

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES POOLED BALANCED FUND



PORTFOLIO MANAGERS: JOHN ZECHNER MA, CFA, DAX LETHAM MBA, CFA, CMA

The value of the JZA Balanced Pooled Fund (the ‘Fund’) increased by 2.09% in the 1st quarter of 2017 and is up 6.38% over the past year. The S&P/TSX Index was up 2.4% in the first quarter, but weakness in the Energy sector held back gains in Canada compared to other major global markets, such as the U.S, where the S&P500 moved up 5.3%. Bond markets lagged the move in stocks as interest rates were increased in the U.S. The FTSE Bond Index in Canada gained 1.24% in the first quarter.

The defensive strategic positioning of the Fund included higher cash levels that have deterred the Fund from fully participating in the stock market gains over the past few years as we continue to believe that the risk-reward balance of the stock market is unfavourable. However, our sector positioning in the past quarter was able to offset most of this defensive stance as we had overweight positions in gold stocks and U.S. technology and financial stocks, all of which did better than the stock averages. We were also underweight energy stocks which were the weakest sector. The overweight position in Preferred Shares also helped returns as new buying continues to drive valuations higher in that sector in addition to the 5% dividend yields.

In terms of individual stock contributions, Apple broke to the upside with a gain of over 30%, Facebook rose over 22%, Kirkland Lake Gold jumped 19%, Martinrea and Rogers each gained over 15% and Open Text was up 9%. Weakness came from our relatively small holdings of energy stocks with Trinidad Drilling down 15.6% and Crescent Point losing 9.5%. Hudson’s Bay also had another difficult quarter, falling 13.5%, as the turnaround in retail continues to take longer than expected. The stock, though, trades at a substantial discount to the value of its real estate holdings and we expect that to be the catalyst for future gains.

The investment strategy for 2017 in the Fund continued to be one positioned for weakness in stocks and some strength in gold. The asset mix in the Fund remained defensive at quarter end with cash at 30.8%, fixed income at 26.1%, preferred shares at 12.4%, Canadian stocks at only 21.9%

and U.S. stocks at 8.8%.

Stocks have rallied on optimism that the Trump presidency will lead to higher U.S. and global growth, reduced regulations, higher infrastructure spending and drastically reduced taxes. We remain sceptics as any potential good news is already factored into stock prices today. Over 80% of global stock market gains since 2012 have been due to higher valuations for stocks, rather than earnings growth. By many traditional measures, stocks are at valuations not seen since the peak of the ‘technology bubble’ in 2000.

While global economic growth is rising, this has occurred after eight years of massive interest rate stimulus and record government debt support, particularly from the world’s two largest economies, the U.S. and China. There is very little room left to drive growth higher. U.S. growth has slowed meaningfully in the first quarter of 2017. Meanwhile, profit margins have peaked for this cycle as input costs, most noticeably wages, are starting to rise again. Margin debt to fund stocks is at record highs suggesting rampant speculation in stocks similar to what we saw in 2007 and 2000. Once investors start to see the glass as ‘half empty’ rather than ‘half full,’ stock markets will come under pressure. The stock market has not had a pullback in over five years and we are more than eight years into a recovery; both of those are far longer than normal. The risk/reward ratio for stocks is very unfavourable in the near term, in our view, and we have invested the assets in this Fund accordingly.

31-Mar-2017	INVESTMENT RETURNS			
	Quarter	1 year	3 year	5 year
Pooled Balanced Fund¹	+2.09*%	+6.38%	+2.34%	+4.50%
GlobeFund Peer Group Average ²	+2.31%	+11.30%	+4.90%	+6.75%

Notes:

1. Returns are GlobeFund measured returns based on Net Asset Value per unit after all fees.
2. Peer Index is GlobeFund Canadian Equity Balanced Peer Index.

Management Fee 1.50%

Past performance is not indicative of future results.

Categorization: Canadian Equity Balanced

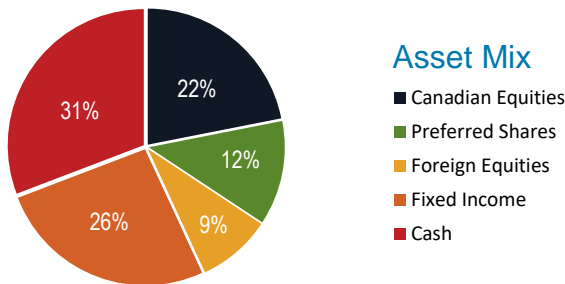
Funds have been categorized according to the Canadian Investment Funds Standards Committee criteria.

Fund Objective:

The investors in this Fund will find a portfolio that seeks capital preservation, income generation and long-term capital growth primarily through investment in a diversified portfolio of Canadian and foreign securities. The objective of the Fund is to provide consistent above average performance commensurate with a controlled degree of risk. The Fund is suitable for the investor who is looking for an actively managed balanced portfolio and who can tolerate a reasonable degree of risk.

Investment Strategy:

The goal of the Fund is to add value at three different levels, asset allocation, sector selection and security selection. For the equity portion of the Fund, Zechner looks for publicly traded Canadian equity securities with good growth prospects and which are reasonably priced relative to their prospects for earnings and cash flow growth. For the fixed income portion of the Fund, Zechner will use investment strategies analyzing the expected direction of interest rates, the shape and structure of the yield curve, the relative value between various sectors of the bond market and through security selection. Asset allocation between equities and fixed income is actively managed and each will typically range between 25% and 75% of the Fund’s assets, depending on economic and market factors.



Top 5 Holdings:

Stocks	
DHX Media Ltd.	2.00%
Hudson’s Bay Company	1.92%
Detour Gold Corp.	1.78%
Alphabet Inc. Cl. C	1.72%
Kirkland Lake Gold	1.52%
Bonds	
Telus Corporation 4.40% January 29, 2046	2.65%
Pembina Pipeline 4.75% April 30th, 2043	2.50%
Canada RRB 4.25%, December 1, 2026	2.05%
NBC Asset Trust 7.447% June 30 th , 2020	2.01%
Sun Life Financial 5.40%, May 29 th , 2037-2042	2.01%

(as of March 31st, 2017)

Benefits of our Pooled Funds

The J Zechner Associates Pooled Funds offer professional money management, varied investment choices, the potential for above average returns and lower management fees so you keep more of your accumulated wealth.

A pooled fund is a unit trust that operates like a mutual fund, but is not required to have a prospectus under securities law. A pooled fund is sold through an Offering Memorandum.

J Zechner Pooled Funds are available only to Canadian investors and require a minimum investment of \$150,000; unless the investor is an Accredited Investor. Units of the Funds are qualified investments for certain registered plans.

Solid Partnership Foundation

Our Pooled Funds are held at CIBC Mellon, who acts as Trustee, Custodian, Valuation Agent and Unitholder Recordkeeper provider. Our commitment to integrity is behind our decision to partner with a leading Canadian custodian, reassuring our clients that their funds are safe and secure. Like J. Zechner Associates, CIBC Mellon is firmly committed to integrity, client service and exceptional results.

Eligibility for Investment

The Fund will only invest in securities that will be qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan (an “RRSP”), registered retirement income fund (a “RRIF), or tax-free savings account (a “TFSA”).

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