

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES SPECIAL EQUITY FUND



PORTFOLIO MANAGER: JACQUELINE RICCI, CFA

For the quarter most industry groups posted negative returns apart from energy which was up over +18.9% and technology +4.5%. Although the portfolio has sizable weights in both sectors, it was not enough to overcome the negative returns in materials (a significant overweight). Materials suffered more than anticipated as the US dollar broke out to the upside which created headwinds for both precious and base metal stocks.

For the quarter the three positions which detracted the most from portfolio returns included NGex Minerals, I-80 Gold, and Los Andes Copper. Given that materials were one of the worst performing sectors in the quarter, it should come as no surprise that all three names are from that sector. Collectively these three names cost the portfolio -1.0%. None of these names had any relevant news in the quarter but were under pressure as investors reduced their weightings to this sector.

The three positions which contributed most to returns in the current quarter include Athabasca Oil, Snowline Gold, and NexGen Energy. These three names contributed +1.7% to the portfolios return. When we look at the list of positive contributors this quarter, most of the names were from the energy sector.

OUTLOOK

Typically, September is one of the weakest months for equity returns and this September was no exception. As the Fed kept firm on their messaging that rates would remain “higher for longer”, investors began pricing this reality. For the third quarter, commodity markets and their participants continued to watch China with the hopes of a stronger recovery which did not materialize. Adding to the difficult environment was the war in the Ukraine and now the Israeli/Palestinian conflict.

Looking to the future, the market is focusing on US bond yields and whether they are decoupling from fundamentals. The chart below shows that the 10-year bond yield has decoupled from US leading economic indicators and inflation expectations. The chart highlights that despite weaker economic and inflation signals, bond yields have been rising. We believe this is likely due to Japan and China selling US Treasuries to support their currencies. The increase in US bond yields have resulted in US dollar strength, which puts added pressure on commodity-based equities.

We anticipate that this headwind should abate in the next few months when the Fed signals the end of the tightening cycle because of economic weakness and/or job losses. With this backdrop in mind, Canadian equities appear to be undervalued versus world equities.

As we continue to believe we are moving toward the end of the rate tightening cycle we continue to adjust the portfolio by increasing positions in energy, precious metals, and base metals. The expectation is that energy and gold will be first movers, and copper will follow when the economy rebounds. Long-term we are still very bullish on critical minerals and given the extreme low inventory levels, we are maintaining the portfolio positions through the turbulence.

Although the start of the fourth quarter may be much of the same, we do expect markets to improve into the back end of the quarter and are quite bullish for 2024.

29-September-23	INVESTMENT RETURNS			
	Q3 23	1 Year	3 Year	5 Year
Special Equity Fund	-3.64%	4.94%	6.52%	4.73%
S&P/TSX Small Cap	-0.79%	7.18%	10.05%	3.85%

Notes:

*Returns are Net of Fees.

*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.

*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 Small/Mid Cap Equity

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

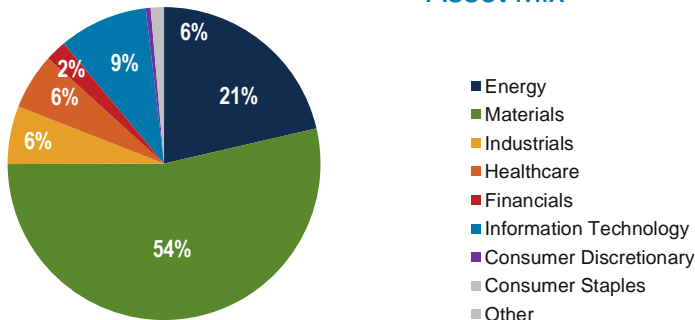
Fund Objective:

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 Equity 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 investor's 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.

Asset Mix



Top 5 Holdings:

Stocks	
Nexgen Energy Ltd.	2.32%
Capstone Copper Corp.	2.03%
Snowline Gold Corp.	1.86%
Kelt Exploration Ltd.	1.66%
Premium Nickel Resources Corp.	1.80%

(as of September 29, 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 to accredited investors. Units of the funds are qualified investments for registered products.

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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