Tradex QUARTERLY

Yield on Tradex Investment Savings Account 1.5%

First quarter 2019

President's Report to Tradex Members

After two weak quarters the Canadian equity market moved higher, with the S&P/TSX Composite Index increasing by 12.4% during the first 3 months of 2019. At quarter-end the TSX had rebounded 16.8% from the December 24th low while the S&P500 had risen 20.6%. In the US, the S&P 500 Index increased by 13.1% (rose 10.7% in terms of Canadian dollars) while world stocks similarly increased 11.9%, but rose 9.5% in Canadian dollar terms for the quarter. The Canadian currency increased from 73.30 cents at the start of the year to 74.83 cents US at the end of the first quarter, an increase of 2.1%. As of March 29th, the dividend yield of the S&P/TSX was 3.1% and S&P500 2.0% plus buyback yield of 3.8%, which indicates relative value in stocks as the 10-year government bond yields were 1.6% in Canada and 2.4% for US Treasuries.

The Bank of Canada held its rate at both announcements Jan. 9th and March 6th indicating recent data suggest that the slowdown in the global economy has been more pronounced and widespread. Many central banks have acknowledged the building headwinds to growth, and financial conditions have eased as a result. Meanwhile, progress in US-China trade talks and policy stimulus in China have improved market sentiment and contributed to firmer commodity prices. In the US, the Federal Reserve similarly held on Jan. 30th and March 20th while indicating the labour market remains strong, but that growth of economic activity has slowed. Furthermore, in light of global economic and financial developments and muted inflation pressures, the Committee will be patient. However, the federal funds rate is likely to remain below levels that are expected to prevail in the longer run for some time.

Record rebates

We are pleased to confirm to investors that we were again able to complete record rebates in 2018 despite the negative 4th quarter market performance. The $549,180 rebate of management fees (versus $548,050 in 2017) was made possible due to the higher revenues that we received from the increase in assets under administration at Tradex, including revenue from administering third-party mutual funds and GICs.

Consolidate and Save

The positive impact for all Tradex members through the increased rebates indicated above as members take advantage of the opportunity for Tradex to act as your dealer for all of your mutual fund investments is only one way you save. A review of 10 of our recent members transferring their outside investments to Tradex found that we were able to achieve cost savings ranging from 18% to 46%, with an average savings of 35%. Let us show you how we do it! Contact us today for a free no obligation portfolio review. We recommend all members participate in the full advantages associated in dealing through Tradex and the services available.

Management Reports of Fund Performance and Financial Statements

For members who did not elect to receive a mailed copy, the 2018 reports are available anytime on our website for downloading. If you wish to receive a printed copy, please contact us.

Tradex 59th Annual General Meeting

If you wish to view the presentations given by our three portfolio managers at the April 24, 2019 Annual General Meeting, they will appear on our website at www.tradex.ca shortly after the meeting date in the section entitled "Members' News".

Electronic Access

Please visit our website to sign up for WebConnect with daily account access and to commence receiving electronic dealer statements or to receive this newsletter electronically.

A thank-you for referring New Clients

Members referring a new client to Tradex and new members will each receive a $28 deposit to their Tradex account reflecting the average rebates per $10,000 over the past 3 years. We encourage you to promote Tradex to friends, colleagues and family members with a form to simplify the process on the back page of this newsletter or available from our website or by contacting our office.

Blair Cooper
April 15, 2019

Tradex Equity Fund Limited – Quarterly Review – March 31, 2019

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Equity Fund Limited	12.8	1.5	8.1	10.4	7.1	10.8	9.3
S&P/TSX Total Return Index (TRI)**	13.3	1.8	8.1	9.3	5.4	9.5	—
Average Canadian Focused Equity Fund**	10.4	-1.6	3.6	6.6	4.3	8.5	—

*April 1960 **Source: Fundata Canda Inc.

During the first quarter an investment in Tradex Equity Fund Limited increased in value by 12.8%. This compares to an increase of 13.3% in the Fund's benchmark, the S&P/TSX Total Return Index.

Last year's equity-market correction moved stocks to especially attractive valuations, boosting total return potential and setting up the preconditions for the subsequent rally. The powerful rebound in stocks was fuelled by the recent pivot by central banks and the fact that US and China were making progress toward a trade deal. The S&P/TSX Composite Index rebounded slightly ahead of other major global markets in Canadian dollar terms. In Canada, all eleven sectors finished the quarter in positive territory, with Health Care leading the rally, followed by Technology.

The Fund's performance during the quarter was driven by a variety of holdings, which included Power Corporation of Canada, Danaher and Anheuser-Busch InBev. The Fund's performance in the quarter was hurt by its investments in Nidec and Unilever.

