

# INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES GLOBAL HEDGED GROWTH FUND



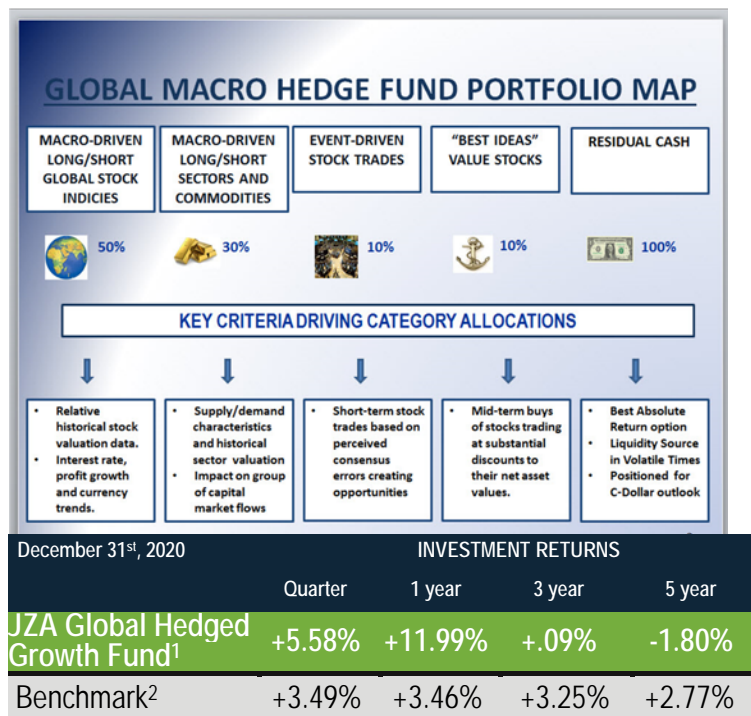
PORTFOLIO MANAGER: JOHN ZECHNER, MA, CFA

The JZAI Global Hedged Growth Fund had a strong quarter, gaining 6.6%, to push the net return (after all fees) in the Fund for 2020 to 12%. Risk and volatility in this Fund continued to be controlled with a net long position in stocks focused on ‘value-oriented’ sectors such as energy, financials and industrials. That exposure was effectively hedged through short positions in key U.S. indices, such as the S&P500 and Russell2000. Those indices have higher risk, in our view, due to the predominance of some ‘mega cap’ names as well as the forced inclusion of excessively valued stocks. Largest contributors to gains in the past quarter were Crescent Point Energy (+85%), Martinrea (+56%), Blackberry (+38%) and Maxar Technologies (+32%). US banks also rose with Bank of America up 26% and Citi up 39%. Short positions in key US growth stock indices tempered those gains but short positions in US Treasury bonds provided positive returns.

The consistent strategy in this ‘macro-economic’ Fund continues to be to maintain a relatively ‘neutral asset mix’, not taking substantial net long or short positions, thereby reducing overall volatility and market risk. Value-added is achieved by owning long positions in stocks and sectors where we feel the risk-reward trade-off is extremely favourable and offsetting those market risks with short positions in core indices as well as individual stocks or sectors where we see valuations as excessive or growth conditions unsustainable. This allows the Fund to add value in all types of market conditions since net exposure is low.

Looking ahead, we expect that industrial growth in 2021 will be augmented by ‘pent up’ consumer spending as mass vaccinations will allow the economy to slowly, but fully, re-open. This should support a further shift to the type of cyclical stocks that populate this Fund’s portfolio. When leadership last shifted from ‘growth’ to ‘value’ in 2000, it began an eight-year run and these stocks remain a very good risk/reward trade-off for investors. We head into 2021 with the most widely-held consensus on both economic activity and stock market performance we have seen in decades. That alone tends to make us a bit nervous, especially with stock market valuations at record levels, investor sentiment ragingly bullish and speculative activity continuing to surge.

Despite these risks and negative scenarios, we remain slightly overweight of stocks. We believe we are back into the early phase of a new economic expansion and growth is set to rebound, which makes sense given that millions of Covid-19 doses are on track for distribution, new fiscal stimulus packages are on the way and central banks remain adamantly supportive. An ongoing recovery in manufacturing should be boosted by a pent-up demand for service spending on travel and entertainment. The biggest market risk, in our view, is that 2021 ends of looking a lot like 2018 where, post the massive tax cuts in late 2017, profits and growth soared, but along with that so did interest rates, which proved too much for a stock market which had been levitated on low interest rates.



Notes:

1. Returns for all periods are Net (after Management Fees).
2. Benchmark is Fundata Alternative Strategies Index

Basic Management Fee 2.0%, plus Performance Fee 10% of the annual return in excess of 10%. Performance Fee capped at maximum of 2% for any single year.

Past performance is not indicative of future results.

## Categorization: Alternative Strategies

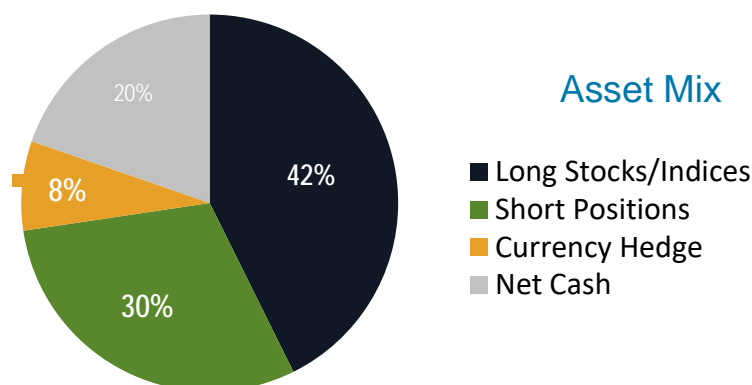
The Fund has been categorized according to the Canadian Investment Funds Standards Committee criteria.

## Fund Objective: Long-Term Growth at Moderate Risk

The Fund is designed to generate consistent returns that are commensurate with a moderate degree of investment risk. The manager focuses on global indicators to assess macro-economic trends in global stock, fixed income and commodity markets that are most impacted by those trends. The Fund is suitable for sophisticated investors who can tolerate a moderate degree of risk and volatility.

## Investment Strategy: Top-Down Global Macro

J Zechner Associates Inc. has demonstrated a consistent ability to add value through the analysis of macroeconomic indicators to make decisions on allocations to various asset classes including stocks/stock sectors, bonds, currencies and commodities based on historical performance of those asset classes in similar economic and financial market conditions. These views are updated daily and then incorporated with data on funds flows and other technical data to make decisions on how to allocate the Fund's assets in the short-term. The Manager then uses various highly-liquid Exchange Traded Funds (ETF's) to design a portfolio which emulates those conditions and actively manages this mix as new data is introduced and market conditions evolve.



## Top 6 Holdings:

Securities	
Short: SPDR Trust Units (SPY)	-16.02%
Short: iShares 20+ Year Treasury Bond	-8.96%
Short: iShares Russell 2000 ETF (IWM)	-8.36%
Long: Canadian Imperial Bank of Commerce	+4.91%
Long: Manulife Financial Corp.	+4.04%
Long: General Motors	+3.55%

(as of December 31<sup>st</sup>, 2020)

## 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 Record Keeper 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").

## For more information please contact:

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