

Tradex

QUARTERLY

Second quarter 2024



President's Report to Tradex Members



The Canadian equity market declined this quarter, with the S&P/TSX Composite Index decreasing by 1.3% during the past three months, but increasing 4.4% in the first half of the year. In the US, the S&P 500 Index was up 3.9% for the quarter and 14.5% year-to-date. However, the increase in terms of Canadian dollars was higher for the quarter as the

Canadian currency decreased from 73.80 cents to 73.06 cents, a decrease of 1%. Canadian stocks remain discounted to the US with the US Price/Earnings ratio at 21.2 times versus its 17-year average of 16.1 and the TSX's 14.0x versus 14.5x average. As of June 30, the dividend yield of the S&P/TSX was 3.1% and S&P 500 1.4%, which indicates a more normalized environment. The 10-year government bond yields are 3.5% in Canada and 4.4% for US Treasuries.

The Bank of Canada (BoC), after holding its rate in April, cut its rate for the first time in four years by 0.25% to 4.75% at the June announcement. Alternatively, the FOMC held its rate at 5.25 % to 5.50 % at both meetings May 1 and June 12 and indicated perhaps only one cut likely in 2024 (December). Both central banks are continuing their monetary tightening. The BoC indicated "The global economy grew by about 3% in the first quarter of 2024. Inflation in most advanced economies continues to ease, although progress towards price stability is bumpy and is proceeding at different speeds across regions. In Canada, economic growth resumed in the first quarter of 2024 after stalling in the second half of last year." It expects inflation will continue to move towards target but risks remain. The FOMC stated "Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated" despite progress in recent months towards the inflation objective. "The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks."

Interim Management Reports of Fund Performance and Financial Statements

For members who did not elect to receive a mailed copy, the 2024 reports will be available by late August on our website. If you wish to receive a printed copy, please call or e-mail us.

Paperless and Online access for the Tradex Funds

With the new back-office for the Tradex Funds, RBC Investor Services, we are 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 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.

A thank-you for referring New Clients

All new member referrals are eligible for \$25 for each 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 our website or from our office.

Tradex Family Fun Day

In our continuing efforts to support members and introduce new members to Tradex, we are hosting a free family fun day at Andrew Haydon Park in Ottawa on Saturday, September 14th. All Tradex members are invited to bring their children and grandchildren along with extended family with children to this inaugural event. More details will be available on our website as the date approaches. Hope to see you there!

Consolidate and Save

Our back page provides a brief outline of the benefits associated with eligible members consolidating their mutual fund investments through Tradex. We also outline the advantages of dealing through Tradex and an outline of the services available.

Blair Cooper
July 17, 2024

Tradex Equity Fund Limited – Quarterly Review – June 30, 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	0.4	8.5	13.6	3.2	8.6	7.5	9.2
S&P/TSX Total Return Index (TRI)**	-0.5	6.1	12.1	6.0	9.3	7.0	—
Average Canadian Focused Equity Fund**	0.7	8.1	13.4	6.1	9.0	6.4	—

*April 1960 **Source: Fundata Canada Inc

During the second quarter, an investment in Tradex Equity Fund Limited increased in value by 0.4%, exceeding the Fund's benchmark, the S&P/TSX Total Return Index, which lost 0.5%. It increased by 13.6% over the past year, exceeding the benchmark by 1.5%.

The decline in the TSX was fuelled by weak retail sales, manufacturing softening, and a slowing real estate market. Notably, the Bank of Canada cut its policy interest rate by 25bps in early June, the first time in four years. Overall, the Canadian economy is losing some steam despite the probability of a deep recession subsiding. Consumer spending has continued to slow, and the effects of higher interest rates on housing and personal debt continue to hinder discretionary spending. Global equity markets extended last quarter's gains into the second quarter, largely driven by a small group of stocks and the view that inflation is likely to slow without significant disruption to the labour market, resulting in a soft landing.

Positions in Meta, Amazon, Microsoft, Copperleaf Technologies, Agnico Eagle Mines, Pan American Silver, Nvidia, Novo Nordisk, Netflix and TSMC all contributed positively. Additionally, not owning Bausch Health was a large contributor. Conversely, the larger detractions came from a lack of exposure to Bombardier, Apple and Celestica. Our positions in Fortive and Salesforce also detracted from performance. Changes to foreign positioning over the quarter were a result of Philips, Hager & North's (PH&N's) identifying new "best ideas" (stocks that possess both their highest competitive dynamics and valuation ratings). Unilever, CRH and ABB were added, funded from selling DHL Group, Astellas Pharma and MarketAxess.

