

# ***Annual Presentation to Shareholders***

## **Tradex Equity Fund Limited**

*Nearly 30<sup>th</sup> Anniversary with PH&N*

**Andrew Mitchell**, MSc, CFA, Vice President & Portfolio Manager

**Dylan Rae**, CFA, Portfolio Manager

April 27, 2022



# Summary

## Strong Long-Term Track Record for Compounding Capital, and Beating Peers

### Key Touchstones of Long-Term Partnership:

- ✓ Bottom-up active stock picking, new issues, etc.
- ✓ Always advancing: global, tactical mix, hedging
- ✓ Tamping down costs

### Outlook: Covid After-Shocks, Rates, War Clouds

- Key risk: Inflation 2021 call. Stagflation is now the risk
- What typically works well in either scenario?
  - ✓ Stocks
  - ✓ Commodities or commodity sensitive stocks
  - ✓ Real assets: real estate, infrastructure



*"I can't remember—do I work at home or do I live at work?"*

# Tradex Partnership with PH&N Started in 1992

Unitholders have achieved nearly a 12x return over that time!!

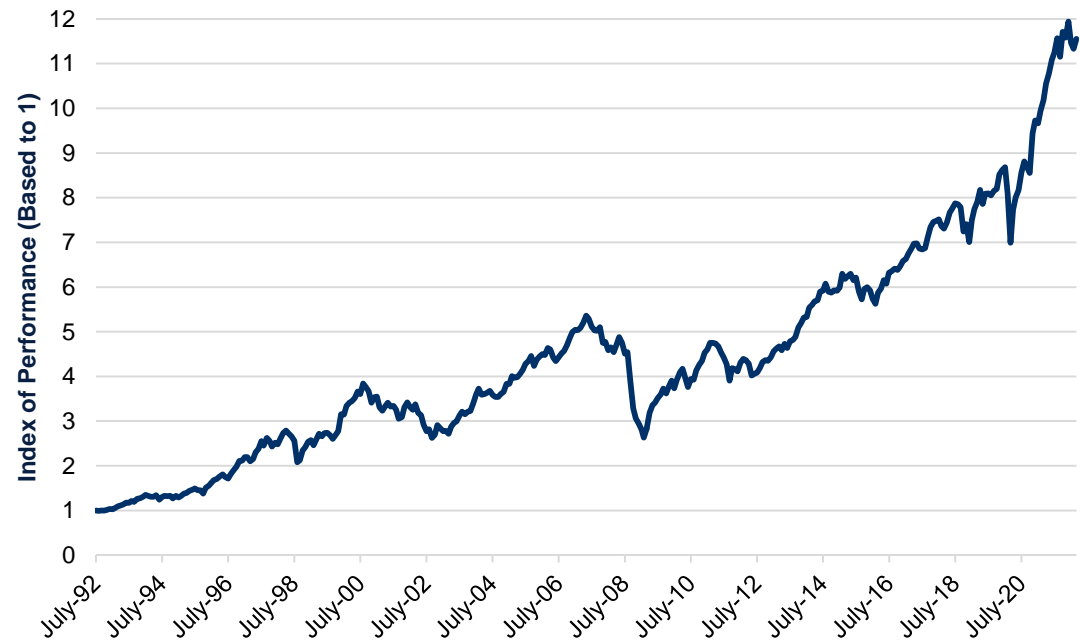
## Key Market Stats in 1992?

- DJIA: 3301 vs. ~34,500 today
- U.S. Inflation: 3% vs. 8% today
- Fed Rate: 6% vs. 0.50% today
- Avg cost of new house: \$122k
- Avg income/year: \$30k

## Key Events in 1992?

- Blue Jays won WORLD SERIES!
- NAFTA signed!
- George Bush Sr won Gulf War
- BUT...Clinton elected President
- Charles & Diana separate

Tradex 30-years Index of Performance  
July 1992 - March 2022



Thank you for your ongoing confidence in our 30-year partnership!

Source: People History.com, RBC GAM

RBC Global Asset Management  
PH&N Institutional

# A Longstanding Commitment to Responsible Investment

Leading and taking concrete actions for 20+ years



## Fully integrated ESG (environmental, social & governance)

- **A+ grade\* UN PRI Grade: A+ on all assessed modules**
- Supporter of Task Force on Climate-related Financial Disclosures
- Developed Approach to Climate Change



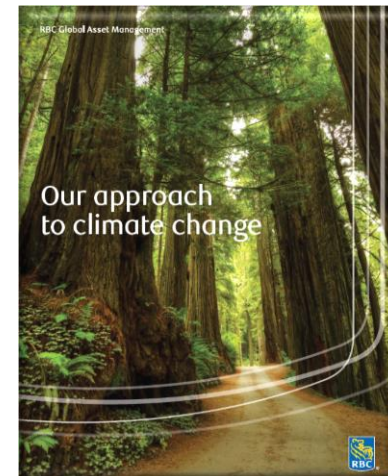
## Active Stewardship – Leader in Engagement

- **Founding member, former Chair CCGG (Cdn Coalition for Good Governance)**
- Joined Climate Action 100+
- 30% Club Investor Group
- Proxy voting focus: Gender & CEO/Chair separation



## Innovative solutions and reporting

- **Pioneers in SRI & Fossil Fuel Free investment capabilities**
- Integrated ESG reporting for clients & consultants



***We believe Responsible Investing enhance long-term returns, and cuts risk***

\*UNPRI: A+ Grade in 2020.

Please see the links to our most recent [RI Transparency Report](#) and the PRI's [assessment methodology](#).

## Performance Update

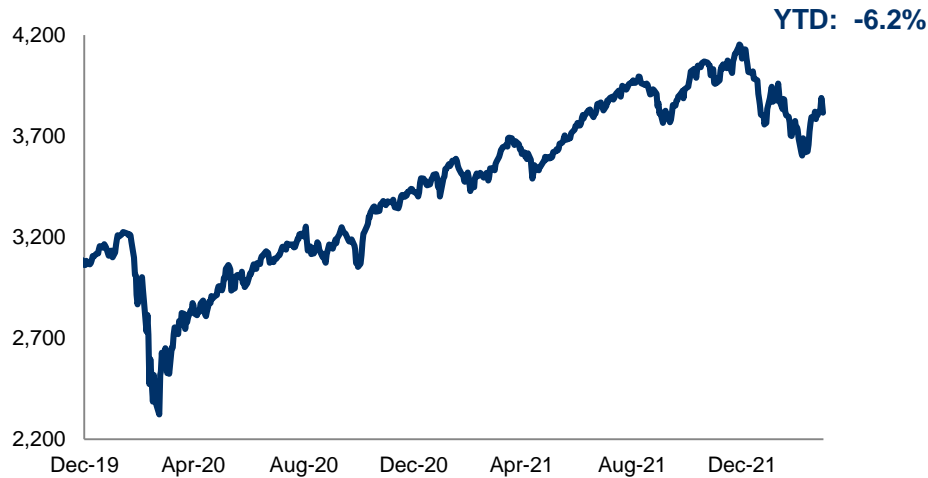
Start of 2022 has been challenging.

But past decade & past 30 years have been good to Tradex Equity Fund holders

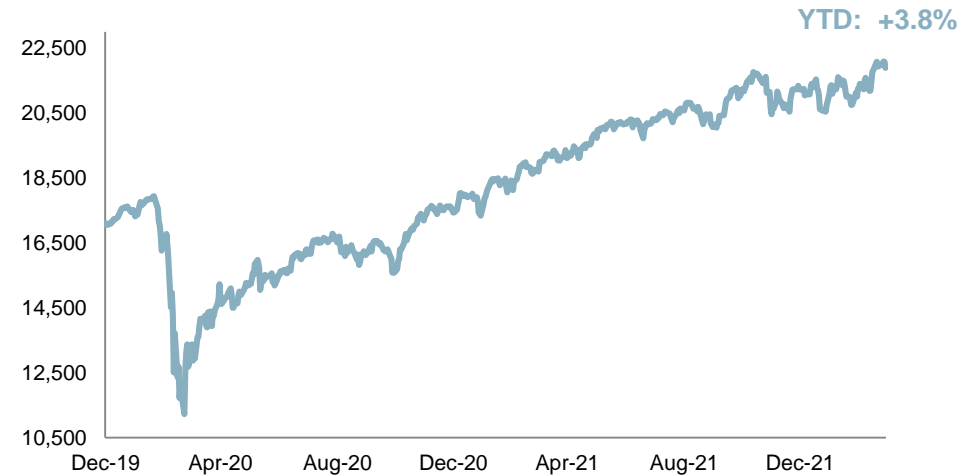
# Capital Markets Update

Given the severity of the exogenous shock...who would have guessed?

**Global Equities - MSCI World Net Index C\$**



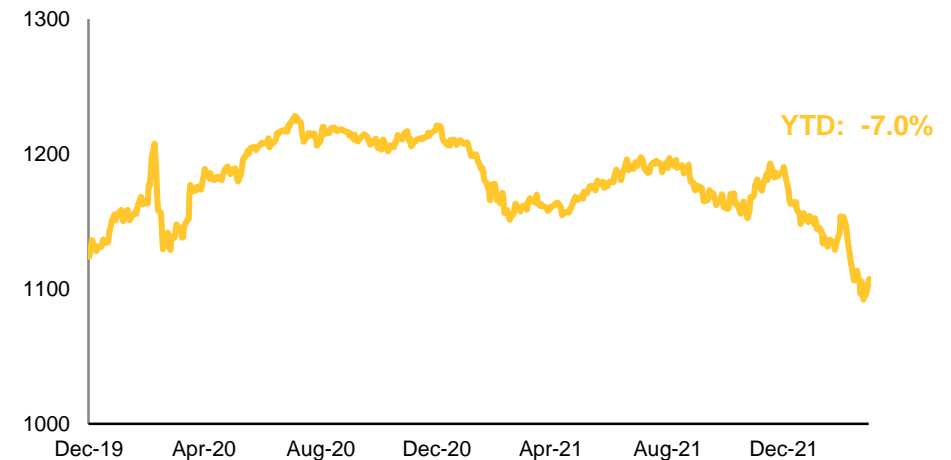
**Canadian Equities - S&P/TSX Capped Composite Index**



**U.S. Equities - S&P 500 Index C\$**



**Canadian Fixed Income - FTSE Canada Universe Bond Index**



Source: RBC GAM; YTD as of March 31, 2022.

