

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES SPECIAL EQUITY FUND



PORTFOLIO MANAGER: JACQUELINE RICCI, CFA

We believe that the most recent pull back in the stock market is a buying opportunity given the extreme valuations. The TSX Small Cap has been consolidating for the last two years and appears oversold from a technical perspective.

As we move to the final quarter of the year, the portfolio is overweight the late cycle resource sector. As discussed earlier, the summer slowdown has run its course. Although there are worries, the supply and demand environment are healthy for commodity stocks and discounted valuations bode well for materials and energy. The following charts show the pull back in the commodities and potential positive set up for the next few quarters.

Energy has shown good strength recently with WTI and Brent up over +4.0% in the quarter. Despite the positive move in oil, the Canadian Energy has shown good strength recently with WTI and Brent up over +4.0% in the quarter. Despite the positive move in oil, the Canadian Energy sector was down -5.7%. Oil differentials blew out in the summer and fall, with heavy differentials increasing to \$50/barrel recently. These spreads should narrow in the next six months, as refining capacity increases after the scheduled maintenance shutdown at Whiting, and crude by rail capacity expands. The portfolio is strongly weighted to light oil producers that can show growth and live within their cash flow. Stocks such as Yangarra, Tamarack Valley, Petroshale, Parex and Grand Tierra are such names. With Canada's first LNG facility being recently announced, we anticipate stocks like Horizon North Logistics to continue to do well as they provide camps for migrant workers building the Kitimat LNG facility.

With the base metal sector, investors focus has been on global concerns. The commodities have all had significant pull backs through the summer, despite the continued decline in inventories. Copper inventories, for instance, have declined by 27.75% for the LME and 23.6% for the Shanghai over the last month alone. Mine supply growth over the next few years is muted; if demand continues at its current pace, there will be copper shortages. Names held in the portfolio include Ero Copper and Copper Mountain.

Gold stocks had a difficult third quarter, with the Canadian gold sector down -19.1%. Gold stocks were hit with US dollar strength and investor outflows. Last quarter, we saw heavy selling on the trading desks after the announcement of a manager change at one of the largest global gold funds in the world. The fund saw \$1 billion move to a new manager with a minimal gold sector allocation. The new manager was in the market selling many Canadian gold stocks and

was responsible for a significant portion of the sectors weakness. With the transition mostly behind us, seasonal strength, inflation accelerating and our forecast for a weakening US dollar, we anticipate a strong rally in gold stocks next quarter. The portfolio has been adding to its gold positions the last few weeks and increased its holdings in B2Gold, Golden Star, Alamos and Endeavour.

Another positive for resource stocks is the recent pickup in M&A activity. Senior resource companies have spent the last few years repairing their balance sheets but have poor growth prospects. In the last few months, we have finally seen M&A activity pick up in the small cap space. With South 32 buying Arizona Mining, Husky approaching MEG Energy, NorthStar Resources buying Pogo and Nevsun being purchased by Zijin, small cap resource companies are being purchased at significant premiums to where their underlying stocks are trading. Going forward we expect M&A activity to accelerate further and have seen several large cap companies increasing their equity interests in junior companies. Black Pearl, Tinka, Conerstone, Great Bear, and Sabina are stocks in the portfolio that are likely acquisition targets.

As the economy enters the later stages of the economic cycle, we anticipate investors will start allocating capital back into resource stocks. After the recent consolidation in Canadian small cap stocks, we look forward to a breakout after the recent consolidation, and believe the portfolio is positioned to very strong returns going forward.

30-September-18	INVESTMENT RETURNS		
	Month	Quarter	5 Year
Special Equity Fund ¹	2.64%	-5.71%	0.06%
S&P/TSX	-6.27%	-7.87%	5.44%
S&P/TSX Small Cap	-7.60%	-9.26%	1.82%
S&P/TSX Venture	-9.56%	-9.27%	-7.73%

Notes:

- *Fundata returns based on Net Asset Value per unit after all fees on an accrued basis.
- *All indices are total return.
- *Management Fee 2.0% Performance Fee 20% of the annual return in excess of 10% hurdle rate with a 1 yr. carry-forward on any deficiency relative to the hurdle rate.
- *Past performance is not indicative of future results.

Categorization: Canadian Small/Mid Cap Equity

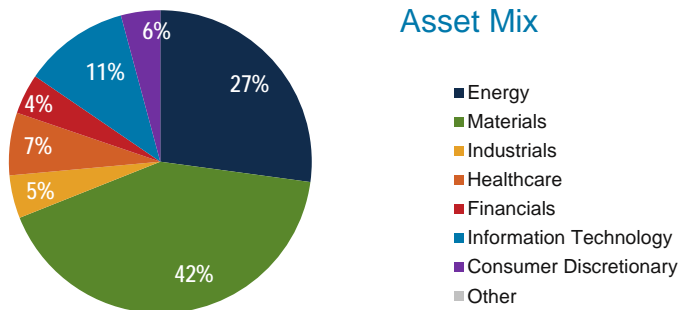
Funds have been categorized according to the Canadian Investment Funds Standards Committee criteria.

Fund Objective:

The fund is designed to generate consistent, positive returns that are commensurate with a moderate to high degree of investment risk. The objective of the Special Fund is to provide long-term growth through capital appreciation by investing in rapidly growing small, medium and large Canadian companies that demonstrate the ability to grow at a faster rate than the economy. The Fund is suitable for sophisticated investors who can tolerate a moderate to higher degree of risk and volatility. This fund should produce higher returns than the market over time but may experience a greater than average degree of volatility over short-term periods. Investors must be prepared to accept a higher degree of risk.

Strategic Allocation:

The fund's aim is to add value through security selection but will focus on themes and concepts that may influence the sector weightings. The strategy includes identifying stocks with sustainable growth characteristics from a universe of primarily small and mid-capitalization stocks. The fund is suitable as a portion of an investors overall equity component of a fully diversified investment portfolio. It typically holds 70 plus stocks, and is aimed to be fully invested, limiting cash to small amounts.



Top 5 Holdings:

Stocks	
Gran Tierra Energy Inc.	3.21%
Enableness Technologies Inc.	2.93%
Parex Resources Inc.	2.92%
ERO Copper Corp.	2.69%
Torc Oil & Gas	2.64%

(as of September 30, 2018)

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 to accredited investors. Units of the funds are qualified investments for registered products.

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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