

Tradex

QUARTERLY

Fourth quarter 2023



President's Report to Tradex Members



The Canadian equity market ended the year up 8.1 per cent after the prior year's decline, with the S&P/TSX Composite Index increasing by 7.3% during the final three months. The US S&P 500 Index was up 11.2% during the quarter, ending the year up 24.2% and had risen 33.3% from the October low of 2022's bear market and within 0.6% of full recovery to

January 2022 high. The increase in terms of Canadian dollars was lower for the quarter as the Canadian currency increased by 2.2% from 73.96 cents to 75.61 cents. As of December 29, the dividend yield of the S&P/TSX was 3.2% and S&P500 1.5% (plus buybacks), which indicates some returning relative value in Canadian stocks as the 10-year government bond yields were 3.1% in Canada and 3.9% for US Treasuries.

The Bank of Canada (BoC) held its rate again at 5% at both the October and December announcements while continuing its policy of quantitative tightening (QT). The bank indicated "The global economy continues to slow and inflation has eased further. In the United States, growth has been stronger than expected, led by robust consumer spending. In Canada, economic growth stalled through the middle quarters of 2023." Similarly, the FOMC held its rate at 5-1/4 to 5-1/2 percent at both meetings in November and December 13th while continuing its QT. They indicated they remain "highly attentive to inflation risks" however, their "dot plots" indicated potentially three cuts in 2024. Current expectations are for rate cuts commencing in the second quarter of 2024.

Annual Rebates

Tradex operates on an "at-cost" or "break-even" basis solely for the benefit of its Members and is thus unique among Canadian mutual fund organizations. In 2023 we were able to return a total of \$339,000 in operating revenue to the three Tradex Funds (compared to \$734,500 in 2022). The return of this money to the Tradex Funds helps lower their management expenses (and management expense ratio) and is therefore a direct benefit to all Tradex investors.

Annual Reminder for Mutual Fund Reports

If you wish to receive the various regulatory documents for the Tradex Funds, please provide standing instructions by

signing and returning the attached form if you have not done so previously.

Tradex 64th Annual General Meeting on Wednesday May 1st returning to the RA Centre

This year, the Tradex Annual General Meeting will be held at 7:00 p.m. in Clark Hall, 2451 Riverside Drive, Ottawa (at the west end of the RA building). As in the past, all three investment counsellors will be present to provide outlooks and answer any questions.

Annual Calendar Year Contribution Opportunities

The Tax-Free Savings Account (TFSA) additional contribution of up to \$7,000 for 2024 is available and the deadline for Registered Retirement Savings Plan (RRSP) contributions to be deducted against your 2023 income is February 29, 2024. The new FHSA program first available in 2023 permits an additional \$8,000 contribution for 2024. For further details or to complete your contributions please contact us.

Paperless and Online access for the Tradex Funds

With new back-office RBC Investor Services for the Tradex Funds, we are now able to offer electronic statements 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 if 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.

Member Survey Initiatives

As members indicated an interest in an estate planning seminar hosted by Tradex for our members and their families in our latest member survey, we are pleased to announce the first seminar will be held at the Constitution Square Conference Centre, 350 Albert Street, 2nd floor on April 17th, 2024 at 4:30 pm. Light refreshments will be included. Please reserve your spot through our website or contact us. In response to our request for suggestions of charities to which Tradex might donate, we are pleased to announce our support of a local food bank this year.

Blair Cooper
January 29, 2024



Tradex Equity Fund Limited – Quarterly Review – December 29, 2023

	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	8.1	4.7	9.5	4.9	9.9	7.8	9.2
S&P/TSX Total Return Index (TRI)**	8.1	5.7	11.8	9.6	11.3	7.6	—
Average Canadian Focused Equity Fund**	7.4	4.9	13.4	7.9	9.9	6.5	—

*April 1960 **Source: Fundata Canada Inc

During the fourth quarter an investment in Tradex Equity Fund Limited increased in value by 8.1%, matching that of the Fund's benchmark, the S&P/TSX Total Return Index, for the same period. The Fund increased by 9.5% in 2023, lagging its benchmark's annual increase of 11.8%.

Canadian stocks performed well in Q4 despite lagging the S&P 500 Index. Technology stocks benefited from continued economic resilience, robust growth expectations, and a potential for growth from Artificial Intelligence (AI). Financial and Real Estate companies also performed well, while the Energy and Materials stocks were among the worst performers. Overall, the top contributors to relative performance within the portfolio in Q4 came from an underweight in Energy stocks, security selection and an overweight in Technology firms. Global equity markets finished 2023 on a high note, fueled by growing optimism that interest rates have peaked and the US economy will experience a soft landing. The "Magnificent 7" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) accounted for nearly half of the market's overall return, but it was the broader market that outperformed in the fourth quarter.

In Canada, contributors to relative returns included an underweight in gold mining company Franco-Nevada and overweights in IT firms Shopify and Lightspeed Commerce. Conversely, among foreign holdings, top contributors to relative performance included the electronic bond trading platform MarketAxess and alternative asset manager Blackstone. Enterprise software provider Salesforce

and global streaming giant Netflix were also among the largest contributors to returns. Conversely, underweights in Bank of Nova Scotia, Manulife Financial and Brookfield Asset Management were the largest drags on relative performance.