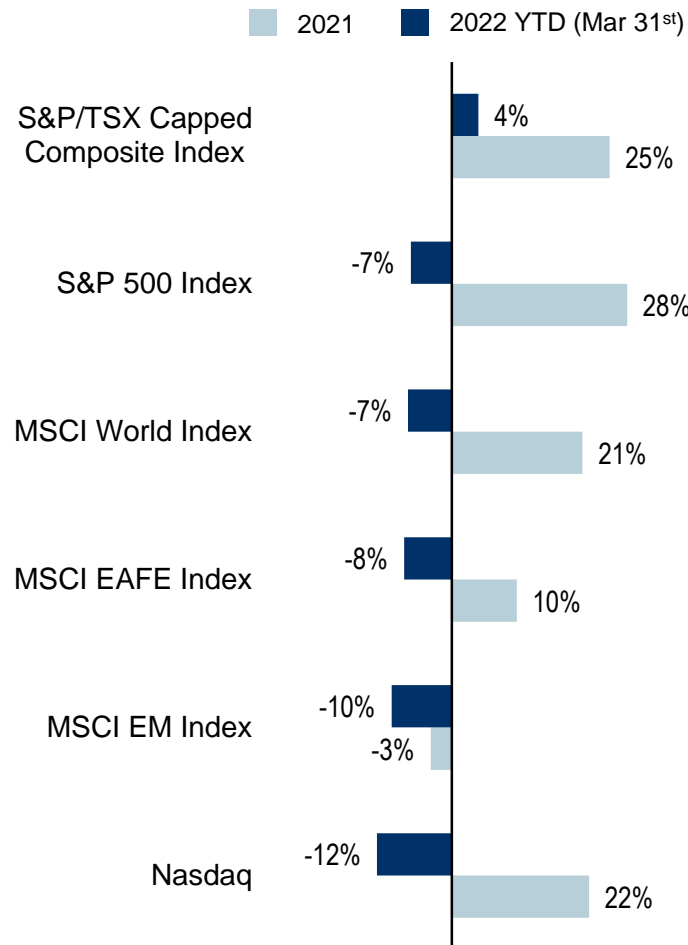
Note: All indices shown in Canadian dollars

**RBC Global Asset Management**  
PH&N Institutional

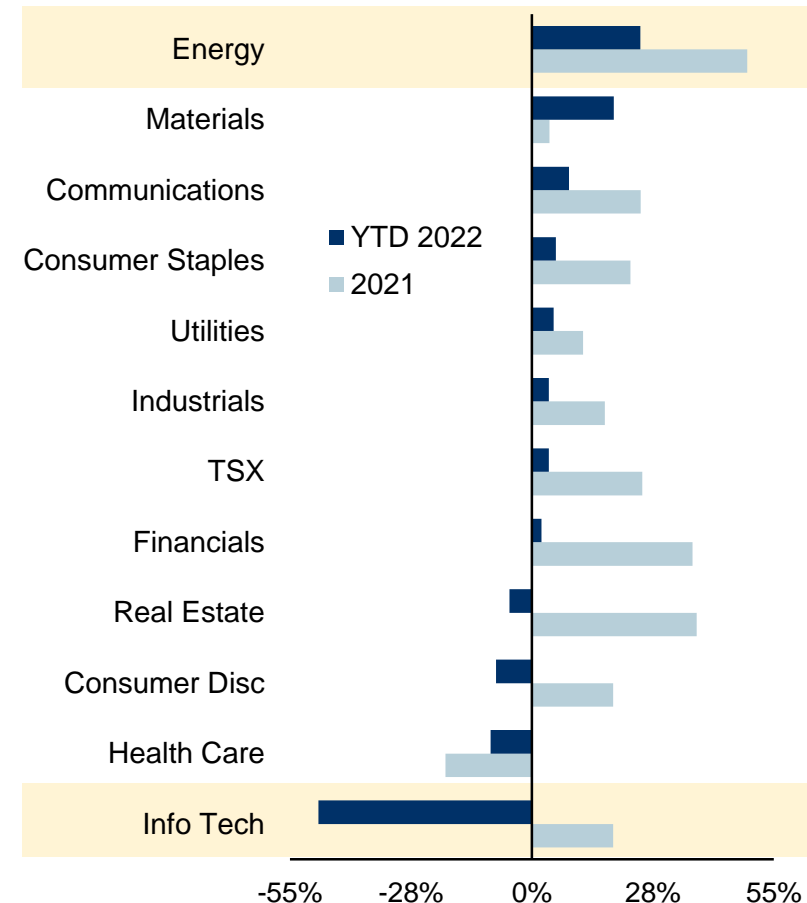
# Global Equity Performance Drivers

Reversal of Fortune. Energy leads, Info Tech corrects

Global Market Performance (C\$)



S&P/TSX Capped Composite Index Performance



As of March 31, 2022  
 Source: RBC GAM, S&P, MSCI.  
 TSX: S&P/TSX Capped Composite Index  
 Note: All indices shown in Canadian dollars

# Staying Ahead of the Competition Long-term

Consistently beating peers in the long run

	1 Year	3 Years	5 Years	10 Years
As of March 31, 2022	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>13.5</b>	<b>13.5</b>	<b>11.0</b>	<b>10.2</b>
Peer Group Average	<u>12.1</u>	<u>11.5</u>	<u>8.0</u>	<u>8.2</u>
<b>Performance vs. Peer Group</b>	<b>+1.4</b>	<b>+2.0</b>	<b>+3.0</b>	<b>+2.0</b>

<b>Globefund Quartile Ranking</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
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Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding

<b>Morningstar Percentile</b>	<b>52</b>	<b>30</b>	<b>16</b>	<b>26</b>
Number of Funds in Category	542	537	447	270

Source: Morningstar  
As of March 31, 2022



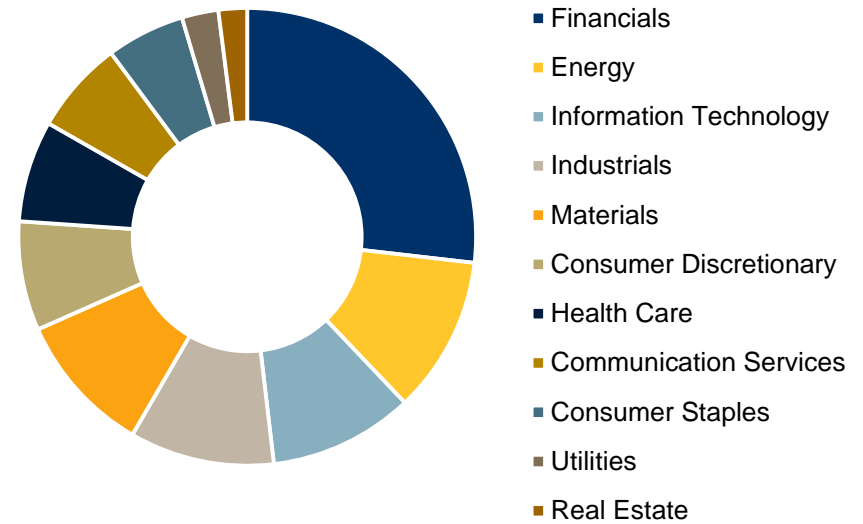
## Tradex Equity Fund Positioning

# Attractive Blend, lots of Global Leaders, many Canadian

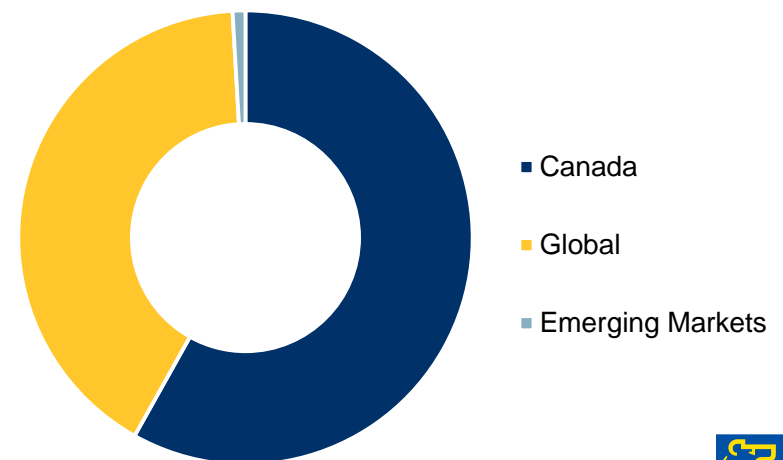
More Canadian content this year as we shifted global profits back toward TSX in 2021

Top Holdings: Mar 31/22	Weight (%)	Country	Breakdown
Royal Bank of Canada	3.9	Canada	Financials
Toronto Dominion Bank	3.7	Canada	Financials
Microsoft Corp	2.6	USA	Info Tech
Alphabet	2.5	USA	Communication
UnitedHealth Group	2.3	USA	Health Care
Roche Holding AG	2.3	Switzerland	Health Care
Bank of Nova Scotia	2.3	Canada	Financials
Canadian Natural Resources	2.2	Canada	Energy
Brookfield Asset Management	2.2	Canada	Financials
Bank of Montreal	2.1	Canada	Financials
Canadian National Railway	2.1	Canada	Industrials
Enbridge	2.1	Canada	Energy
Nutrien	1.9	Canada	Materials
Shopify	1.8	Canada	Info Tech
Canadian Pacific Railway	1.6	Canada	Industrials

Breakdown by Sector



Breakdown by Region



Source: RBC GAM; Yellow: Canadian holdings; Light Blue: Global holdings

# Canadian Equity Selections

Bottom up focus, positioned with attractive risk/reward in range of scenarios

## Incorporating Blend of Scenarios

Inflation	Rising interest rates	Recession
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## Key Positions Resulting from Bottom Up Scenario Evaluations

<b>Real Estate</b> Brookfield, Tricon, First Service	<b>Banks</b> TD, RBC, BMO	<b>Banks</b> TD, RBC, BMO
<b>Rails</b> CP Rail, CN Rail	<b>Life Cos</b> SunLife, Power	<b>Consumer Staples</b> Neighbourly, Loblaw, Saputo
<b>Consumer Discretionary</b> Dollarama, Aritzia	<b>Info Tech</b> Kinaxis	<b>Energy</b> CNQ, Suncor, Tourmaline

Source: RBC GAM. Information provided for illustration purposes only to demonstrate the investment management process of the investment team and is not a recommendation to buy or sell any security or other financial instrument.