As at June 30, 2024 the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	4.1%	TD Bank	2.3%
Microsoft Corp	2.8%	Amazon.com Inc	2.2%
NVIDIA Corp	2.5%	Taiwan Semiconductor Manufacturing Co Ltd	1.8%
Canadian Natural Resources Ltd	2.4%	United Health Group Inc	1.8%
Shopify	2.3%	Brookfield Corp	1.8%

Looking ahead, PH&N expects Canadian earnings to grow in the low teens in 2025. Additionally, future rate cuts by the Bank of Canada have the potential to spur loan growth and ease concerns about credit quality. PH&N remain cautiously optimistic, understanding that an economic slowdown remains possible, and could impact earnings growth. Finally, 2024 is 'the year of the election'. There is inevitable speculation about outcomes but for investors elections need not be bad news. Incumbents like to go to the polls with a strong domestic economy and low unemployment, whilst challengers seek to win approval with policies that they believe will make a positive difference to voters. What tends to work for voters, such as secure jobs, sound money and financial security, can also be good for companies. For investors, the milestones passed on the journey towards financial security tend not to be marked by elections but by other macroeconomic events. The dot-com bubble bursting, the global financial crisis and the pandemic were all moments of uncertainty and financial stress that, at the time, made significant differences to the value of portfolios. In contrast, the normal pattern of regular elections typically fails to deliver the same levels of volatility.

Tradex Bond Fund – Quarterly Review – June 30, 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	0.6	2.4	6.7	-0.1	2.4	2.7	5.3
FTSE TMX Canada Universe Bond	0.9	-0.4	3.7	-1.8	-0.1	1.9	—
Average Canadian Bond Fund**	0.6	-0.4	3.4	-2.3	-0.5	1.1	—

*December 1989 **Source: Fundata Canada Inc

An investment in the Tradex Bond Fund increased in value by 0.6% during the second quarter marginally underperforming the benchmark Canadian bond index. The fund has increased by 6.7% over the past year exceeding the benchmark by 3%.

As the second quarter of 2024 progressed, the economic data released was more mixed but remained consistent with a positive growth environment supported by a solid consumer base. For the first month of the quarter, interest rates continued their march higher with the latter two months displaying increased volatility as the markets digested the inconsistent but

still strong, on average, economic data. Across the yield curve, most Canadian interest rates finished the quarter relatively unchanged, except short term impacted by the BoC rate cut.

Canadian credit performed well in the quarter and Foyston, Gordon & Payne's (FGP's) overweight position in corporate credit drove positive contribution to relative performance. The preferred share market continued to generate positive results aided by the consistent demand resulting from increasing dividend yields, a recent positive change to the tax efficiency for financial institutions, and renewed



redemption activity by the Canadian banks. Among dividend paying common shares, Bird Construction Inc. was the largest contributor to relative performance, up 45% in the quarter. Open Text Corp. was the largest detractor from relative performance, returning -21%.

Yields across Government of Canada bonds decreased for shorter terms but increased for longer terms during the quarter as seen in the following table:

Term	Record Lows	Yield Dec. 30/22	Yield Dec. 30/23	Yield Mar. 28/24	June 28, 2024
2 year	0.15%*	4.06%	3.94%	4.17%	3.99%
3 year	0.18%*	3.82%	3.76%	3.91%	3.83%
5 year	0.30%**	3.41%	3.24%	3.51%	3.51%
10 year	0.43%**	3.30%	3.11%	3.45%	3.50%
30 year	0.71%***	3.28%	2.91%	3.34%	3.39%

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

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, 32% 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 June 30th, 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%	5.1%	6.3%	4.4%	4.7%

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

Even as the economic resilience of early 2024 appeared to cement the consensus view that an unfolding and sustainable soft landing can be achieved, FGP remain cautious in their outlook. The serious geopolitical situations around the world are unlikely to resolve themselves in the short term and further instability may be introduced later in the year when several important elections will be held. Signs of an economic slowdown should become more apparent through the second half of the year, allowing for further adjustments by the global central banks. FGP are prudently taking advantage of new opportunities at a measured pace as there is still much uncertainty in the economic landscape and the direction of interest rates across the curve. 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.

Tradex Global Equity Fund – Quarterly Review – June 30, 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	4.2	14.7	23.7	4.4	9.2	9.7	7.0
Dow Jones Global Total Return Index**	3.6	14.2	22.9	8.6	8.0	11.4	—
Average Canadian Global Equity Fund**	3.6	11.3	17.2	5.4	8.9	8.1	—

*May 1999 **Source: Fundata Canada Inc

During the second quarter of 2024, the value of each unit in the Tradex Global Equity Fund increased by 4.2%. Over the rolling 12-month period ending June 30, 2024, the value of each unit increased by 23.7% versus a gain of 22.9% in the Fund's benchmark.

