



Tradex

QUARTERLY

Fourth quarter 2021

President's Report to Tradex Members



The Canadian equity market ended the year up almost 22% for its second straight year of double-digit gains, with the S&P/TSX Composite Index increasing by 5.7% during the final three months. The US S&P 500 Index was up 10.7% during the quarter, ending the year up 26.9% for a third straight year of double-digit returns for the S&P 500 and

seventy record highs in 2021 alone. The increase in terms of Canadian dollars was lower for the quarter as the Canadian currency increased by 0.5% from 78.49 cents to 78.88 cents. As of December 31, the dividend yield of the S&P/TSX was 2.6% and S&P500 1.3% plus buyback yield of 2.0%(Q3), which indicates some remaining relative value in stocks as the 10-year government bond yields were 1.4% in Canada and 1.5% for US Treasuries.

The Bank of Canada held its rate at the effective lower bound (0.25%) at the October 27th and December 8th announcements but ended its quantitative easing program indicating "The global economic recovery from the COVID-19 pandemic is progressing. Vaccines are proving highly effective against the virus." The US FOMC held its rate at 0% to 0.25% at both meetings November 3rd and December 15th but commenced reducing its quantitative easing program by \$10 billion and \$5 billion in November then by another \$20 billion for Treasury securities and \$10 billion for agency mortgage-backed securities at the December meeting. The reduction in support reflected "progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen."

Record Annual Rebates

Tradex operates on an "at-cost" or "break-even" basis solely for the benefit of its Members and is thus unique among Canadian mutual fund organizations. In 2021 we were able to return a record total of \$649,750 in operating revenue to the three Tradex Funds (compared to \$550,310 in 2020). The return of this money to the Tradex Funds helps lower their management expenses (and management expense ratio) and is therefore a direct benefit to all Tradex investors.

Annual Reminder for Mutual Fund Reports

If you wish to receive the various regulatory documents for the Tradex Funds, please provide standing instructions by signing and returning the attached form if you have not done so previously.

Tradex 62nd Annual General Meeting on Wednesday April 27th

At the time of writing, the Ontario government has imposed additional restrictions due to the COVID-19 outbreak which would not permit an in-person meeting however, we will be sending the meeting materials in March and hope a return to the RA Centre will be possible.

Annual Calendar Year Contribution Opportunities

The Tax-Free Savings Account (TFSA) additional contribution of up to \$6,000 for 2022 is available and the deadline for Registered Retirement Savings Plan (RRSP) contributions to be deducted against your 2021 income is March 1, 2022. For further details or to complete your contributions please contact us.

Retirement

After celebrating her 25 years of employment with Tradex, Debby Wright retired effective December 31st. We wish her all the best in retirement and while she will be sorely missed, we look forward to her continuing participation as a Tradex member.

Client Relationship Document – Trusted Contact

Subsequent additional regulatory requirements associated with the "Client Focused Reforms" made it necessary for a further amended client relationship document which we have posted on our website and included in the annual statement for the period ended December 31st for all members. A key change is the requirement to request "trusted contact" information and the related ability to delay a transaction which appears potentially detrimental to the requestor. If you have any questions or would like to discuss, please do not hesitate to contact us.

Blair Cooper
January 18, 2022

Tradex Equity Fund Limited – Quarterly Review – December 31, 2021

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	3 years	4 years	5 years	10 years	Since inception*
Tradex Equity Fund Limited	7.1	7.8	22.7	19.5	12.4	12.7	11.2	9.6
S&P/TSX Total Return Index (TRI)**	6.5	6.7	25.1	17.5	10.3	10.0	9.1	—
Average Canadian Focused Equity Fund**	6.7	7.5	22.3	16.0	9.3	9.0	9.1	—

*April 1960 **Source: Fundata Canada Inc.

During the fourth quarter an investment in Tradex Equity Fund Limited increased in value by 7.1%, outperforming the Fund's benchmark, the S&P/TSX Total Return Index, and it gained 22.7% for the past year.