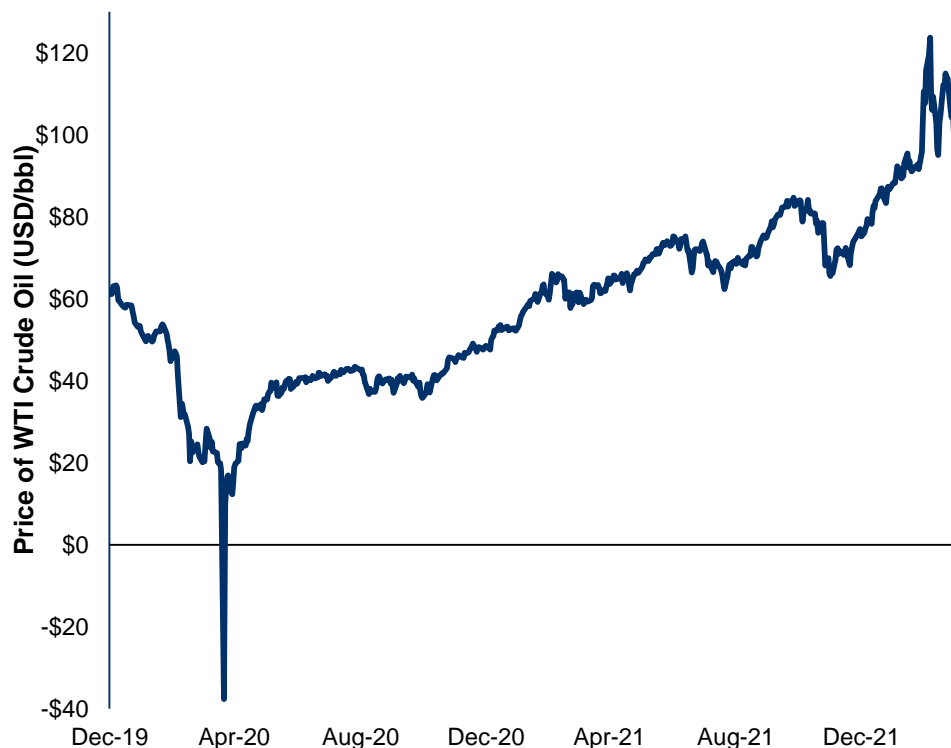
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# Oil: Focused on Oil Sands Majors Suncor & Cdn Natural

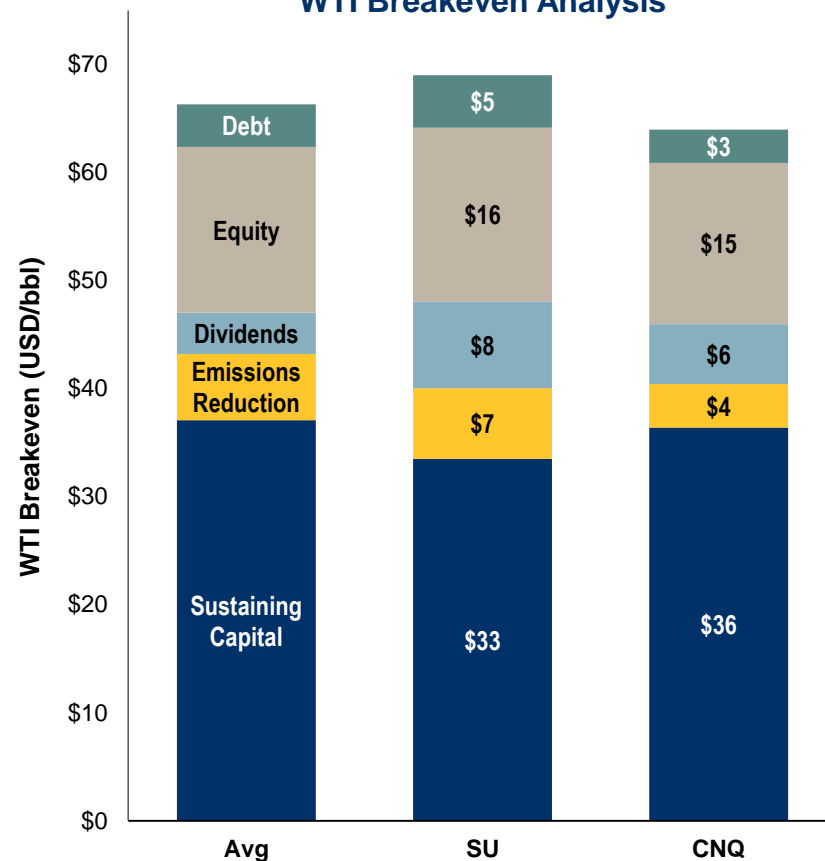
With growing cash flow, long reserves, sustainable at \$65 oil (includes net zero)

**Price of WTI Crude Oil (USD/bbl)**

Dec 31, 2019 to March 31, 2022



**WTI Breakeven Analysis**



Source: RBC Capital Markets, Eikon

Sustaining Capital: cover sustaining capital; Dividends: cover dividend commitments; Equity retirement: retire all common equity; Debt Retirement: retire all debt; Emissions: cover 100% of their share of the environmental costs associated with taking oil sands emissions to zero

Assumptions: Stable common equity price as of YE 2021; Net Debt as of YE 2021; Dividend commitments as of YE 2021; B/E prices based on our base 2022 outlook – we toggled the WTI price only

When it comes to the WTI price required to cover sustaining capital and dividends, this would also cover all other costs – opex/royalties/G&A etc.

Emissions calculations: Oil sands = 68 Mtpa of GHG emissions (Scope 1+2) ; The 5 companies in the Pathways Initiative account for 90% of these emissions; Cost to take oil sands emissions to zero = \$75B over 30 years, so 90% of \$75B = \$67.5B over 30 years or \$6.75 billion per year across the 5 companies over a 10 year period; Cost was allocated across companies based on oil sands production and our inspection of the emissions data.

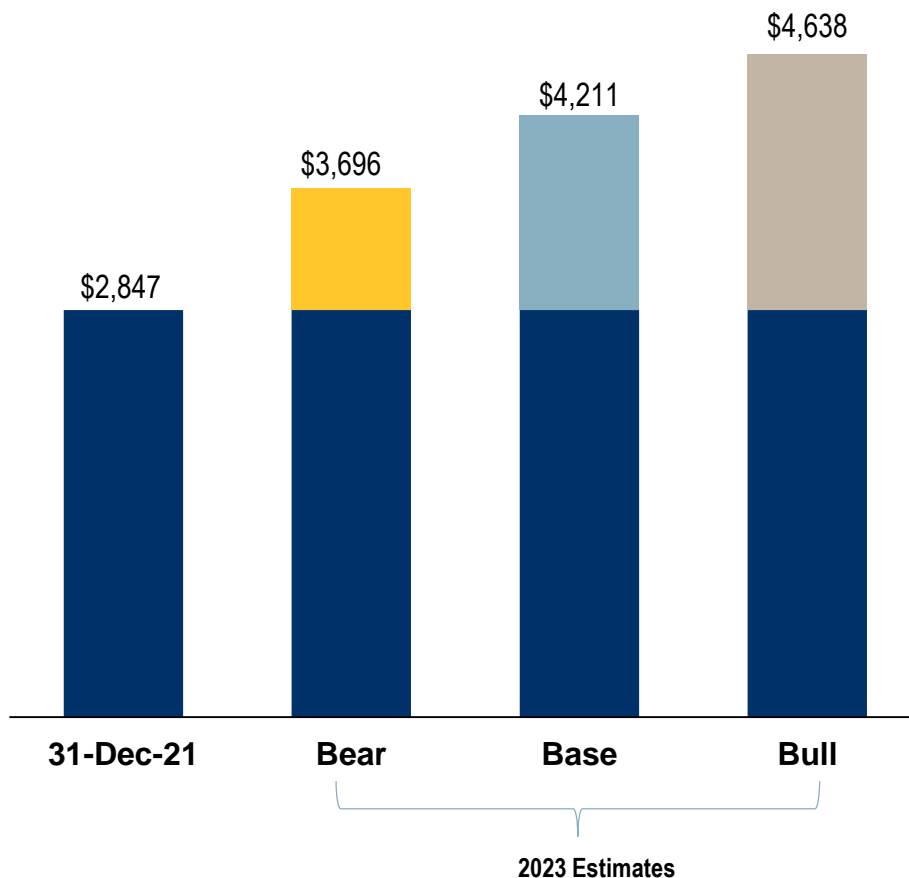
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# Tourmaline: Canada's Largest Natural Gas Producer

Cash flow set to surge as it gains access to global LNG pricing

## Tourmaline's 2023 estimated after-tax Cash Flow (Forecasting jump of 30-60%)



### Positioning & Profile

Key Energy overweight: +23 bps

High growth, low cost natural gas producer

### Deal Overview

Chenier is largest U.S. LNG company

Strategic agreement formed to gain access to U.S. Gulf coast export markets

Highly accretive infrastructure play:

