

Tradex

QUARTERLY

First quarter 2024



President's Report to Tradex Members



The Canadian equity market again moved higher for the first quarter, with the S&P/TSX Composite Index reaching a new record high, increasing by 5.8% during the three months. In the US, the S&P 500 Index was up 10.2% for the strongest first quarter since 2019. The increase in terms of Canadian dollars was higher for the quarter as the Canadian currency decreased

from 75.61 cents to 73.80 cents, a decrease of 2.4% for the period. As of March 31, the dividend yield of the S&P/TSX was 3.1% and S&P 500 1.4% (Buybacks 1.9% Q4, 2023), which indicates a slightly lower relative value in stocks due to the increases in the 10-year government bond yields to 3.5% in Canada and 4.2% for US Treasuries.

The Bank of Canada (BoC) held its rate again at 5% at both the January and March announcements while continuing its policy of quantitative tightening (QT). Similarly, the Federal Open Markets Committee (FOMC) held its rate at 5.25% to 5.5% at both meetings in January and March 20 while continuing its QT. The FOMC indicated it anticipates three 0.25% rate reductions at their scheduled meetings this year. The BoC indicated "Global economic growth slowed in the fourth quarter. US GDP growth also slowed but remained surprisingly robust and broad-based, with solid contributions from consumption and exports. Euro area economic growth was flat at the end of the year after contracting in the third quarter. Inflation in the United States and the euro area continued to ease". The BoC continues to expect inflation to remain close to 3% during the first half of this year before gradually easing.

Management Expense Ratios

Our Funds MERs generally remained significantly below their peers in 2023, as follows:

- Tradex Equity Fund – 1.18% (median* 2.28%)
- Tradex Bond Fund – 1.21% (median* 1.29% Bond / 1.77% Fixed Income Balanced)
- Tradex Global Fund – 3.06% (direct cost 2.06% / median* 2.29%).

*Source: Morningstar

Consolidate and Save

As members, take advantage of the opportunity for Tradex to act as your dealer for all of your mutual fund investments, it benefits all Tradex Members through increased rebates and average direct savings over 31%. Contact us today for a free no-obligation portfolio review and to discuss how to maximize the advantages associated with dealing through Tradex and our available services.

Management Reports of Fund Performance and Financial Statements

For members who did not elect to receive a mailed copy, the 2023 reports are available anytime on our website for downloading. If you wish to receive a printed copy, please contact us.

Tradex 64th Annual General Meeting

If you wish to view the presentations given by our three portfolio managers at the May 1, 2024, Annual General Meeting at the RA Centre, they will appear on our website at www.tradex.ca shortly after the meeting date in the section entitled "Members' News".

Paperless and Online access for the Tradex Funds

RBC Investor Services, record-keeper for the Tradex Funds, is now able to offer electronic statements, tax slips and confirmation slips for holders of the Tradex Funds. Please register for your Wealthlink access on our website (next to the dealer Webconnect access) and select electronic delivery should you wish to stop receiving the Tradex funds statements and confirmations by mail. Please contact our office if you prefer us to set you up.

A thank-you for referring New Clients

All new member referrals currently are eligible for \$25 for each of the referring member and new member in recognition of Tradex Global's 25th anniversary with City of London Investment Management as portfolio managers. Referral Forms are available on the back page or our website or from our office.

Blair Cooper
April 19, 2024

Tradex Equity Fund Limited – Quarterly Review – March 31, 2024

| | Total return (%) | | | Average annual compound return (%) | | | |
|--|------------------|-----------------|--------|------------------------------------|---------|----------|------------------|
| | Latest 3 months | Latest 6 months | 1 year | 3 years | 5 years | 10 years | Since inception* |
| Tradex Equity Fund Limited | 8.0 | 16.8 | 14.5 | 6.0 | 9.0 | 8.0 | 9.3 |
| S&P/TSX Total Return Index (TRI)** | 6.6 | 15.3 | 14.0 | 9.1 | 10.0 | 7.7 | — |
| Average Canadian Focused Equity Fund** | 8.0 | 15.9 | 16.1 | 8.2 | 9.4 | 6.8 | — |

*April 1960 **Source: Fundata Canada Inc

During the first quarter, an investment in Tradex Equity Fund Limited increased in value by 8.0%, exceeding the Fund's benchmark, the S&P/TSX Total Return Index. It increased by 14.5% over the past year. From the October 2022 bear market bottom, the Fund had risen over 26% to a new high by March 28, 2024.

The Canadian equity market ended the quarter in positive territory, but underperformed the US market. The S&P/TSX's performance was supported by resilient economic data and expectations that corporate earnings growth will regain momentum. While an economic soft landing has become a consensus call, Phillips, Hager & North (PH&N) remain aware that the Canadian economy is losing steam. Consumer spending has slowed, and rising interest costs on housing and personal debt continue to bite into disposable income. Consensus growth forecasts reflect the impact of tighter financial conditions, Global equity markets recorded their best quarter of performance since 2020, extending last quarter's rally as investors became increasingly confident that interest rates have peaked, inflation remains on a path towards 2%, and the economy can manage a soft landing.