The continued strong returns of the Canadian equity market have been supported by positive momentum in commodity prices, especially in energy, as improving demand from the economic recovery has been met with low inventory levels. Financial stocks also contributed significantly to returns, thanks to improved bank earnings and strong capital markets. The technology stocks rallied to start the year but faded more recently and ultimately generated a negative return in the fourth quarter as highly valued growth companies struggled to keep pace with cyclical companies in the Canadian market. Underlying economic conditions remain good by historical standards and corporate-profit growth has been stellar. However, the backdrop is shifting and enthusiasm for the recovery has diminished. Moderating growth, the new Omicron virus variant and fading monetary stimulus have agitated financial markets.

Relative performance of the Fund in the fourth quarter was driven by security selection. An overweight in Arizia contributed significantly as the women's fashion creator has delivered impressive results amidst the pandemic, growing its reach and brand within the US. The fund participated in the Copperleaf IPO where the stock rose upon listing and Phillips, Hager & North (PH&N) continues to like the runway given their bargaining power over customers and favourable competitive landscape. Suncor Energy contributed while in foreign stocks Inditex, the world's largest clothing retailer, was among the largest detractors from performance in response to fears that the Omicron variant would disrupt in-store shopping and cause increased supply chain challenges. Other foreign detractors

included Neste, the world's largest producer of renewable diesel, and Hong Kong-based life insurer AIA Group. In Health Care, UnitedHealth Group was a positive contributor to returns.

During the quarter, foreign equities remained 36% of the total portfolio value. The US market outperformed during the quarter (US S&P 500 Total Return Index up 11.0%) but was offset partially by the rise of the Canadian dollar from 78.49 cents to 78.88 cents. Throughout the quarter, 25-40% 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.

As at December 31, 2021 the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	3.8%	Alphabet Inc.	2.4%
TD Bank	3.6%	Bank of Nova Scotia	2.3%
Shopify Inc.	3.6%	United Health Group Inc.	2.1%
Microsoft	2.6%	Roche Holding AG Genuschein	2.0%
Brookfield Asset Management	2.4%	Canadian National Railway Co.	1.9%

PH&N indicates the healthy earnings outlook for the broad market in 2022 will likely lead to higher dividends and increased share buybacks. Inflation pressures and supply-chain issues could weigh on next year's profit margins and growth expectations, though they continue to see evidence of costs being passed through to consumers in the form of higher prices. PH&N believes that among all of the headwinds, there are two key factors that could continue to support the expansion. The first is that consumers are flush with savings and they have low financial obligations, putting them in a solid position to boost their spending. The second is that businesses have also expressed their desire to rebuild inventories and boost capital expenditures.

Tradex Bond Fund – Quarterly Review – December 31, 2021

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	3 years	4 years	5 years	10 years	Since inception*
Tradex Bond Fund	2.4	2.2	6.8	6.3	3.9	4.2	4.1	5.8
FTSE TMX Canada Universe Bond	1.5	1.0	-2.5	4.2	3.5	3.3	3.3	—
Average Canadian Bond Fund**	1.1	0.4	-2.8	3.8	2.7	2.6	2.4	—

*December 1989 **Source: Fundata Canada Inc.

An investment in the Tradex Bond Fund increased in value by 2.4% during the fourth quarter, outperforming the Fund's benchmark. It increased by 6.8% over the past year while the FTSE TMX Canada Universe Bond index lost 2.5%.

During the final quarter of 2021, inflation continued to be the dominant theme throughout the bond market. As the year entered its final trading days, it seemed clear that inflation

would likely remain at a higher level, and for a longer period of time, than most experts would have expected even just a few months earlier. There have been a litany of factors driving measured inflation higher, including supply-chain disruptions, lack of qualified workers in many industries, and flourishing resource/commodity prices. The top performing companies in our equity portfolio this quarter were CI Financial, Bird Construction, and Nutrien while the main detractors were Transcontinental and Rogers.