- Export LNG to Europe and Asia
- Earns current European gas prices

Chart data is in millions of dollars. Source: Tourmaline investor presentation, July 2021

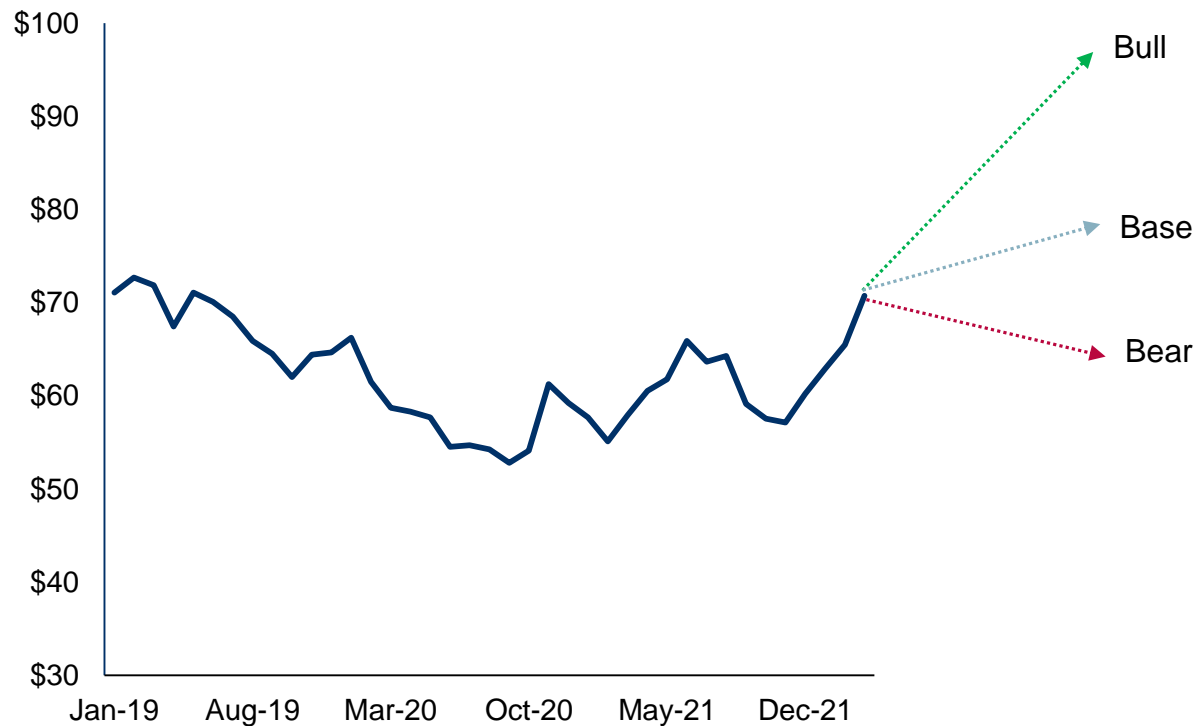
# Communications: Rogers

Current valuation too pessimistic about potential merger benefits



Deal close possible H1/22

## Rogers Price Optionality



## Rogers Upside Opportunities

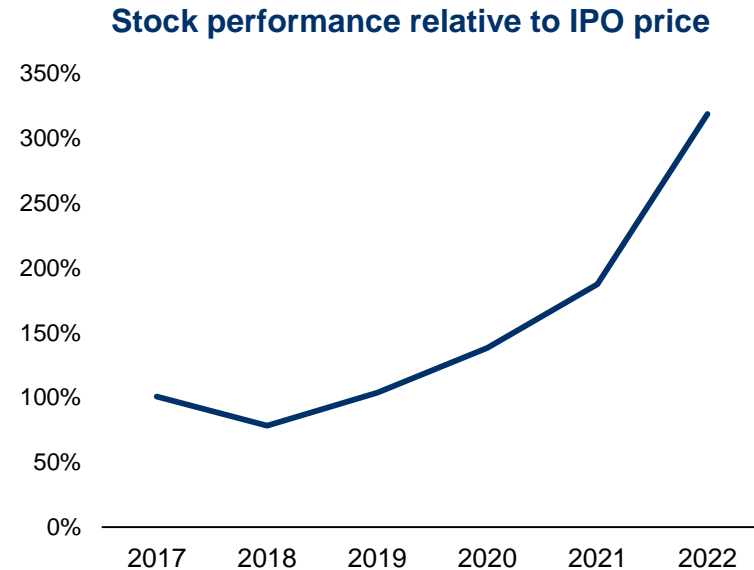
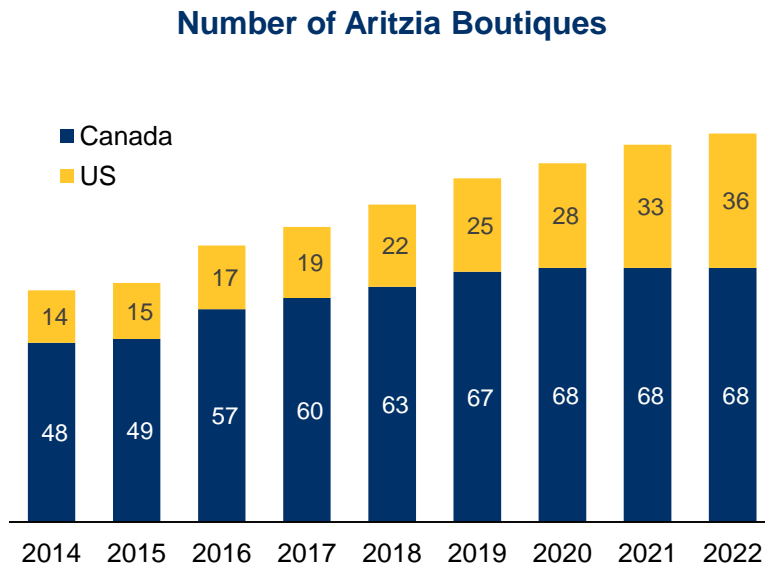
- Operating cost efficiencies
- Revenue synergy (cross selling)
- Debt reduction (sale of Shaw's wireless assets)
- 5G revenue opportunities
- Trading below historical averages and substantially below peers

Source: RBC GAM, Eikon. As of December 31, 2021. Source: RBC GAM. Information provided for illustration purposes only to demonstrate the investment management process of the investment team and is not a recommendation to buy or sell any security or other financial instrument..

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# Consumer: Aritzia is a Vertically Integrated Growth Retailer

A small cap, core quality growth company



## Future growth opportunities for Aritzia

- Attractive unit economics
- Opportunities for product expansion
- Strong commitment to employees/culture
- Long-growth runway in US
- Healthy balance sheet to fund growth

As of March 31, 2022. Source: Bloomberg, Company reports, RBC GAM. Note: Aritzia's fiscal year end is February; currently in FY2022 for ATZ. Information provided for illustration purposes only to demonstrate the investment management process of the investment team and is not a recommendation to buy or sell any security or other financial instrument..

# Recent IPO/Secondary Activity in Canada

Average return: +20.8%. Whereas most '21 IPOs are trading below issue price

## Recent Initial Public Offering's added to portfolio

	Company	Date Added	Execution Price	Current Price*	% Return
	Magnet Forensics	Apr 28, 2021	\$17.00	\$27.93	+64.3%
	Neighbourly Pharmacy	May 18, 2021	\$17.00	\$29.14	+71.4%
	VerticalScope	Jun 15, 2021	\$22.00	\$19.38	-11.9%
	Pet Valu	Jun 24, 2021	\$20.00	\$33.46	+67.3%
	Copperleaf Technologies	Oct 7, 2021	\$15.00	\$16.18	+7.9%
	Definity Financial	Nov 18, 2021	\$22.00	\$31.93	+45.1%
	Coveo Solutions	Nov 18, 2021	\$15.00	\$10.11	-32.6%

## Recent Secondary Offering's added to portfolio

	Company	Date Added	Execution Price	Current Price*	% Return
	Pet Valu	Sep 15, 2021	\$32.25	\$33.46	+3.8%
	Telus International	Sep 24, 2021	\$43.24	\$30.90	-28.5%

\* Tradex Fund – Canadian positioning, current price as at March 31, 2022.

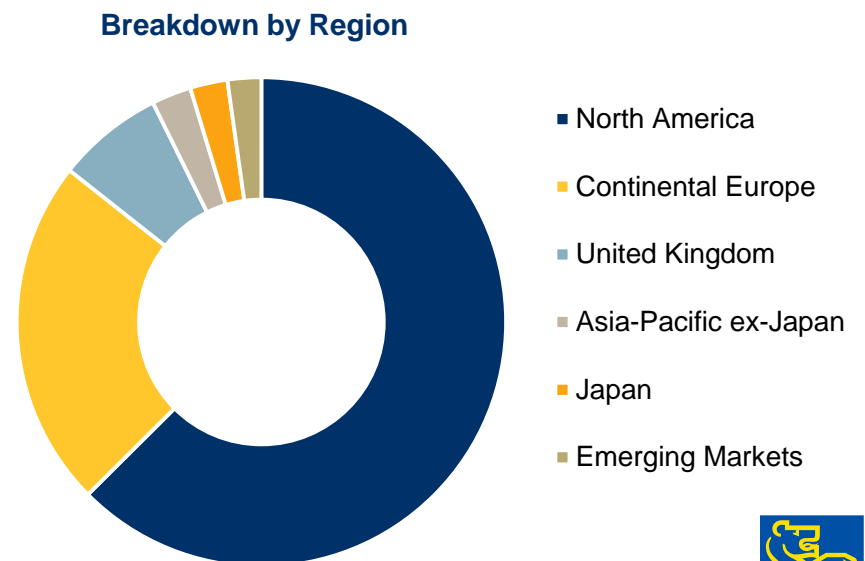
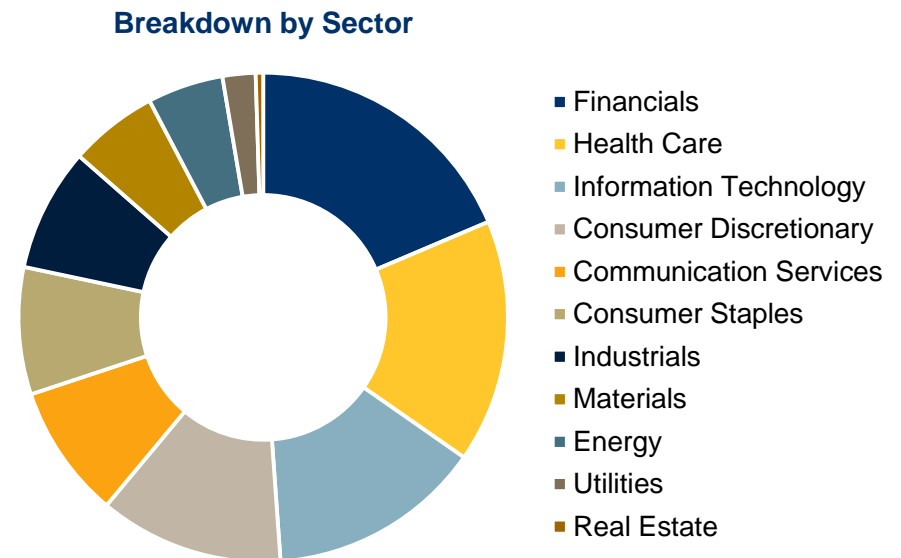