The second quarter started with economic strength surprising to the upside and concerns that central banks would not be able to cut rates as fast as markets had anticipated. Over the following months, economic data has stabilized, and a soft landing became a more consensus expectation. Equities rose over the quarter, though the market leadership remained narrow. Bond yields rose over the quarter, with the US 2- and 10-year yields rising by 13 and 20 basis points respectively. The timing and scale of future US rate cuts have continued to be closely watched over the quarter, with just under two cuts in 2024 currently priced in by the market. Politics was at the forefront as there were several important elections across Emerging Markets (South Korea, South Africa, Mexico, India) and upcoming elections in the UK, France, and the US.

Technology maintained its dominance during the period. This continued to boost market performance in the US, where the

S&P 500 Index returned 5.4% (NASDAQ +9.4%) in Canadian dollars, as well as Taiwan (+13.6%). European markets were mixed, with Netherlands up 6.3%, Denmark gaining 7.9%, the UK up 4.9% while the Germany's DAX index fell 1.1% and France's CAC index dropped 6.3%, in part on uncertainty surrounding the ongoing elections. The Canadian market lost 0.5%, weighed down by inflation concerns and falls in the energy sector, while the Australian market rose 2.5% on the strong performance of financials. Japan was weak (-3.5%) as the yen continued to slide. Emerging Markets rose 6% over the period on large gains in China (+11.9%), Taiwan and India (+9.1%) while Brazil (-12.1%) and Mexico (-15.4%) detracted.

During the period City of London Investment Management (CLIM) initiated positions in two US equity funds trading at wide discounts as well as a widely discounted US healthcare fund and an Emerging Markets generalist fund. These purchases were funded by exiting several positions where they had seen discount narrowing, including a more narrowly discounted US healthcare fund, funds focused on Energy and Infrastructure and a Japanese value-oriented fund.

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.

SWITCH, SIMPLIFY AND SAVE

Tradex offers its members access to a broad range of products and services to meet your financial needs. By consolidating your investments through Tradex, you can simplify your financial picture and often achieve significant savings of investment costs (recent portfolio transfers saved 17% to 38%, with an average savings of 30%).

Holding All of your Mutual Funds through Tradex

Tradex is a licensed mutual fund dealer in Ontario, Quebec and British Columbia, offering their eligible residents the opportunity to purchase and hold through Tradex most of the over 5,000 mutual funds available to Canadian investors, including funds offered by Beutel Goodman, the major banks, Capital, Dynamic, Fidelity, Franklin Templeton and NEI.

Benefits of dealing through Tradex:

- Tradex saves you money! When you purchase mutual funds through Tradex, there are no sales commissions, account set-up fees or transaction fees. This includes those mutual funds where you would normally pay a sales commission if they were purchased elsewhere.
- If you currently own mutual funds purchased elsewhere (at a bank, broker, discount broker or mutual fund dealer) you can transfer them into an account at Tradex at no cost (we'll pay the transfer fees on your behalf). For fee-based accounts, compare Tradex service fees - max 0.7% versus the typical 1.00-1.4% at other dealers.
- There are no annual TFSA, RRSP or RRIF fees as we pay the annual administrative fees for eligible self-directed plans. Self-directed accounts can hold mutual funds, ETFs and GICs.
- We'll give you great service and expert advice just like the service we provide for the Tradex Funds. Also, you'll receive a quarterly consolidated fund statement along with having full on-line access to view all of your accounts
- We offer Retirement Income cash flow forecasts at no charge to help you meet your financial goals.
- Our portfolio reviews and recommendations are tailored to your specific needs, based on your objectives, risk - profile, time horizon and individual preferences.
- Our salaried advisers provide straight-forward, unbiased advice, ensuring that your investments are properly allocated between registered and taxable accounts to maximize after-tax returns.
- Where appropriate, we will recommend using specially developed corporate class and other structures to reduce your tax burden.
- We recommend buying and holding mutual funds that have a combination of low management expense ratios and proven long-term performance.
- Frequently you can save twice, first by accessing lower cost versions of funds not available through other dealers and, second, by benefiting from potentially increased rebates to your Tradex Friends as more members consolidate their holdings under our dealer.

For more information please call us at 613-233-3394 or 1-800-567-3863 or e-mail info@tradex.ca.