JZechner ASSOCIATES INC.
INVESTOR QUARTERLY NEWSLETTER DECEMBER 2023

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES BALANCED FUND

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

After an early autumn sell-off, stocks rallied sharply in the last two months of the year, driven by more dovish comments from central bankers and a record rally in the bond market. In Canada, the S&P/TSX Stock Index rose 7.2% rise in the fourth quarter, bringing the annual gain to 8.3%. While energy stocks were the only losers in the final quarter, falling 2.6%, the interest sensitive Utility and Telecom sectors were the biggest laggards for the year, dropping 4.3% and 9.1%, respectively. The big gainers for the quarter included the heavyweight Financials (up 11.7%) and Real Estate (up 9.6%) while the clear-cut winner for the full year was the Technology sector, with a rise of over 68%, powered by gains in Shopify and Celestica. Bond markets shook off the bearish trends of the past 2 ½ years and rallied sharply to avoid a third year of losses, all on the view that inflation is under control and, consequently, interest rates have peaked for the cycle. In Canada, the FTSE Bond Index gained 8.27% in the final quarter to bring the annual gain to positive 6.35%. The biggest rally came in the longer maturities, with the FTSE Long Bond rising 14.8% in the final quarter. The U.S. bond market had its best monthly gain on record in November.

The strength seen in the final two months of the year helped push the Fund to a double-digit gain for the year which was ahead of the benchmarks for the 4th straight year. While we regret not having larger weights in the sectors, such as technology, which had massive moves in the past year, we avoided the lagging sectors such as utilities, basic materials and small cap stocks, while also avoiding any significant declines in individual stocks. Moving to an overweight position in bonds in the fourth quarter helped returns, although bonds have moved a long way towards our more bullish targets and therefore provide less upside in the short term. In terms of individual stock winners in the final quarter, industrials bounced back sharply with Algoma Steel gaining 44%, CargoJet recovering by 32% and auto parts maker Martinrea up 15%. Banks also bounced back with CIBC leading the gainers at 22% and Bank of Montreal up 14% on annual earnings which exceeded the low bar of expectations. Our largest telecom holding, Rogers Communications, lead that sector over the quarter with a 19% gain. In the U.S. we added a new holding in the Biotech sector, XBI, which had a quarterly gain of over 20%. CVS Health rose 13% in the quarter while our biggest winner in the tech sector was Nvidia, which rose 14% in the final quarter. A trade in the U.S. long bond ETF also generated a 12% quarterly gain, after which we took profits in prior to year-end. Gold stocks also recovered on a weaker U.S. dollar, with the Market Vector Jr Gold Miner (ticker GDXJ) generating an 18% quarterly gain. Other double-digit stock gainers in the quarter included Northland Power, Telus International and Pembina Pipeline.

So where does this leave us in terms of our investment strategy as we enter 2024? What we have the most confidence in is the idea that interest rates will finish 2024 lower than where they started. That alone is enough to keep us with at least a 'market weight' in bonds. Given that the 10-year in the U.S. has already rallied from almost 5% to under 4%, we are reticent to go overweight on bonds but would look to do that on any move in yields back above 4.3%. Our bond weight in the Fund was 39.3% at year-end, with another 7.7% in preferred shares with an average dividend yield of 7.3%. In terms of stocks, we have used the strength into year-end to go slightly underweight and expect to maintain that position. Our stock weight is currently 45.8%, at the lower end of our typical 40-60% range. Our biggest overweight sectors remain in telecom, pipelines and energy. Pipeline stocks such as TC Energy, Pembina Pipeline and Enbridge have dividend yields over 6% and valuations at the low end of their long-term ranges. We expect that energy infrastructure will continue to be a core focus of capital allocation going forward. Telecom stocks provide a similar growth profile, with expansion of data management, Artificial Intelligence, streaming and more devices provides an ongoing growth profile at attractive valuations. On top of that, the large Canadian telcos have completed their major capex programs and are beginning to generate massive free cash flows that can be directed towards debt repayment and/or dividend growth.
Overall, we remain conservative in terms of portfolio structure and continue to hold a somewhat higher level of cash at 7.2%. All of this will be monitored closely, as usual, and we will make necessary adjustments as we see the economic and market conditions unfold through the year.

31st December, 2023	INVESTMENT RETURNS		
	Quarter	1 year	3 year
JZ Pooled Balanced Fund[1]	+7.52%	+8.47%	+5.56%
Balanced Benchmark[2]	+8.24%	+10.35%	+4.01%

Notes:
*Returns are Net of Fees.
*All indices are total return.
*Past performance is not indicative of future results.
*Index returns are shown for comparative purposes only. Securities held in the portfolio do not replicate the index. No guarantee is given that performance will match the index indicated. All returns are expressed in CAD

Categorization: **Canadian Equity Balanced**

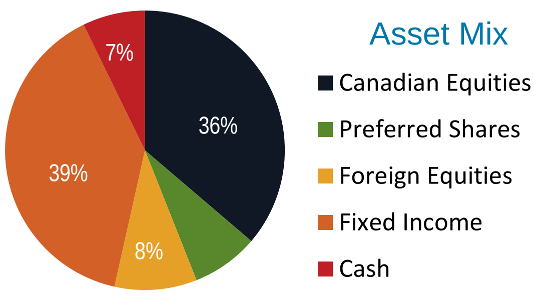
The Fund has been categorized according to the Canadian Investment Funds Standards Committee criteria.

Fund Objective: **Long-Term Growth and Income**

The Fund seeks to provide capital preservation, income generation and long-term capital growth 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 investors who are looking for an actively managed balanced portfolio with a reasonable degree of risk.

Investment Strategy: **Top-Down Global Macro**

The Fund Manager monitors global financial data in order to add value at three levels: Asset Allocation, Sector Rotation and Security Selection. For equities, the Manager looks for publicly traded growth stocks which are reasonably priced relative to their prospects for earnings and cash flow. For the fixed income portion of the Fund, investment strategies are used which analyze interest rates, the yield curve and sector valuations in the bond market. The allocation between stocks and bonds is actively managed between 25% and 75% of the Fund's assets for each, depending on economic and market factors and relative asset class valuations.



Top 5 Holdings:

Common Stocks	
Bank of Montreal	3.11%
Toronto Dominion Bank	2.53%
Enbridge Inc.	2.34%
Rogers Communications Class B	2.00%
TC Energy Corp.	2.00%
Bonds	
Canada 2.75% 1-Sep-2027	4.06%
Quebec 2.6% 6-Jul-2025	3.08%
Canada Housing Trust 1.80% December 15, 2024	2.56%
Canada Housing Trust 1.90% 15-Mar-2031	2.28%
Ontario 2.60% June 2, 2027	2.28%

(as of December 31st, 2023)

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

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").

Performance Disclosures

Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate so that when withdrawals are made by the investor the shares or units may be worth less than their original cost. Unless specified, all performance quoted is gross of fees and expenses.

Benchmarks: Index returns are provided for comparative purposes only to show how the companies returns compare to a broad-based index of securities. As the indices do not have costs, fees or other expenses associated with their performance. In addition, securities held in the indices may not be similar to securities held in the composite's accounts.

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