# Global Equity: Selective; Global Industry Leaders

Concentrated exposure to compelling competitive dynamics

Issuer	Sector	Fund* %
Microsoft	Information Technology	2.6
Alphabet	Communication Services	2.5
UnitedHealth Group	Health Care	2.4
Roche Holding	Health Care	2.3
Amazon	Consumer Discretionary	1.5
TJX	Consumer Discretionary	1.5
Fortive	Industrials	1.4
Blackstone	Financials	1.3
Nvidia	Information Technology	1.3
Danaher	Health Care	1.3

	# of Holdings	Dividend Yield
Tradex Equity Fund - Global	40	1.2%



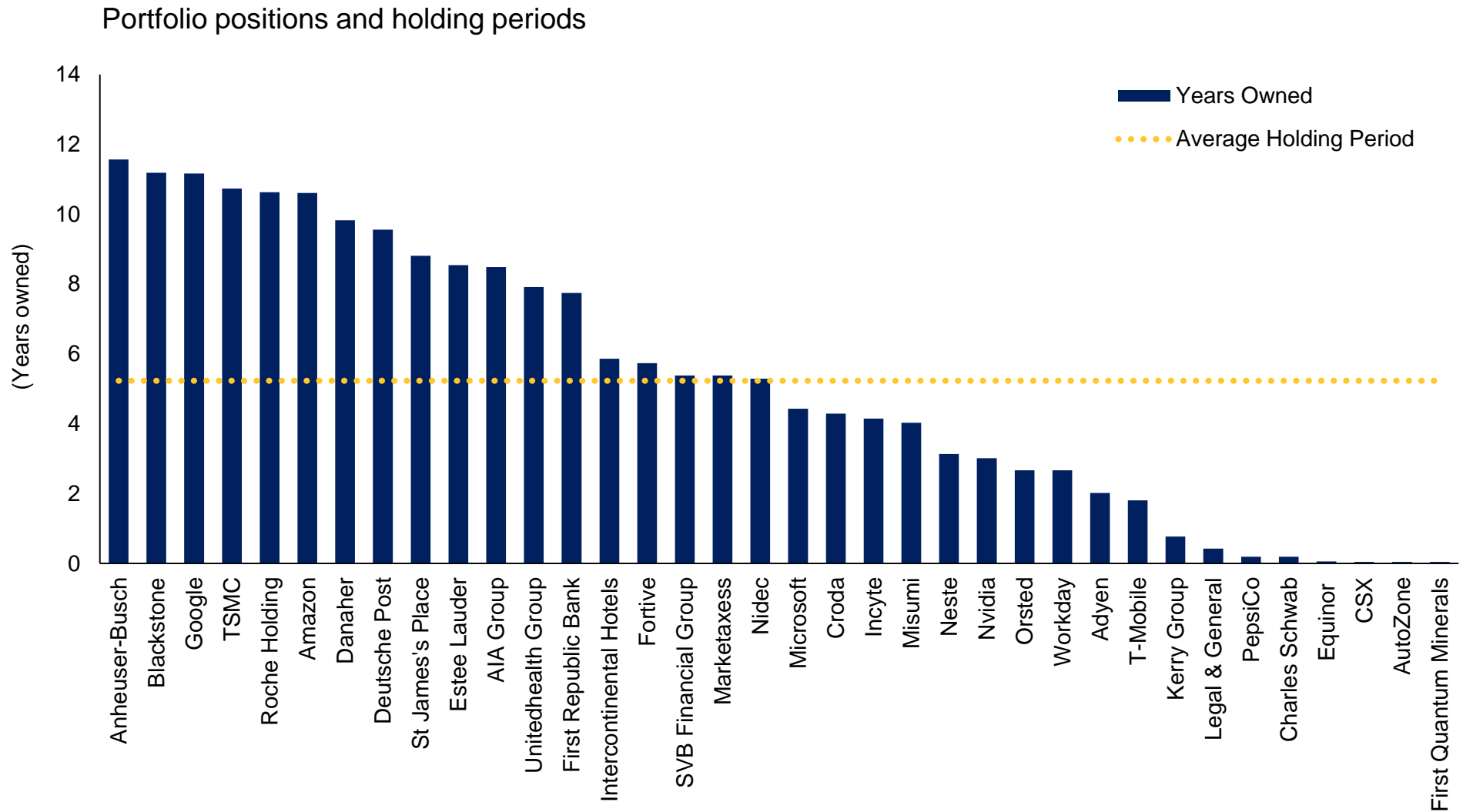
Source: RBC GAM, March 31, 2022

\* Weighting based on Tradex's overall portfolio

The yield shown is calculated based the average dividend yield of the stocks held by the fund.

# Global Equity: Ownership Mindset to Holdings

Concentrated in long-term holdings



Source: RBC GAM

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# Equinor: Among Largest European Energy Companies

## Credible Net Zero Plan as Largest European Wind Capacity

### Business profile

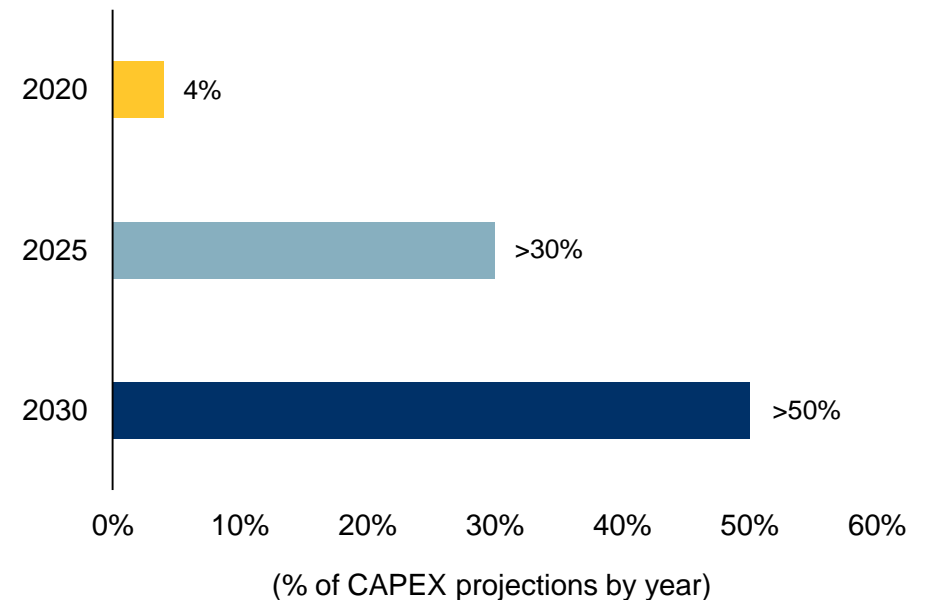
- Norwegian-based broad energy company
- Cost and carbon efficient operations and production
- Oil and gas production CO<sub>2</sub> emissions down to industry-leading levels
- Leads European oil and gas peers in offshore wind capacity

### Competitive Dynamics

<b>Business model</b> ✓	Has high quality assets, cost and carbon efficient operations, with attractive exposures across the energy spectrum (oil, gas, wind, solar, hydrogen, carbon capture)
<b>Market share growth</b> ✓	Growing competitive position in renewables, and offering carbon efficient oil and natural gas, relative to peers
<b>End-market growth</b> ✓	Gas and renewable demand continues to experience increased demand as the global economy grows and transitions
<b>Management &amp; ESG</b> ✓	Responsible operators committed to being a leader in the energy transition, and have a credible Net Zero 2050 strategy



