

# INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES CANADIAN UNION PARTNERSHIP FUND



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

Despite continued interest rate increases and worries about an economic slowdown, the stock market remained resilient in the second quarter. The heavier weight in Financials and Energy were a drag on stocks in Canada again as the S&P/TSX Index lagged most global markets with a gain of only 1.1%. Bonds gave up some of their first quarter gains and the FTSE Bond Index slipped 0.7% in the quarter as inflation fell only slightly, economic growth stayed firm and the Bank of Canada came back with another ¼ point rise in their benchmark lending rate.

The JZA Canadian Union Partnership Fund had another good quarter relative to its benchmark despite the fact that technology stocks were the biggest winners in the market and the Fund has no holdings as those companies do not meet the Fund's mandate of holding stocks of companies which are 'union friendly' in their labour practices.

In terms of positive individual stock impacts in the quarter, Air Canada was a big winner, rising over 30% on revitalized travel plans post pandemic. MDA gained 17% on stronger earnings and a better outlook for space companies while Cameco also rose 17% on stronger uranium prices. Interfor gained 13% on stronger lumber markets while copper/steel producer, Teck Resources, also gained 13% on renewed takeover interest from industry rival Glencore. Engineering firm North American Construction gained 12% on an improved business outlook. New 'union friendly' names added to the portfolio in the quarter included Toromont Industries, which sells and services Caterpillar construction equipment and power systems in Canada and manufactures refrigeration and process systems throughout North America.

Stock investors received little encouragement from any central bankers as they pushed interest rates higher in their continued fight against high inflation. The U.S. Federal Reserve Board voted to leave its key interest rate unchanged at its June monetary policy meeting, marking its first pause after 10 consecutive rate hikes, which had taken rates up by 500 basis points. Rising interest rates and tighter liquidity can sometimes be offset in the stock market by rising earnings estimates, as we saw in the expansionary periods of 2003 to 2007

and 2015 to 2017. But that is not the case here, as estimates are down for both U.S. and non-U.S. equity indexes compared to the estimates at the market lows last October.

Looking ahead to the balance of 2023, we still expect economic growth to slow down and perhaps put the economy in recession before year end due to the lagged impact of the aggressive increase in interest rates and the expiration of many of the excess spending programs from the pandemic as well as the rundown of the excess savings that consumers had accumulated. In that scenario we expect a tougher environment for corporate earnings and some 'giveback' of the first half stock gains and have therefore reduced stock exposure. We remain cautious on stocks because valuations are at the high end of the historical range, interest rates have risen sharply and therefore are less supportive of those valuations and the probability that we are in a recession before the year is over is quite high. We believe that bonds will rally in the second half of the year on the expectation of an end to the aggressive rate policies of the central banks and some further reductions in the inflation rate. On that outlook of weaker growth, we added to positions in bonds in June and have an overweight in fixed income to start the second half of year.

June 30 <sup>th</sup> † 2023	INVESTMENT RETURNS		
	Quarter	One Year	Three Year*
<b>JZA Canadian Union Partnership Fund*</b>	<b>+0.34%</b>	<b>8.43%</b>	<b>+9.91%</b>
Fund Benchmark**	+0.26%	6.91%	+4.25%

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

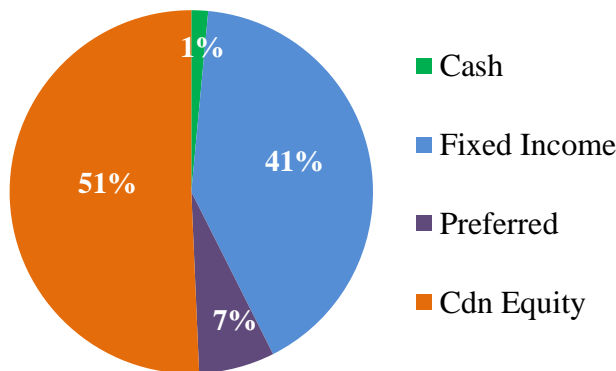
The Fund has been categorized according to the Canadian Investment Funds Standards Committee criteria.

## 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
Cameco Corp	Energy / Pipelines	2.49%
Nutrien Ltd.	Basic Materials	2.46%
Bell Canada Enterprises Inc	Telecom	2.21%
Pembina Pipeline Corp.	Energy / Pipelines	2.18%
TC Energy Corp.	Energy / Pipelines	2.15%

## 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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