The more aggressive shift from central banks sent ripples through the bond market and had yields at the front end of the curve rising. The prospect of less accommodative monetary policy, coupled with uncertainty relating to the spread of the new Omicron variant and its impact on the global economic recovery, had the opposite effect further out the yield curve with Government of Canada bond yields declining as seen in the following table:

Term to Maturity	Yield Dec. 31/06	Yield Dec. 31/20	Record Lows	Yield Sept. 29/21	Yield Dec. 31/21
2 year	4.02%	0.20%	0.15%*	0.53%	0.95%
3 year	3.99%	0.25%	0.18%*	0.67%	1.02%
5 year	3.99%	0.39%	0.30%**	1.11%	1.25%
10 year	4.08%	0.67%	0.43%**	1.51%	1.42%
30 year	4.14%	1.21%	0.71%***	1.98%	1.68%

Record (50 years or more) low rates: *Feb. 1/21, **Aug. 4/20, ***Mar. 9/20

The Fund continued to be balanced and diversified across income-generating asset classes. At quarter-end, 38% of the Fund's portfolio value was in government bonds, 31% in corporate bonds, 13% in preferred shares, and 16% in common shares, REITs and Income Trusts. The yield on the Fund's overall portfolio was 2.6% as at December 31st, as shown in the following table, while the yield on the FTSE TMX Canada Universe index was 1.9%.

	Government Bonds	Corporate Bonds	Preferred Shares	Common Shares, Trusts, REITs	Weighted average total
Yield*	1.8%	2.2%	4.4%	4.0%	2.6%

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

Foyston, Gordon & Payne (FGP) remain cautious with the absolute levels of long interest rates in Canada. While watching developments closely, they believe that prudent positioning calls for portfolio duration to be below that of the benchmark's duration as the risk/reward continues to be unfavourable. Additionally, the portfolio will remain active in spread product and they will look for opportunities to increase credit quality within the portfolio without forfeiting our above-benchmark yield generation. As always, they will continue to allocate capital towards investment opportunities that present the highest probability of success in generating long-term, risk adjusted performance within the strategy.

Inherent in FGP's value investment discipline is a focus on owning a collection of what they believe to be high-quality companies that have resilient business models, earnings growth potential, conservative dividend payout ratios and solid balance sheets.

Tradex Global Equity Fund – Quarterly Review – December 31, 2021

	Total return (%)			Average annual compound return (%)				
	Latest 3 months	Latest 6 months	1 year	3 years	4 years	5 years	10 years	Since inception*
Tradex Global Equity Fund	4.5	6.7	18.3	17.6	10.9	13.4	14.5	7.4
Dow Jones Global Total Return Index**	6.3	7.4	17.6	17.3	12.2	13.0	14.6	—
Mean Canadian Global Equity Fund**	6.0	6.2	16.2	15.9	10.2	11.0	11.5	—

*May 1999 **Source: Fundata Canada Inc.

During the fourth quarter of 2021, the value of each unit in the Tradex Global Equity Fund increased by 4.5% and has increased by 18.3% for 2021.

Global equity markets surged ahead in the final quarter of 2021 led by mega cap US-listed technology companies such as Apple, Microsoft and NVIDIA. Leadership of the markets rotated once more as longer duration assets found primarily among technology stocks outperformed while more cyclical stocks such as energy, industrials and financials, which had led for much of the year, posted underperformance. The catalysts appear to have been a combination of the appearance of the Omicron variant of COVID-19, the inability of the Biden administration to pass its Build Back Better program and continued softness of economies due to a combination of sporadic mobility restrictions and supply chain related issues. Inflation continued to surprise to the upside with labor shortages, housing prices and energy prices all remaining resilient. Indications of US short term interest rate rises in 2022 have yet to weigh on equities as longer dated yields remain well anchored and were largely unchanged quarter to quarter at 1.5%. Chinese concerns eased modestly but the outlook and degree of regulatory adjustments as well as economic performance continues to weigh on sentiment.