### Share of CAPEX – Renewables and low carbon solutions



Sources: RBC GAM, Equinor

# Estée Lauder

Differentiated by Innovating Large Prestige Cosmetic Brands, Online/Global Reach

## Business profile

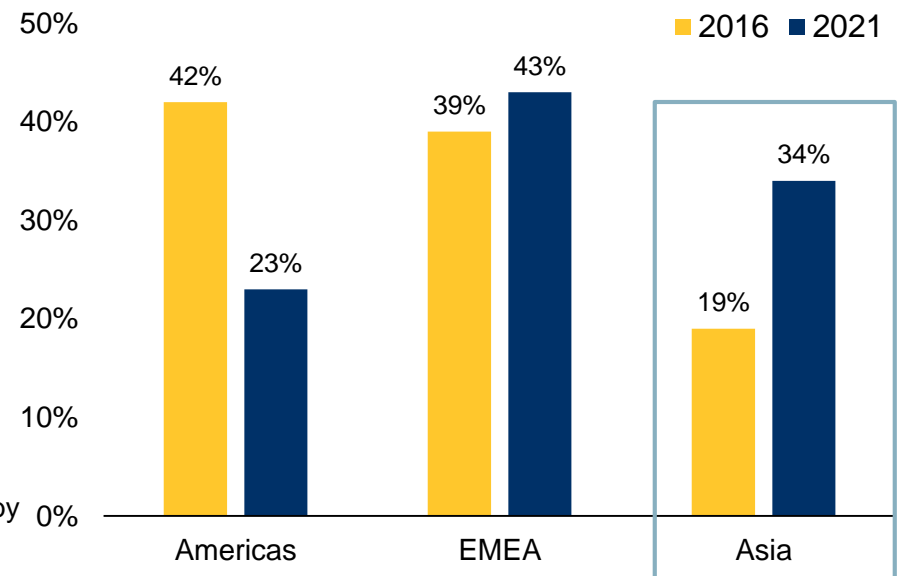
- Family controlled pure cosmetics company (founded 1946)
- Affordable luxury producer and marketer of beauty products globally
- 30 prestige brands across makeup, skin care, hair care, and fragrance



## Competitive Dynamics

<b>Business model</b> ✓	Market leading brand portfolio with diversified exposure across categories, geographies, channels, and prices
<b>Market share growth</b> ✓	Trading up to prestige beauty drives further market share gains in developed and emerging markets
<b>End-market growth</b> ✓	Robust growth potential in prestige beauty industry driven by favorable secular trends, especially in China
<b>Management &amp; ESG</b> ✓	Proven brand-building and scaling track record, backed by ongoing innovation and commitment to sustainability

## Revenue by Region



Source: RBC GAM, Estée Lauder  
EMEA: Europe, Middle East, and Africa

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# TSMC: World's Largest & Most Advanced Chip Manufacturer

Unrivalled, 57% Global Market Share. Serves World's Largest Companies

## Business profile

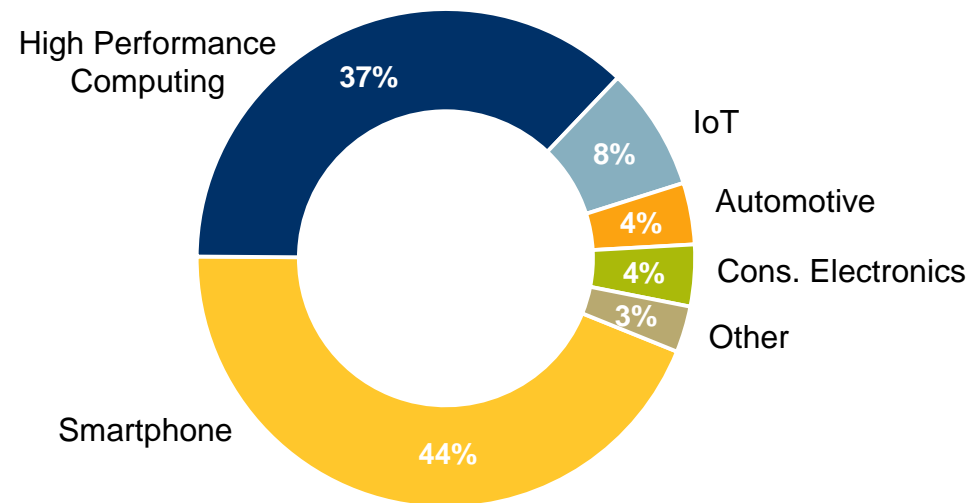
- Pioneered the dedicated semiconductor foundry business model
- Grown total foundry market share to 57%
- Leader in technology, manufacturing excellence, and customers' trust



## Competitive Dynamics

<b>Business model</b> ✓	Scale advantage allows for higher R&D and better feedback on future needs from leading customers
<b>Market share growth</b> ✓	Market share gains created by increasing semiconductor complexity, diminishing the competition
<b>End-market growth</b> ✓	Strong growth in smartphones, high performance computing, IoT, automotive, and consumer electronics
<b>Management &amp; ESG</b> ✓	Record of execution, disciplined capital allocation, and energy efficient manufacturing

## Revenue Platform Breakdown<sup>1</sup>



**2022 Capex Guidance: \$40-44B (2021: \$30B)**

Source: RBC GAM, TSMC  
TSMC: Taiwan Semiconductor Manufacturing Company  
<sup>1</sup>2021 revenue by platform

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## Surviving & Thriving

*...as Rates/Inflation Surge*



# Causes of Global Inflation Surge?

Covid's stay-at-home mandate triggered global surge in demand for goods; less services



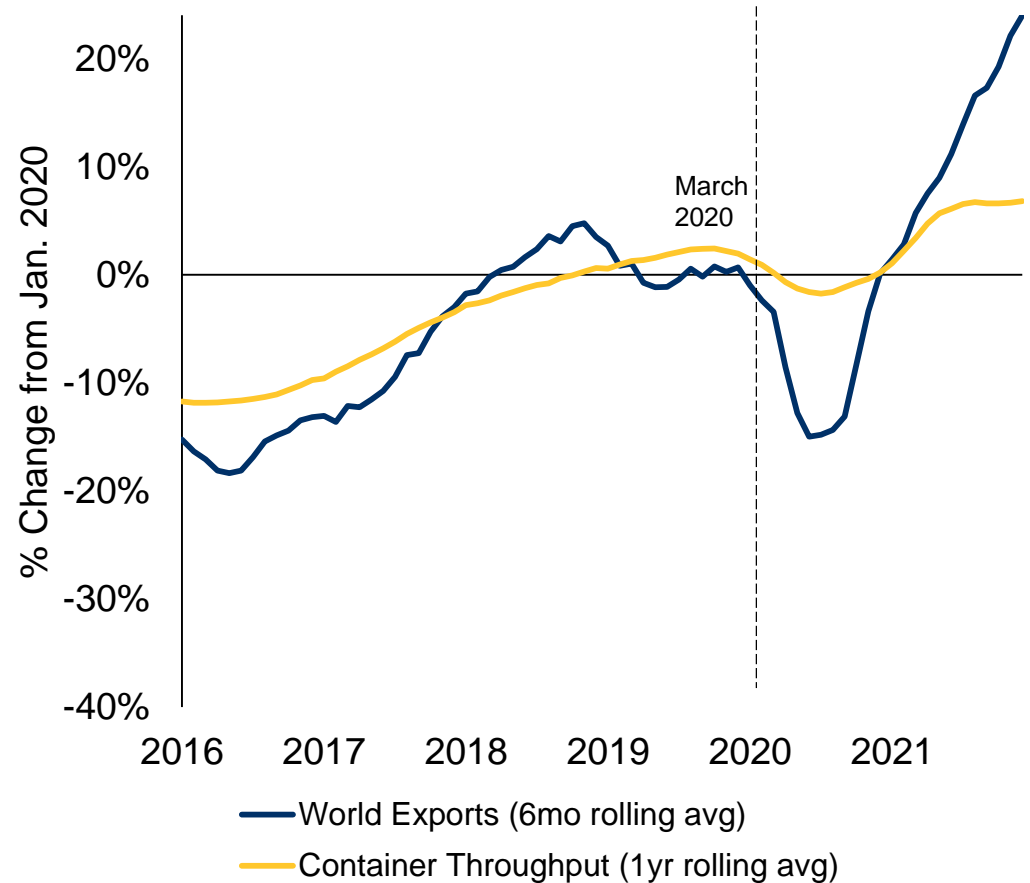
# Inflation Case Study: Global Shipping Costs Jump 500%

Supply and demand mismatch

## *Shipping now vs. Pre-Pandemic*

- **Volume:** +27% Asia to N.A.
- **Costs:** +500%
- **Bottleneck:** 8x more ships waiting to unload at Long Beach

World Exports vs Containership Throughput



Source: Bloomberg, Macrobond, RBC GAM

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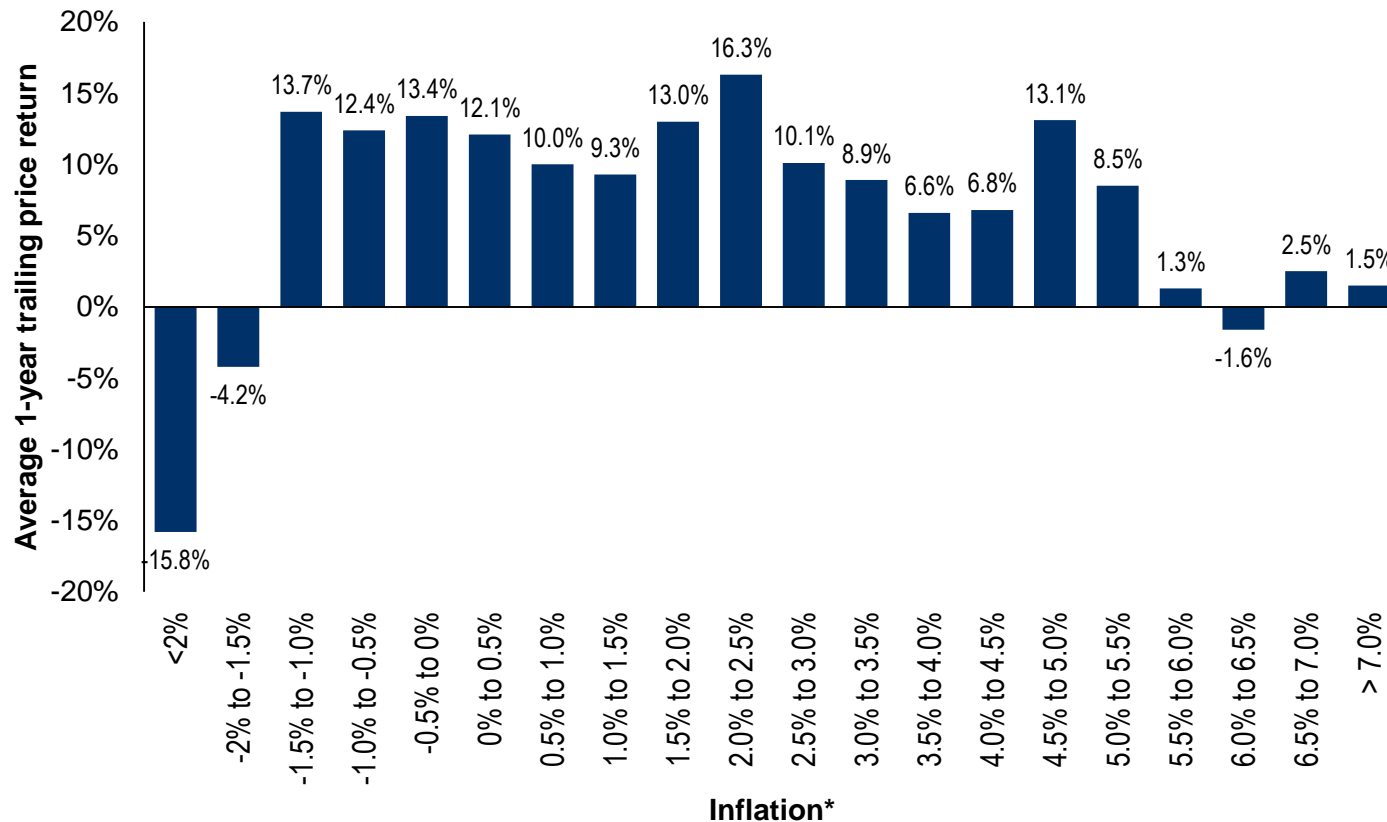