During the quarter, an underweight to Utilities contributed most to relative performance, as not owning names like Brookfield Renewable Partners, Emera, and Northland Power supported portfolio performance. Elsewhere within the portfolio, our core holdings in large, integrated producers such as Imperial Oil and Canadian Natural Resources performed especially well on the back of strong operating and financial results in addition to rising oil prices. Not owning Celestica hurt relative returns. While the company has been

a beneficiary of strong demand for AI-related infrastructure investments, PH&N have concerns about the sustainability of this growth. An overweight position in Rogers also hurt relative performance. The portfolio's position in Nvidia was among the largest contributors to returns along with TSMC, AutoZone and Safran. Electronic bond trading platform MarketAxess was among the top detractors, along with AIA Group and DHL Group.

PHN exited our position in Morgan Stanley and reallocated the proceeds to JPMorgan Chase, while initiating positions in ICICI Bank and National Grid. As at March 31, 2024, the Fund's ten largest holdings were as follows:

| | | | |
|--------------------------------|------|----------------------------------|------|
| Royal Bank of Canada | 3.7% | Bank of Montreal | 2.0% |
| Microsoft Corp | 2.6% | Amazon.com Inc | 2.0% |
| TD Bank | 2.6% | Canadian Pacific Kansas City Ltd | 2.0% |
| Shopify Inc. | 2.5% | NVIDIA Corp | 1.8% |
| Canadian Natural Resources Ltd | 2.5% | Brookfield Corp. | 1.8% |

PHN believes that equity returns will depend on the path of interest rates, any economic downturn that materializes, and its impact on earnings growth. In PHN's view, the challenge for the equity market is that aggressive forecasts for growth, margins or earnings growth are now required to sustain the bull market. They are concerned about the "magnificent seven" which have achievable but tough to achieve targets. However, PHN are encouraged by the fact that outside of the largest parts of the US equity market, mostly those magnificent seven stocks, most valuations around the world actually remain quite attractive despite the gains that have been posted since 2022.

Tradex Bond Fund – Quarterly Review – March 31, 2024

| | Total return (%) | | | Average annual compound return (%) | | | |
|-------------------------------|------------------|-----------------|--------|------------------------------------|---------|----------|------------------|
| | Latest 3 months | Latest 6 months | 1 year | 3 years | 5 years | 10 years | Since inception* |
| Tradex Bond Fund | 1.9 | 9.0 | 5.5 | 0.8 | 2.4 | 2.8 | 5.3 |
| FTSE TMX Canada Universe Bond | -1.2 | 6.9 | 2.1 | -1.5 | 0.3 | 2.0 | — |
| Average Canadian Bond Fund** | -1.1 | 6.9 | 2.1 | -2.1 | -0.2 | 1.2 | — |

*December 1989 **Source: Fundata Canada Inc

An investment in the Tradex Bond Fund increased in value by 1.9% during the first quarter, significantly outperforming the benchmark Canadian bond index which declined 1.2%. The fund has increased by 5.5% over the past year while the index rose 2.1%. From the October, 2022 bear market bottom, the fund had risen over 11% by March 28, 2024.

The first quarter of 2024 continued the trend of stronger economic data than the market had priced in. Since 2022, market forecasts have been consistently expecting a dramatic slowdown, a reduction in inflation, and cuts to central bank policy rates.

However, in North America, growth continues to grind out gains, employment markets remain healthy, inflation remains sticky, and policy rates remain at their peaks. During the quarter, interest rates across the yield curve moved higher as the market digested the reality of the persistence of the economic strength and that interest rate moves from late last year got a little ahead of the data.

The portfolio's duration position, which was modestly shorter than the benchmark's duration, was a positive contributor to relative performance. Looking beyond interest rates,



Canadian credit performed strongly, with corporate, provincial, and municipal credit spreads all moving tighter during the quarter. The preferred share market generated strong performance during the quarter. This strength was aided by the increased demand resulting from increasing dividend yields, a recent positive change to the tax efficiency of Canadian preferred shares for financial institutions, and renewed call activity by the Canadian banks. Strong relative contributors included Brookfield preferred shares, Imperial Oil, and Bird Construction common stock while Open Text and Empire Co. detracted.

Yields across all Government of Canada bonds increased during the quarter, as seen in the following table:

| Term to Maturity | Record Lows | Yield Dec. 30/22 | Yield Sept. 29/23 | Yield Mar. 28/24 |
|------------------|-----------------|------------------|-------------------|------------------|
| 2 year | 0.15%* | 4.06% | 3.88% | 4.17% |
| 3 year | 0.18%* | 3.82% | 3.67% | 3.91% |
| 5 year | 0.30%** | 3.41% | 3.17% | 3.51% |
| 10 year | 0.43%** | 3.30% | 3.10% | 3.45% |
| 30 year | 0.71%*** | 3.28% | 3.02% | 3.34% |