During the quarter, foreign equities were increased from 36% to represent 37% of the total portfolio value. Throughout the quarter 20-30% of the Fund's US dollar exposure continued to be hedged into Canadian dollars, reducing the currency related losses that the Fund would otherwise have experienced.

Phillips, Hager & North (PH&N) remained active during the quarter, adding several new names and eliminating and trimming several others. Additions included: Finnish renewable fuels producer and oil refiner, Neste and Spanish affordable high fashion apparel company, Inditex. Paddy Power Betfair was eliminated from the portfolio.

As at March 29, 2019 the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	4.3%	Enbridge Inc.	2.4%
TD Bank	3.8%	Suncor Energy	2.3%
Bank of Nova Scotia	2.7%	Roche Holding AG Genusschein	2.1%
Danaher Corp.	2.6%	UnitedHealth Group Inc.	1.8%
Canadian National Railway	2.5%	Bank of Montreal	1.8%

PH&N's base case is economic growth in all major regions sufficient to deliver moderate corporate-profit gains that would sustain mid-to-high single digit increases in North American equities and low double-digit returns in international and emerging-market stocks. A challenging domestic environment for the production and transport of crude oil, and concerns surrounding the health of the Canadian consumer remain as Canada-specific headwinds. However, with the broad Canadian market trading at a discount to the S&P 500, PH&N currently view Canada as a good place to pick up income at attractive valuations. The three main risks to the outlook are protectionism, Chinese growth and the US business cycle in late stage. Long-term price momentum helps place the current bull market for stocks in perspective. Following nearly a decade of poor returns resulting from the Tech Wreck and the global financial crisis, stocks appear to have entered a new supercycle bull market at the end of 2016. PH&N identifies companies that exhibit the strongest long-term fundamentals, and then constructs portfolios using their thorough risk management approach.

Tradex Bond Fund – Quarterly Review – March 31, 2019

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Bond Fund	3.4	0.7	0.9	3.5	3.3	4.1	5.8
FTSE TMX Canada Universe Bond	3.9	5.7	5.3	2.7	3.8	4.4	—
Average Canadian Bond Fund**	3.8	4.5	3.6	1.9	2.5	3.5	—

*December 1989 **Source: Fundata Canda Inc.

An investment in the Tradex Bond Fund increased in value by 3.4% during the first quarter. This compares to an increase of 3.9% in the Fund's benchmark, the FTSE TMX Canada Universe Bond Index. The main reason for the underperformance was the decline in rate-reset and floating rate preferred share prices, which were impacted by falling interest rates.

The economic weakness experienced at the end of 2018 carried on into the first quarter of 2019. Domestic growth has certainly slowed, weighed down by the combination of lower investment spending, slower household spending and a fall in exports. Further weighing on growth were the usual suspects: global trade tensions and geopolitical uncertainties. Responding to these events, interest rates fell throughout the quarter.

Despite the slowdown, North America economies are still performing adequately and a recession does not appear to be imminent. Even as the central banks in Canada and the US recently indicated that a pause in their respective tightening cycles is warranted, the bond market appears to have already priced in a negative outcome.

Government of Canada bond yields decreased for all benchmark maturities over the quarter, as seen in the following table:

Term to Maturity	Yield Dec. 31/06	Record Lows	Yield Dec. 29/17	Yield Dec. 31/18	Yield Mar. 29/18
2 years	4.02%	0.28%*	1.68%	1.86%	1.55%
3 years	3.99%	0.30%**	1.73%	1.86%	1.54%
5 years	3.99%	0.48%***	1.86%	1.88%	1.52%
10 years	4.08%	0.95%****	2.04%	1.96%	1.62%
30 years	4.14%	1.55%#	2.26%	2.18%	1.90%

Source: Bank of Canada. ***Record (50 years or more) low rates***
**January 15, **Jan. 19, ***Feb. 11, ****Sept. 29, #July 8, 2018*

The Fund continued to be balanced and diversified across income-generating asset classes. At quarter-end, 45% of the Fund's portfolio value was in government bonds, 26% in corporate bonds, 15% in preferred shares, and 13% in common shares, REITs and Income Trusts. The portfolio maintained an overweight position in Canadian corporate bonds as overall credit quality remains in good shape and the domestic economy continues to grow. The portfolio's corporate bond investments added positively to overall performance as did the underweight position in provincial bonds, particularly long-term provincials. The yield on the Fund's overall portfolio was 3.3% as at March 31st, as shown in the following table, while the yield on the FTSE TMX Canada Universe Bond (formerly DEX Universe Bond) was 2.3%.

	Government Bonds	*Corporate Bonds*	*Preferred Shares*	*Common Shares, Trusts, REITs*	*Weighted average total*
*Yield**	*2.1%*	*3.0%*	*5.6%*	*5.3%*	*3.3%*

*The gross estimated annual yield for 1 year is calculated before fees & taxes

The portfolio's duration position has been maintained over one year below that of the benchmark. With long-term federal government bond yields at the level of domestic core inflation, there remains little reason to reach for the very marginal amount of additional yield that a long bond provides. The strong performance of both corporate and provincial bonds has helped portfolio performance and Foyston, Gordon & Payne (FGP) anticipate maintaining the overweight position in corporate bonds while continuing to focus on credit quality. The Fund's strategic asset class allocation continues to emphasize higher-yielding preferred and common shares. In FGP's view, these securities continue to offer a compelling long-term risk/return tradeoff relative to their expectation of modest returns for both government and corporate bonds.

Tradex Global Equity Fund – Quarterly Review – March 31, 2019

	Total return (%)			Average annual compound return (%)			
	Latest 3 months	Latest 6 months	1 year	3 years	5 years	10 years	Since inception*
Tradex Global Equity Fund	11.3	-0.9	3.0	12.9	10.5	13.5	6.5
Average Canadian Global Equity Fund**	10.5	-0.3	4.1	8.9	7.2	10.4	—

*May 1999 **Source: Fundata Canda Inc.

During the first quarter of 2019, the value of each unit in the Tradex Global Equity Fund increased by 11.3%, outperforming its benchmark.

Global equity markets rebounded strongly in the first three months of the year albeit with declining momentum through each sequential month. Given the precipitous falls seen towards the end of 2018, it was not too much of a surprise to see a strong rebound in January. Markets were buoyed by an increasingly dovish Federal Reserve, which signaled an ongoing pause in their rate increasing activities. Enthusiasm waned a little in February as global economic data continued to support the idea of a slowing economy, with particular weakness in data from the Eurozone and China. Government bonds rallied strongly with 10-year Treasury yields falling below 2.40% in March setting up a dichotomy between a rallying equity market on a slowing global economy and moderating earnings growth and a bond market signaling yield curve inversion and the possibility of a looming recession. Similarly, sector performance was also contradictory with economic sensitive sectors such as consumer discretionary, information technology and industrials performing strongly while financials and other defensives lagged. Energy was likewise a strong point as the oil price rallied from December lows.

The Canadian market was among the strongest performing stock markets in the 1st quarter as the S&P/TSX Composite rose 13.3% with tailwinds coming from firming energy and materials prices as well as the strength of the Canadian dollar against all major currencies. The US market also outperformed buoyed by an 18% gain in the technology sector as the S&P 500 Index rose 11.5%. Despite the ongoing complexities and confusion of the Brexit process the UK's FTSE 100 was broadly neutral to the global benchmark as were equity performances from Australia, Hong Kong, France and Switzerland. Primary weakness came from markets with economies skewed towards the global manufacturing and industrial processes with Germany and Japan gaining just 5.0% and 5.1% respectively, while South Korea was also weak as its stock market was effectively unchanged over the period. As a whole, Emerging Markets underperformed Developed Markets as weakness in the Chinese economy weighed on sentiment.

Asset allocation was broadly unchanged over the period with slight reductions in Japan, UK and Emerging Markets offset by marginally increased exposure to the US and Continental European markets. Broadly the Fund remains overweight versus the benchmark to Japan, Europe and the UK and underweight versus the US and Australia. In addition, the Fund has approximately 10% out of benchmark exposure to Emerging Markets.

Tradex.ca®
since 1960
depuis 1960
mutual funds for the public service
fonds mutuels pour fonctionnaires

Tradex Management Inc.
85 Albert Street, Suite 1600
Ottawa, Ontario K1P 6A4
Tel: 613-233-3394 • 800-567-3863 • Fax: 613-233-8191 • 877-492-3863
e-mail: info@tradex.ca • Web site: www.tradex.ca

The Tradex Rebates – $28 New Member Incentive

Tradex Equity Fund Ltd. was formed in 1960
to allow public servants and their families to invest with confidence at low cost.

Tradex is Canada's only not-for-profit mutual fund dealer and has rebated over $1 million to members in the past 3 years alone, an average of 28 basis points per year.

We encourage all current members to share the Tradex experience with family, friends, and colleagues. Both the existing Member and the new Member will each receive a deposit of $28 into their Tradex account!

Join today to get your share!

Please note that minimum investments apply ($100 monthly through pre-authorized deductions from a bank account or $1,000 through a lump sum investment for Tradex funds.)

Existing Member :

Name ____________________

Please select one of the following :

- ○ Credit my Tradex account with $28
- ○ Credit the entire $56 to the new Member's account at Tradex

____
Existing Member's Signature

New Member :

Name ____________________

Address ____________________

E-mail ____________________

Phone ____________________

____
New Member's Signature

Note to Members: Additional copies of this form are available by phoning us at 613-233-3394 or at www.tradex.ca
Please note: Government regulations require that this offer not be applicable to certain types of accounts.