

# City of London Investment Management Company Limited

## Tradex Global Equity Fund Unit Holder Presentation



**CITY OF LONDON**  
Investment Management Company Limited

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# Tradex Global Equity Fund - Strategy Overview

- ▶ Invest in closed-end funds to provide global equity exposure
- ▶ Exploit advantages of closed-end fund structure
  - Discount volatility
  - Reversion to mean is key strategy concept
  - Contrarian approach
- ▶ Value oriented
  - Primarily in terms of buying closed-end funds at discounts
  - Supplemented by country allocation vs benchmark
- ▶ Highly diversified global market exposure
  - