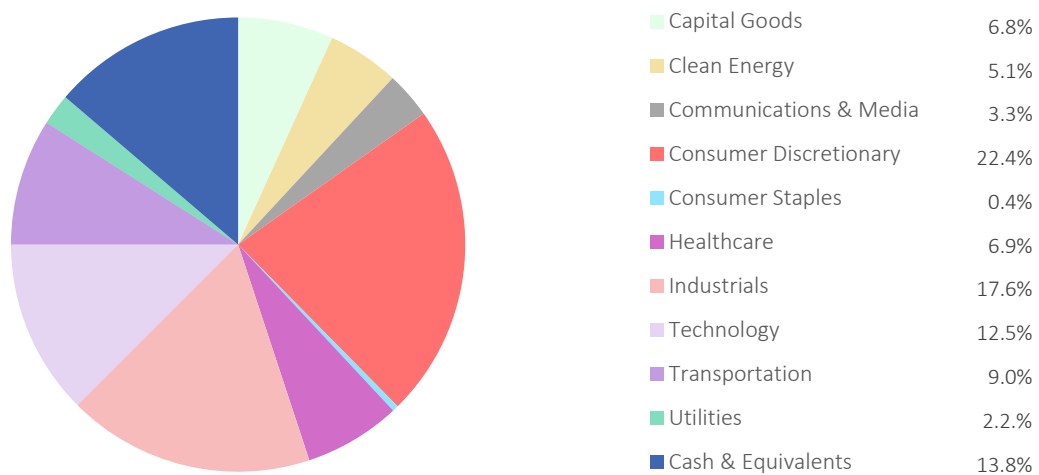




## CANADIAN EQUITY FUND — TOP 10 HOLDINGS AS AT OCTOBER 31, 2022

Ranking	Security	% of Net Assets
1	Aritzia Inc.	10.17
2	TFI International Inc.	7.20
3	ATS Automation Tooling Systems Inc.	6.79
4	Calian Group Ltd.	5.51
5	Leon's Furniture Ltd.	4.85
6	Bombardier Inc., Class B	4.48
7	CAE Inc.	4.24
8	Heroux-Devtek Inc.	3.35
9	Knight Therapeutics Inc	3.33
10	TELUS Corporation	3.30
<b>Top 10</b>		<b>53.22</b>
<b>Total Equities</b>		<b>86.24</b>
<b>Cash</b>		<b>13.76</b>
<b>Total Assets</b>		<b>100.00</b>

## CANADIAN EQUITY FUND — SECTOR MIX AS AT OCTOBER 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>

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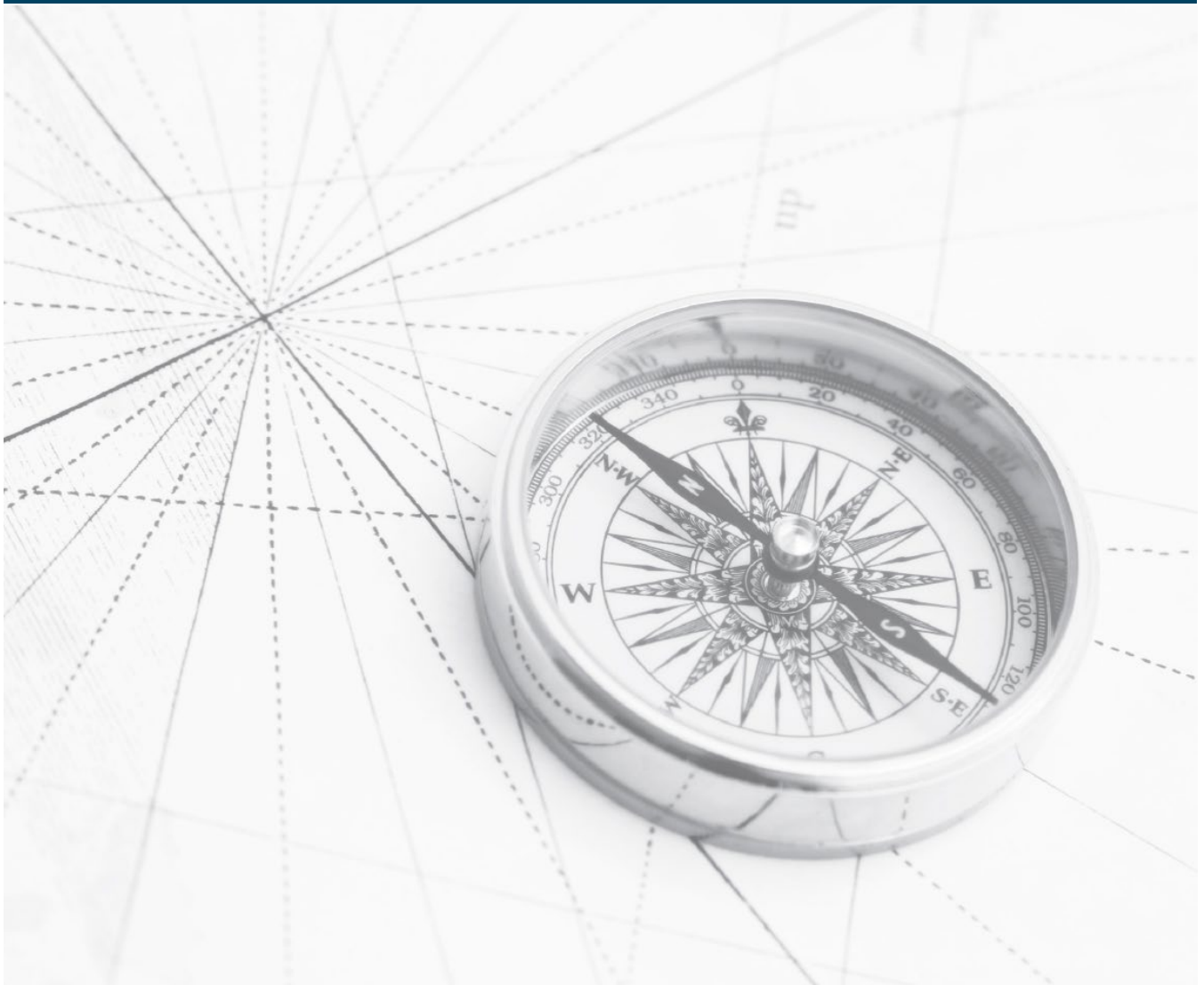
## A NOTE ON FORWARD-LOOKING STATEMENTS

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.



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