

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES FIXED INCOME FUND



PORTFOLIO MANAGER: JEFFREY HEROLD

March was a month for optimism, about rising vaccination rates and about rapid economic recovery. A \$1.9 trillion stimulus package was passed in the United States, which helped boost expectations of growth. Most major equity markets enjoyed strong gains in the month, while a blockage of the Suez Canal and the spectacular failure of a large hedge fund were short-lived news stories. North American bond yields climbed to pre-pandemic levels as investors anticipated the eventual end to extraordinary monetary stimulus and worried about massive government bond issuance to fund ongoing deficits. The rise in yields led to falling bond prices, particularly for mid and long term bonds.

Canadian economic data received during the month was generally better than expected. For example, the unemployment rate more than erased the previous month's unexpected increase, falling from 9.4% to 8.2% on very strong job creation as lockdown restrictions were eased. In addition, Canada's economy was estimated to have grown in the fourth quarter of 2020 at an annual pace of 9.6%, well ahead of the 7.3% consensus forecast. The housing sector remained very strong, manufacturing sales exceed expectations, and Canada even had a rare monthly surplus in trade. The inflation news was also good with the annual rate rising to only 1.1% from 1.0%, less than forecasts.

In the Canadian market, the rise in yields caused bond prices to decline resulting in the federal sector return of -0.77% in the month. Provincial bonds, which are on average longer term than federal ones, returned -2.42% in March. The underperformance of provincial issues was exacerbated by their yield spreads widening an average of 4 basis points in the period. Investment grade corporate bonds also experienced wider yield spreads versus benchmark Canada bonds in March, resulting in a return of -1.04%. The 3 basis point widening of corporate yield spreads was due primarily to heavy new issuance as corporate borrowers tried to lock in low yields before they rise further.

Looking ahead to the second quarter, in addition to a possible worsening of the pandemic, potential volatility may come from the first federal budget in over two years to be delivered on April 19th. With the Canadian economic recovery currently proceeding more rapidly than expected, there is diminished need for increased stimulus spending, but the minority government may be tempted to promise substantial new spending ahead of an early election call. With the Bank of Canada likely to reduce its purchases of federal bonds, the financing of the deficit may put pressure on Canadian bonds. Other sources of potential volatility include a stock market correction as well as geopolitical surprises (e.g. a coup in Brazil, or China moving to take over Taiwan).

The overall yield curve will likely steepen as most bond yields rise while short term yields are restrained by the lack of movement in the Bank of Canada's overnight target rate. As the economy continues to recover, we think mid term yields will anticipate eventual reductions in monetary stimulus, leading to a steeper yield curve in the shorter maturities and a flatter curve for longer term issues. Accordingly, we have reduced portfolio exposure to the mid term sector.

We remain somewhat cautious about corporate bonds. The recent small increase in corporate yield spreads left them still historically expensive. Should benchmark Canada yields continue to rise in the next few months, issuers will try to lock in low financing rates and new issue supply will weigh on valuations. We also wonder if rising benchmark yields will reduce the seemingly insatiable demand for the higher yield of corporate bonds.

31-March -2021	INVESTMENT RETURNS			
	Q1 2021	1 Year	3 Years	5 years
Fixed Income Fund ¹	-4.43%	3.15%	4.42%	3.56%
FTSE TMX Universe	-5.04%	1.62%	3.77%	2.83%

Notes:

1. Fund returns are gross of fees.
2. Inception date April 14, 2014 (Annualized)

Categorization: Canadian Neutral Balanced

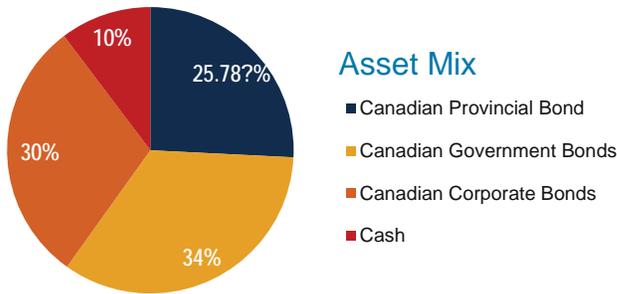
Funds have been categorized according to the Canadian Investment Funds Standards Committee criteria.

Fund Objective: Income and Growth

Investors in the Fund will find a portfolio that is seeking yield, income and opportunities for long term growth by investing primarily in large cap, blue chip dividend paying stocks in combination with good quality government bonds and higher yielding credit worthy corporate bonds.

Strategic Allocation:

The conservatively managed Zechner High Income Fund is a good core investment fund that acts as an anchor and offset to the more growth oriented Zechner Pooled Balanced Fund.



Top 5 Holdings:

Bonds	
Canada 2.75% June 1, 2022	10.20%
Canada 2.00% Dec 1, 2051	7.91%
Ontario 5.85% March 8, 2033	7.45%
Canada RRB 4.25% December 1, 2026	4.95%
Canada Housing Trust 2.35% March 15, 2028	4.23%

(as of March 31, 2021)

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.

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 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.

For more information please contact:

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