

# INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES GLOBAL HEDGED GROWTH FUND

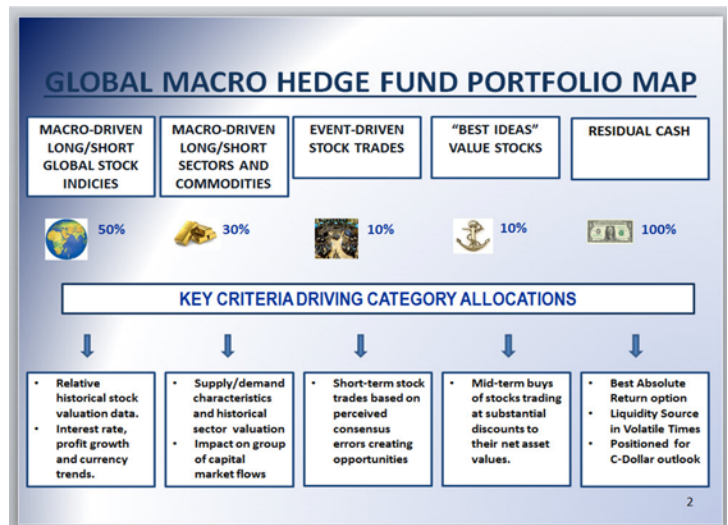


PORTFOLIO MANAGER: JOHN ZECHNER, MA, CFA

The value of the JZAI Hedged Growth Fund declined by 3.6% in the 3<sup>rd</sup> quarter of 2018 but remains higher in 2018. The ‘macro’ strategy in the Fund has for most of this year has included long positions in Canadian energy stocks where we saw valuation support and growing investor interest and short positions in the U.S. stock market, particularly the technology and industrial sectors, where we saw the greatest risks from overvaluation, rising interest rates and increased trade tensions. That strategy has been hampered this year by the continued rise in U.S. stocks, but the higher volatility of markets thus far in 2018 has allowed for more trading opportunities which have benefitted the Fund, such as recent profitable short trades in Norboard, Tesla and the Canadian Cannabis sector. We also realized some value-added on ‘pairs trades’, where long positions in individual stocks are hedged with short positions in the same industry where we see arbitrage potential. One such that generated a profit was being short the semi-conductor ETF against a long position in Intel Corp, a large component of the semiconductor ETF, but one where we saw less downside than the overall semiconductor group.

In terms of the macro-economic outlook, we believe that global economic and profit growth peaked for this cycle in the second quarter. Leading economic indicators from the industrialized (OECD) countries have lost momentum as Asian and European manufacturing data turned down and the Economic Surprise Indices have headed lower. The U.S. remained pretty much the sole source of global strength as second quarter growth exceeded 4% and consumer confidence indicators remained strong. However, we are starting to see more inflationary pressure emerge which will necessitate the continued removal of the extremely easy money conditions that have characterized the last ten years. Record global debt levels and rising interest rates will lead to retrenchment in consumer and business spending thus limiting further expansion. Profit margins are expected to peak this year due to rising input costs (wages, basic materials. While the U.S. tax cuts have generated double-digit profit gains this year, those cuts are one-time in nature and will soon diminish in impact.

We continue to use a narrow range of net long versus net short positions in the Fund to minimize overall market risk but to use specific sector positions based on technical data and fundamental forecasts to generate returns. We will monitor closely the technical flow of funds as well as new developments in the ongoing trade disputes between the U.S. and many of its key trading partners to decide which sectors to look for opportunities. At quarter end, long positions in the Fund were 29.4% while short positions were at 61.2% for a net short position of 31.8%. The U.S. dollar is in the process of peaking and we expect it to weaken on the massive debt financing need. This should provide some strength to the energy sector as well as the gold stocks.



30 <sup>th</sup> September, 2018	INVESTMENT RETURNS			
	Quarter	1 year	3 year	5 year
<b>JZA Global Hedged Growth Fund<sup>1</sup></b>	-3.68%	-7.13%	-0.95%	+1.64%
Benchmark <sup>2</sup>	+0.69%	+3.49%	+4.60%	+4.05%

Notes:

- Returns for all periods are Net (after Management Fees).
- 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**

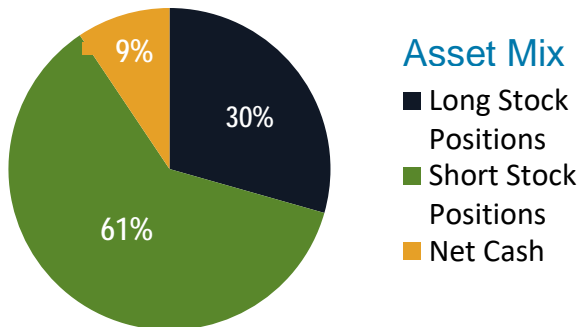
The Fund has been categorized according to the Canadian Investment Funds Standards Committee criteria.

**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 5 Holdings:**

Securities	
Short: SPDR Trust Unit S&P500 (SPY)	8.16%
Short: iShares Russell 2000 ETF	7.87%
Short: NASDAQ 100 Powershares (QQQ)	6.93%
Long: iPath VIX Short-Term Futures ETF	5.96%
Short: Vaneck Vectors Semiconductor ETF	5.95%

(as of September 30<sup>th</sup>,

**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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