# Inflation Impact on Equities: Typically Less Threatening than Deflation

Stocks tend to advance unless deflation/inflation stay extreme

## S&P 500 Index performance and inflation backdrop

Stocks tend to generate positive returns in periods of inflation of ~3%



Equities typically:

- Rise in most inflationary regimes due to pricing power.
- Fall in most deflationary regimes as it is the enemy to valuations
- Optimal inflation is 2-4%

\* U.S. CPI year-over-year change. Source: Bloomberg, RBC GAM, S&P. Data computed on a monthly basis back to January 1928.

Source: Bloomberg, RBC GAM, S&P

\* U.S. CPI year-over-year change

Data computed on a monthly basis back to January 1928.

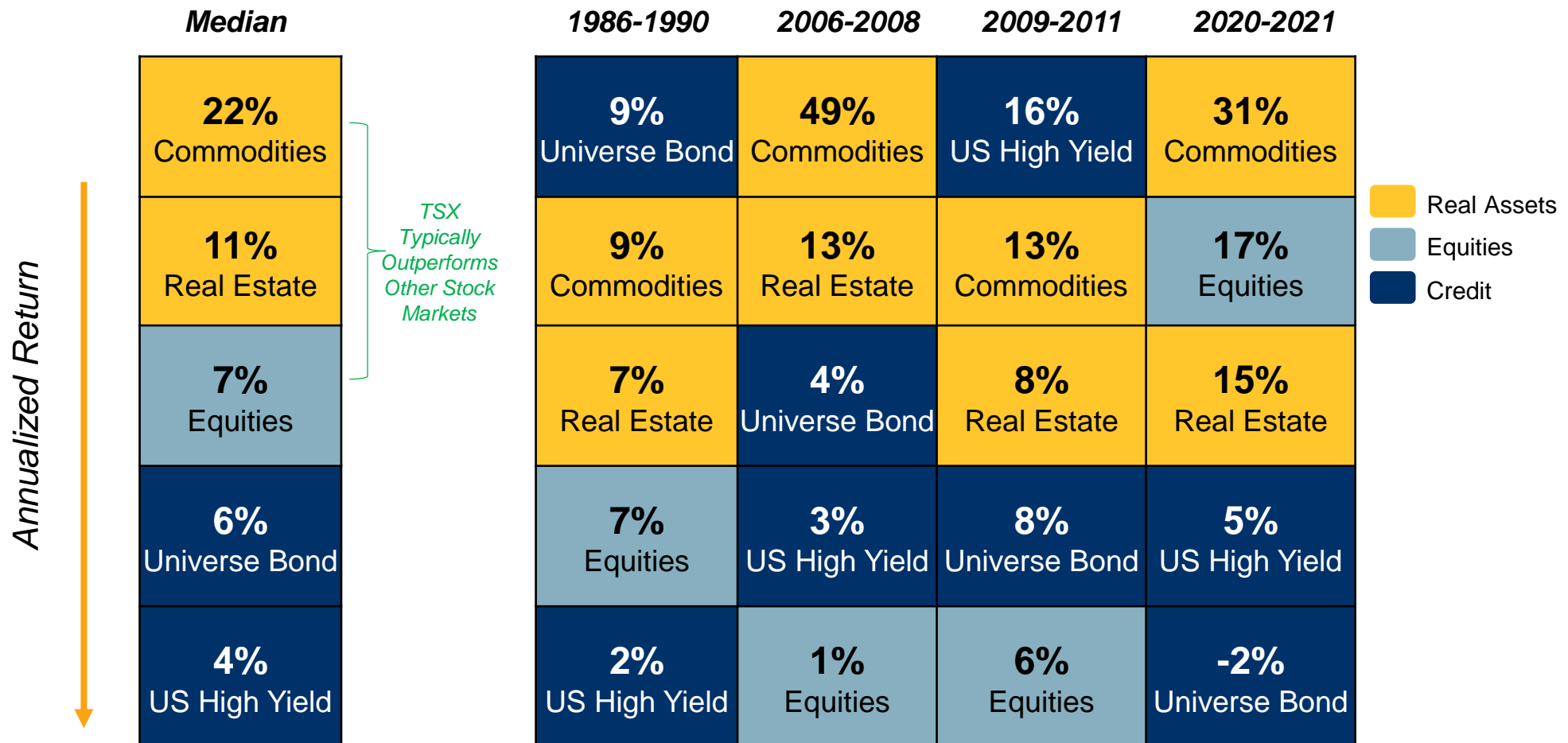
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# What Asset Class Works in Periods of Rising Inflation?

Among liquid investments, Canadian (commodity rich) & Global stocks work well typically

## Periods of Rising Inflation

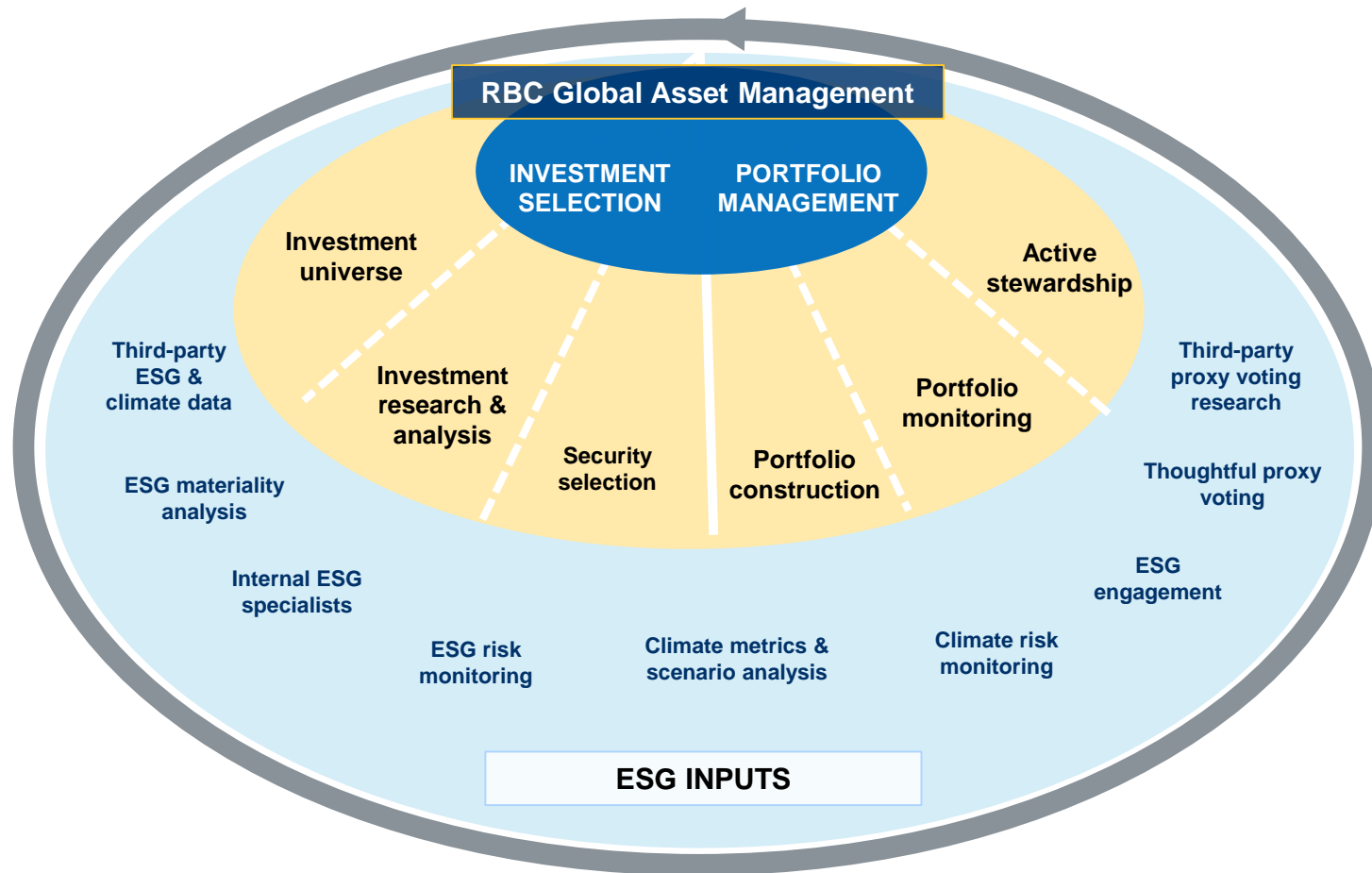


Source: Bloomberg, RBC GAM. Indices used: Canadian Universe Bond Index, SPGSCI Commodity Index, MSCI World Index, NPNCRE Real Estate Index, US Bloomberg Barclays Corporate High Yield Total Return Bond Index

## Appendix: Firm ESG Update

# ESG: Bottom-up and Top Down Integration

Our overall RI systematic disciplines contribute to our investment teams decisions



# Responsible Investing in Action

Alignment of culture, strategy, and stewardship

## RBC Global Asset Management



UK Stewardship Code

## RBC Global Equity Team Awards



Thank you for your ongoing confidence in our partnership!