During the quarter, Phillip, Hager & North (PH&N) exited its positions Estée Lauder and LVMH Moët Hennessy Louis Vuitton. Its position in PepsiCo was eliminated and proceeds used to initiate a position in Proctor & Gamble. Further additions of capital were made to HCA, Netflix and Home Depot, and a position in financial technology company Intuit was re-initiated.

As of December 29, 2023, the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	4.0%	Bank of Montreal	2.2%
Toronto-Dominion Bank	3.2%	UnitedHealth Group Inc	2.1%
Shopify Inc	2.8%	Enbridge Inc	2.0%
Microsoft Corp	2.6%	Amazon.com Inc	1.9%
Canadian Natural Resources Ltd	2.4%	Brookfield Corp	1.8%

Looking ahead, valuations in Canada remain much more reasonable than in the US, but PH&N believe that earnings estimates for 2024 could be vulnerable to downward revisions. They are also carefully watching the impact of rising rates on the Canadian consumer, which they expect to be vulnerable given already high debt servicing costs and depleting savings.

Tradex Bond Fund – Quarterly Review – December 29, 2023

	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	7.0	4.1	6.4	0.5	2.7	2.9	5.3
FTSE TMX Canada Universe Bond	8.3	4.1	6.7	-2.8	1.3	2.4	—
Average Canadian Bond Fund**	8.1	3.8	6.2	-3.2	0.8	1.5	—

*December 1989 **Source: Fundata Canada Inc

An investment in the Tradex Bond Fund increased in value by 7.0% during the fourth quarter, lagging the Fund's benchmark, while it has increased by 6.4% over the past year compared to the FTSE TMX Canada Universe Bond index return of 6.7%.

Fundamentally, little changed in the last quarter of 2023. Economic growth continued to slow in many regions but remained in positive territory, core inflation remained sticky at higher levels than many were expecting at this stage in the rate cycle, and labour markets remained healthy with strong

wage gains supporting further consumption. Most market participants shifted their focus from aggressive rate hikes by central banks to tame inflation to predicting the timing of the first interest rate cut which the market is expecting to occur in 2024. As a result, after spending the first three quarters of the year slowly grinding higher, Canadian interest rates fell rather swiftly to finish the fourth quarter. The portfolio's modest shorter-than-benchmark duration positioning was a negative contributor to overall relative performance during the quarter.



Amongst our equity portfolio, Bird Construction Inc. was the single biggest contributor and preferred shares generated strong absolute performance during the quarter. Many of the preferred share portfolio's current holdings meaningfully outperformed. Brookfield Office Properties preferred shares offer compelling value as they are deeply discounted to par while providing exceptional yields (about 14% to 16%). Government of Canada bond yields increased during the quarter, as seen in the following table:

Term to Maturity	Record Lows	Yield Dec. 31/21	Yield Dec. 30/22	Yield Sept. 29/23	Yield Dec. 29/23
2 year	0.15%*	0.95%	4.06%	4.87%	3.88%
3 year	0.18%*	1.02%	3.82%	4.64%	3.67%
5 year	0.30%**	1.25%	3.41%	4.25%	3.17%
10 year	0.43%**	1.42%	3.30%	4.03%	3.10%
30 year	0.71%***	1.68%	3.28%	3.81%	3.02%

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

The Fund continued to be balanced and diversified across income-generating asset classes. At quarter-end, 42% of the Fund's portfolio value was in government bonds, 32% in corporate bonds, 13% 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 December 31st, as shown in the following table, while the yield on the FTSE TMX Canada Universe index was 3.9%.

	Government Bonds	Corporate Bonds	Preferred Shares	Common Shares, Trusts, REITs	Weighted average total
Yield*	3.7%	5.2%	7.0%	4.5%	4.7%

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

Foyston, Gordon & Payne (FGP) remain constructive on Canadian credit and are seeing good opportunities present themselves. The bank capital market and insurance capital market have been disproportionately impacted during the year and FGP believe the value appears attractive. They are prudently taking advantage of new opportunities at a measured pace as there is still much uncertainty in the economic landscape. They remain focused on downside protection as they navigate this unique and volatile market where the risk tone is driven by inflation, fears of a recession, and ongoing geopolitical news. FGP believe the portfolio is well positioned to benefit from improving stock market sentiment, but it also owns a roster of companies with resilient defensive attributes that they believe would provide downside protection.

Tradex Global Equity Fund – Quarterly Review – December 29, 2023

	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	9.9	7.9	17.8	3.2	8.6	9.0	6.6
Dow Jones Global Total Return Index**	8.9	7.6	19.4	7.1	11.0	10.4	—
Average Canadian Global Equity Fund**	8.3	5.3	15.1	4.8	9.1	7.4	—

*May 1999 **Source: Fundata Canada Inc

During the fourth quarter of 2023, the value of each unit in the Tradex Global Equity Fund increased by 9.9%. Over the rolling 12-month period ending December 31, 2023, the value of each unit increased by 17.8%.