Record (50 years or more) low rates: *Feb. 1/21, **Aug. 4/20, ***Mar. 9/20

The Fund continued to be diversified across income-generating asset classes. At quarter-end, 40% of the Fund's portfolio value was in government bonds, 31% in corporate bonds, 14% in preferred shares, and 13% in common shares, REITs and Income Trusts. The yield on the Fund's overall portfolio was 4.7% as at March 31, as shown in the following table, while the yield on the FTSE TMX Canada Universe index was 4.2%.

| | Government Bonds | Corporate Bonds | Preferred Shares | Common Shares, Trusts, REITs | Weighted average total |
|--------|------------------|-----------------|------------------|------------------------------|------------------------|
| Yield* | 4.0% | 5.2% | 6.2% | 4.3% | 4.7% |

*The gross estimated annual yield for 1 year is calculated before fees & taxes

Foyston, Gordon & Payne (FGP) remain focused on downside protection as they navigate this unique and volatile market where the risk tone of the market will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news. They are optimistic for resilient returns in the Canadian preferred share market over the medium term. The portfolio continues to be well positioned to benefit from improving stock market sentiment, but it also owns a roster of companies with resilient defensive attributes that FGP believe would provide downside protection if the market is not as strong as it was in 2023.

Tradex Global Equity Fund – Quarterly Review – March 31, 2024

| | Total return (%) | | | Average annual compound return (%) | | | |
|---------------------------------------|------------------|-----------------|--------|------------------------------------|---------|----------|------------------|
| | Latest 3 months | Latest 6 months | 1 year | 3 years | 5 years | 10 years | Since inception* |
| Tradex Global Equity Fund | 10.1 | 21.0 | 22.5 | 5.3 | 8.4 | 9.4 | 6.9 |
| Dow Jones Global Total Return Index** | 10.3 | 20.1 | 23.1 | 9.3 | 11.1 | 10.9 | — |
| Average Canadian Global Equity Fund** | 9.5 | 18.5 | 18.8 | 6.7 | 8.9 | 8.0 | — |

*May 1999 **Source: Fundata Canada Inc

During the first quarter of 2024, the value of each unit in the Tradex Global Equity Fund increased by 10.1% and has increased 22.5% in the past 12 months. From the October 2022 bear market bottom, the Fund had risen over 41% to a new high by March 28, 2024.

Global equities continued to advance strongly during the first quarter of 2024 with the artificial intelligence (AI) theme spurring animal spirits and particularly boosting the share prices of assumed beneficiaries, most notably Nvidia, whose chips have the processing power that underpin AI models. In addition, the global economy, led by the US, continues to see stronger-than-anticipated economic data. Inflation, while continuing to fall, is returning to target slowly, and there are some concerns that it might prove 'sticky'. The combination of these factors has meant that the number of rate cuts forecast for most Developed Market (DM) central banks has been scaled back since the start of the quarter. Despite a reduction in rate cut expectations, market pricing of a hard landing has been reduced as US activity data has remained above trend. This should support equities in the short term, though there remain risks, including weakness in China and the Eurozone while valuations for the US stock market look unattractive, and the market appears overly concentrated.

Technology-focused markets led the way in terms of returns during the period. The US, Japan, Taiwan and the Netherlands, which have significant exposure to the AI theme, largely via semiconductor chip manufacturers, benefited from this. The S&P 500 Index returned 13.3%, Japan's Nikkei gained 15.9%, Taiwan increased 11.3%, and the Netherlands appreciated by 12.5% in Canadian dollar terms. Other European markets were mostly laggards; the UK was up 5.4%, Switzerland up 1.9% while France and Germany did a little better gaining 9.1% and 10.4% respectively. Australia and Canada were buoyed by strength in the financial and energy sectors but overall returned 3.4% for the former and 6.6% for the latter. Emerging Markets also lagged, gaining 4.7%, but were significantly weighed down by weakness in China, up 3.4%, and Brazil, down 5.2%. India was a little stronger, increasing by 4.5%.

During the period, City of London Investment Management (CLIM) initiated positions in two global equity funds trading at wide discounts as well as a Global Commodities fund. These purchases were funded by small trims in a number of positions where CLIM had seen strong returns and discount narrowing, with a focus on marginally reducing exposure to the technology stocks.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. The rates of return include reinvestment of all distributions and do not take into account any sales, redemption, distribution or optional charges or income taxes payable by an investor that could have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.



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Tradex Management Inc.
340 Albert Street, Unit 1604
Ottawa, Ontario K1R 7Y6
Tel: 613-233-3394 • 800-567-3863 • Fax: 613-233-8191 • 877-492-3863
e-mail: info@tradex.ca • Web site: www.tradex.ca

The Tradex Global Equity Fund 25th Anniversary \$25 New Member Incentive

City of London Investment Management Company Limited has partnered with Tradex since 1999! To show our appreciation, build our membership and, in recognition of this milestone, when a Tradex Member refers a new client to us, both the existing Member and the new Member will each receive \$25! This is just another way to show you that Tradex Is Different!

-  Simply complete and send this form to us by mail, fax, email or have the new Member bring it to the introductory meeting with Tradex.
-  Please note that minimum investments apply (\$100 monthly through pre-authorized deductions from a bank account or \$1,000 through a lump sum investment for Tradex funds.)

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