# Investment approach

Our approach to long-term value creation is anchored in developing deep insight

<b>Fundamental research drives outperformance</b>	<ul style="list-style-type: none"><li>• Deep industry and company research</li><li>• Multiple proprietary fundamental disciplines</li></ul>
<b>High quality businesses outperform</b>	<ul style="list-style-type: none"><li>• Winning business model with sustainable competitive advantages</li><li>• Proven management that are strong allocators of capital and disciples of ESG</li></ul>
<b>Focus on long-term value creation</b>	<ul style="list-style-type: none"><li>• Current valuation ratios are too simplistic</li><li>• We build detailed models to determine the long-term drivers of intrinsic value creation</li></ul>
<b>Volatility creates opportunity</b>	<ul style="list-style-type: none"><li>• We think in scenarios, not a specific right answer. Outcomes are inherently uncertain</li><li>• Our processes anticipate uncertainty and incorporate buy triggers to take advantage of volatility</li></ul>
<b>Multiple complimentary disciplines</b>	<ul style="list-style-type: none"><li>• Our team believes there isn't one right way to beat the market</li><li>• We incorporate and embrace best ideas from fundamental, quantitative and technical analysis</li></ul>

# Tradex Fund – Canadian positioning

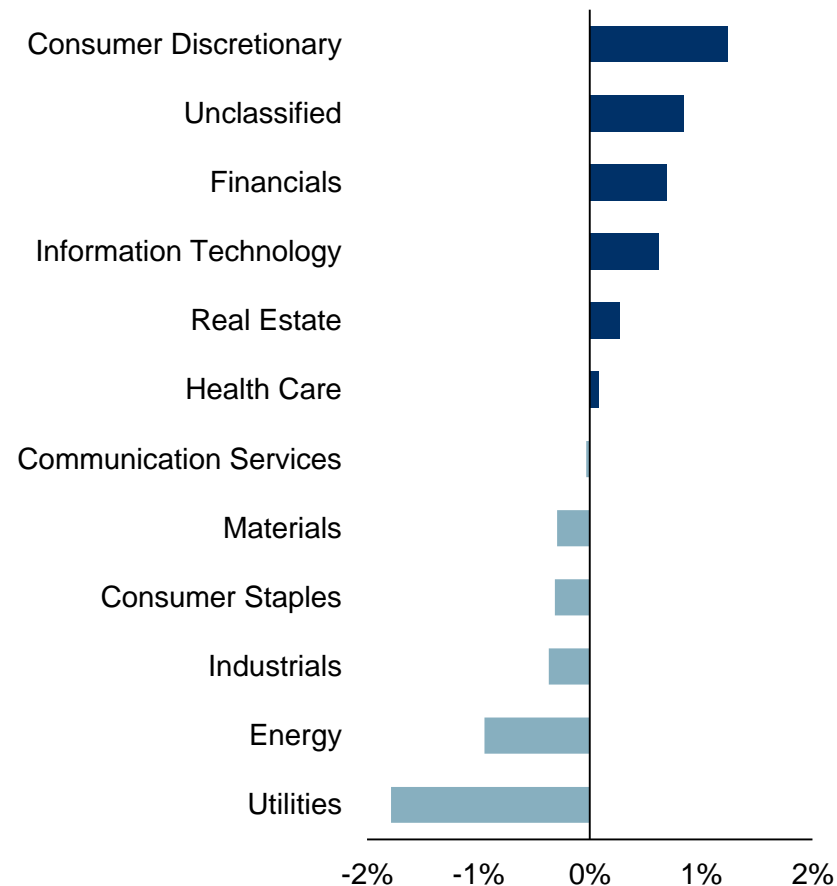
As of March 31, 2022

Top 5 Active Weights	Sector	Active Weight (%)
Nutrien	Materials	1.0%
Canadian Natural Resources	Energy	0.9%
Suncor Energy	Energy	0.7%
Agnico Eagle Mines	Materials	0.6%
Aritzia	Consumer Discretionary	0.6%

Bottom 5 Active Weights	Sector	Active Weight (%)
Barrick Gold	Materials	-1.7%
Constellation Software	Info Tech	-1.3%
Cenovus Energy	Energy	-0.8%
Pembina Pipeline	Energy	-0.8%
Shaw Communications	Communications	-0.5%

	# of Securities	Dividend Yield	Beta
<b>Tradex Equity Fund – Canadian Equities</b>	<b>93</b>	<b>2.7%</b>	<b>1.2x</b>
S&P/TSX Capped Composite Index	238	2.7%	1.0x

Canadian Equity Sector Component Active Sector Weight vs S&P/TSX Capped Composite Index



As of March 31, 2022

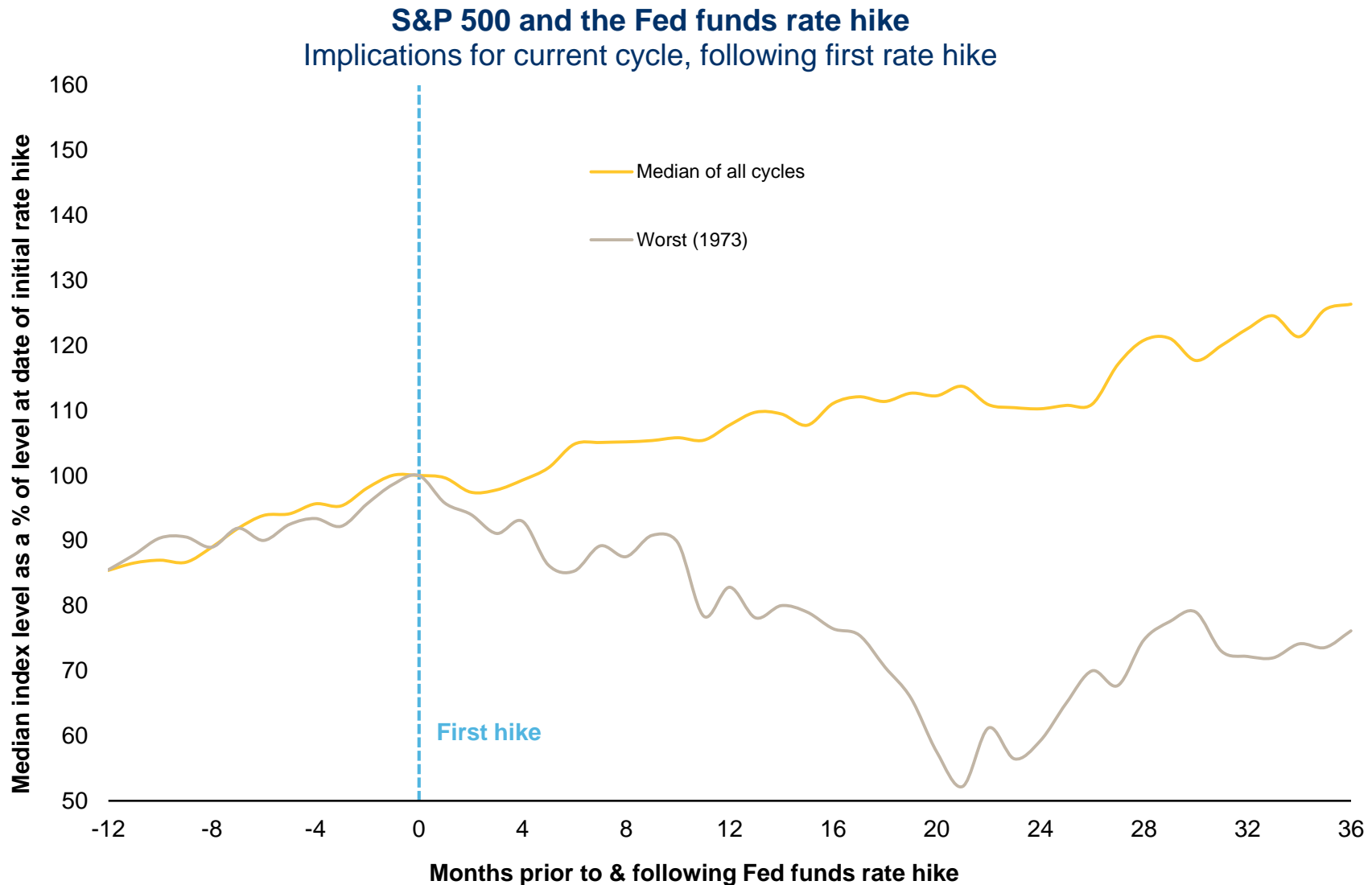
RBC Global Asset Management  
PH&N Institutional





# Rate Hikes Impact on Equities? Jitters, then Advance Unless Recessionary

Positive momentum typically resumes in soft landing. Stagflation biggest risk



Source: Bloomberg, RBC GAM

RBC Global Asset Management  
PH&N Institutional

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## **VANCOUVER**

Waterfront Centre, 20<sup>th</sup> Floor  
200 Burrard Street  
Vancouver, British Columbia  
V6C 3N5 Canada  
T 604-408-6000

## **TORONTO**

22nd Floor  
155 Wellington St. West  
Toronto, Ontario  
M5V 3K7 Canada  
T 416-974-2710

## **MONTRÉAL**

9th Floor, North Wing  
1 Place Ville Marie  
Montréal, Québec  
H3B 1Z5 Canada  
T 514-876-1256