The fourth quarter saw strong performance in global equities, thanks to growing confidence that the world's major central banks had finished their hiking cycles. After no changes at the October or November FOMC meetings, the markets were surprised at the December meeting by the unexpectedly dovish dot plot. Inflation continued to fall through the quarter, aided by the oil price, which reached \$77 at end-Q4, from \$95 at the start of the quarter. Geopolitics contributed to oil price volatility, with the October 7 attacks in Israel and Houthi-led disruptions in the Red Sea but did not prevent the downward trend. The UK lagged most of its European peers due to higher exposure to energy and the strengthening pound while Japan's gains were also muted as the market benefitted less from the ending of the tightening cycle.

In an "everything rally," Technology stocks were the top performing over the quarter, as the enthusiasm over the possibilities for Artificial Intelligence (AI) continues to boost sentiment. Leaders included Advanced Micro

Devices (+39.8%), Broadcom (+31.6%), Microsoft (+16.4%), Boeing (+32.6%) and Siemens (+27.7%), and global financial companies were similarly strong, led by Bank of America (+20.9%) and Wells Fargo (+18.5%). Energy firms experienced declines following oil's ~19% drop over the period. From a country perspective in Canadian dollar terms, the S&P rose 8.9%, France's CAC Index gained 8% and Germany's DAX Index added 11%. The UK's FTSE 100 Index rose modestly compared to its European peers, gaining 4.3%. In Asia, the Australian index saw a sharp rise (+12.3%), while Japan's Topix and the Singapore Strait Times Index gained 4.9% and 3.1%, respectively. Emerging Markets lagged the Developed Markets, as declines in China (-6.6%) offset strong performance in Brazil (Ibov: +15.9%), Mexico (Mexbol: +14.4%) and Taiwan (Taiex: +13.4%).

In terms of positioning, City of London Investment Management (CLIM) reduced exposure to the US and the EU into strength and added to more widely discounted Japanese exposure. They initiated a position in the Neuberger Berman MLP & Energy Income Fund at a 17.3% discount and increased exposure to the Healthcare sector while trimming exposure to the UK on discount narrowing.

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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Annual Reminder Regarding Mutual Fund Reports

We prepare Management Reports of Fund Performance (MRFPs) and Financial Statements for your mutual fund investments twice a year, for the periods ending June 30 and December 31.

The Tradex website provides comprehensive information on your investments. Visit www.tradex.ca and, under **Legal & Regulatory Documents**, you can view or download the MRFPs and Financial Statements, as well as other important information such as the Fund Facts, Simplified Prospectus and Quarterly Portfolio Disclosures. These materials are also available on the SEDAR+ website at www.sedarplus.ca.

You are entitled to receive print copies of the MRFPs and Financial Statements at no cost. **If you have previously instructed us as to which materials you would like to receive, your instructions will remain on file as long as you hold units of a fund or until we receive new instructions from you.** For more information, to change your standing instructions, or to request a printed copy of these materials, you can call **1-800-567-3863** or ask your advisor.

Annual Notice Regarding Fund Facts for Members with PACs

When you enroll in a pre-authorized chequing plan (PAC) to purchase Tradex Funds, you will receive a copy of the Fund Facts document with your initial purchase for each fund you buy. Unless specifically requested by you at the time of initial purchase, you will not be sent subsequent copies of the Fund Facts. You may request a copy of the most recent Fund Facts at any time and at no cost by: (i) calling us at 1-800-567-3863; (ii) by sending us a request by mail; (iii) by sending us an e-mail at info@tradex.ca or (iv) by asking your financial advisor. You can also download copies of the Fund Facts at no cost from our website www.tradex.ca or www.sedarplus.ca.

Under securities law, you have certain statutory rights when purchasing units of a mutual fund. These rights are described in the fund's Fund Facts and include the right to cancel the first purchase of a fund made through a PAC, provided you exercise that right within a prescribed period of time. This right does not, however, extend to subsequent purchases of the fund made through a PAC. You will, however, continue to have the right to terminate your PAC at any time before a scheduled contribution date. In the event that any misrepresentation is contained in a Fund Facts, or any document incorporated by reference in any renewal simplified prospectus, you will have the right to bring an action for damages or rescission, whether or not you have requested the Fund Facts.

Thank you for investing with Tradex Management Inc.

Redemption Procedures

We are required to inform you of the proper procedures required for us to execute a redemption of Tradex Funds. You can sell some or all of your units/shares at any time. If your order is received by our office by 4 p.m. (Eastern Time), you will receive that day's net asset value per unit calculated on the next business day. We will transfer or mail the redemption proceeds to you or your dealer within two business days of receiving a complete redemption request. Please refer to the Simplified Prospectus under Purchases, Switches, and Redemptions for detailed information.

To receive a paper copy of the Tradex Funds MRFP and the Financial Statements, please complete below and return by mail, scan or fax:

FIRST NAME (FULL)

LAST NAME

TELEPHONE NUMBER