The Swiss market led the way for the quarter posting a 13.8% return in Canadian dollars aided by a 1.7% gain in the Swiss Franc and a strong rebound in market giant, Nestle. Closely behind and more influential on the overall index return was the highly weighted US market which returned 10.7%. Eurozone markets turned in mixed performances with the relatively robust France gaining 7.8% while Germany lagged with just a 2.6% return. The UK returned 6.0% while Canada and Australia posted gains of 6.5% and 2.8% respectively. Japan was among the weakest of markets falling 4.2% as the yen weakened 3.6% vs the loonie. Emerging markets also lagged with a 1.4% return with China leading the index lower with a 7.2% decline.

During the period US exposure was adjusted and increased. City of London Investment Management (CLIM) sold out of positions such as Allianz Technology Trust, Central Securities and Spratt Focus Fund following significant discount narrowing while purchasing recent closed-end fund issues which had succumbed to significant tax loss related selling. These include Blackrock Innovation & Growth Trust and Neuberger Berman Next Generation Connectivity Fund each of which traded out to over 15% discounts and whose discounts CLIM expect to mean revert in the New Year.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. The rates of return include reinvestment of all distributions and do not take into account any sales, redemption, distribution or optional charges or income taxes payable by an investor that could have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.



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Annual Reminder Regarding Mutual Fund Reports

We prepare Management Reports of Fund Performance (MRFPs) and Financial Statements for your mutual fund investments twice a year, for the periods ending June 30 and December 31.

The Tradex website provides comprehensive information on your investments. Visit www.tradex.ca and, under **Legal & Regulatory Documents**, you can view or download the MRFPs and Financial Statements, as well as other important information such as the Fund Facts, Simplified Prospectus and Quarterly Portfolio Disclosures. These materials are also available on the SEDAR website at www.sedar.com.

You are entitled to receive print copies of the MRFPs and Financial Statements at no cost. **If you have previously instructed us as to which materials you would like to receive, your instructions will remain on file as long as you hold units of a fund or until we receive new instructions from you.** For more information, to change your standing instructions, or to request a printed copy of these materials, you can call **1-800-567-3863** or ask your advisor.

Annual Notice Regarding Fund Facts for Members with PACs

When you enroll in a pre-authorized chequing plan (PAC) to purchase Tradex Funds, you will receive a copy of the Fund Facts document with your initial purchase for each fund you buy. Unless specifically requested by you at the time of initial purchase, you will not be sent subsequent copies of the Fund Facts. You may request a copy of the most recent Fund Facts at any time and at no cost by: (i) calling us at 1-800-567-3863; (ii) by sending us a request by mail; (iii) by sending us an e-mail at info@tradex.ca or (iv) by asking your financial advisor. You can also download copies of the Fund Facts at no cost from our website www.tradex.ca or www.sedar.com.

Under securities law, you have certain statutory rights when purchasing units of a mutual fund. These rights are described in the fund's Fund Facts and include the right to cancel the first purchase of a fund made through a PAC, provided you exercise that right within a prescribed period of time. This right does not, however, extend to subsequent purchases of the fund made through a PAC. You will, however, continue to have the right to terminate your PAC at any time before a scheduled contribution date. In the event that any misrepresentation is contained in a Fund Facts, or any document incorporated by reference in any renewal simplified prospectus, you will have the right to bring an action for damages or rescission, whether or not you have requested the Fund Facts.

Thank you for investing with Tradex Management Inc.

Redemption Procedures

We are required to inform you of the proper procedures required for us to execute a redemption of Tradex Funds. You can sell some or all of your units/shares at any time. If your order is received by our office by 4 p.m. (Eastern Time), you will receive that day's net asset value per unit calculated on the next business day. We will transfer or mail the redemption proceeds to you or your dealer within two business days of receiving a complete redemption request. Please refer to the Simplified Prospectus under Purchases, Switches, and Redemptions for detailed information.

To receive a paper copy of the Tradex Funds MRFP and the Financial Statements, please complete below and return by mail or fax:

FIRST NAME (FULL)

LAST NAME

TELEPHONE NUMBER