

# INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES CANADIAN UNION PARTNERSHIP FUND



PORTFOLIO MANAGERS: JOHN ZECHNER, MA, CFA AND DAX LETHAM

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 setting rally in the bond market. In Canada, the S&P/TSX Index rose 7.2% in the fourth quarter, bringing the annual gain to 8.1%. 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 final 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 6.35%. The biggest rally came in the longer maturities, with the FTSE Long Bond rising 14.8% in the final quarter.

The JZA Canadian Union Partnership Fund had another good year that was ahead of the benchmark for the Fund. The strength seen in the final two months of the year helped push the Fund to a double-digit gain for the year, keeping the 3-year return of the Fund ahead of its benchmark. Moving to an overweight position in bonds in the fourth quarter also helped results, 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, industrial stocks bounced back sharply with Stelco and Algoma Steel each gaining 44%, CargoJet recovering by 32% and auto parts maker Martinrea up 15%. In the Basic Materials sector, we saw 20% gains from copper producer Hudbay Minerals, lumber company Interfor Corp. and gold miner Agnico-Eagle Mines. Our largest telecom holding, Rogers Communications, lead that sector with a 19% quarterly gain.

Our investment strategy has not changed dramatically over the past quarter from the defensive positioning we maintained. The risk of further economic weakness from interest rates combined with elevated stock valuations present continued risk for stock investors. We still like bonds despite the sharp 8.3% rally in the fourth quarter. Bond yields are still at attractive levels, with inflation on a clear downward path and central banks at the end of their rate-hiking cycle.

Our biggest overweight sectors remain in telecom, pipelines and energy. Pipeline stocks such as TC Energy, Pembina Pipeline and Enbridge all with dividend yields over 6% and valuations at the bottom end of their respective 10-year 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. We also still have an overweight in Canadian energy stocks. Some of our core names such as Cenovus, Canadian Natural Resources and Suncor are all levered to oil prices and trading at free cash flow yields of over 10%.

What we have the most confidence in going forward 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 bond yield rallied from 4% to 3.1% in the 4<sup>th</sup> quarter already, we are reticent to go overweight on bonds. Our bond weight is around 40%, with another 6% in preferred shares. Our stock weight is currently 47%, which is slightly above the Fund's benchmark, but we have a very defensive bias in those stock holdings. Overall, we remain conservative in terms of portfolio structure and continue to hold a somewhat higher level of cash at 6.2%. 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.

December 30 <sup>th</sup> 2023	INVESTMENT RETURNS		
	Quarter	One Year	3 Year Annualized
<b>JZA Canadian Union Partnership Fund*</b>	<b>+6.35%</b>	<b>+10.46%</b>	<b>+6.52%</b>
Fund Benchmark	+8.21%	+9.33%	+3.39%

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.

## Categorization: Canadian Neutral Balanced

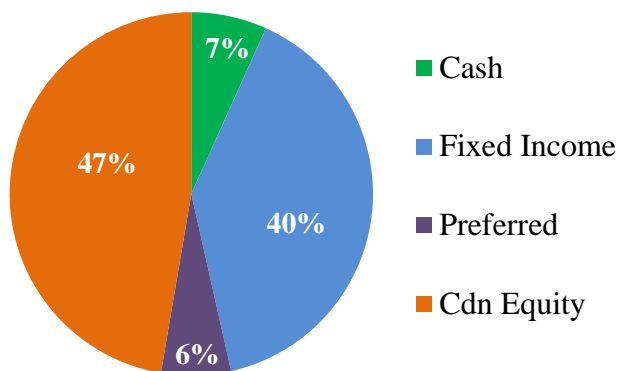
The Fund has been categorized according to the Canadian Investment Funds Standards Committee criteria.

## 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 pension funds, health and welfare trust funds, general and corporate accounts. It is diversified and will only hold securities that make the “union friendly” qualification. Over time, investors should experience a moderate degree of risk and volatility.

## Investment Strategy: ESG/SRI: Canadian Focus

J Zechner Associates Inc. has introduced the first fund of its kind in Canada. One that is focused entirely on investing in Canadian publicly traded corporations and government entities that employ a meaningful number of Canadian unionized workers. This pro-Canadian union fund is focused on supporting the Canadian unions and the companies that employ them. The fund is actively managed using a proprietary screen of eligible stocks and bonds and rigorous fundamental analysis in determining the asset mix and security selection.



## Top 5 Stock Holdings:

Securities	Stock Sector	Weight
Telus Corp.	Telecom	2.25%
Enbridge Inc.	Energy / Pipelines	2.19%
BCE Inc.	Telecom	2.07%
Rogers Communications Cl B	Telecom	2.00%
Northland Power Inc.	Utilities	1.96%

## 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.

## For more information please contact:

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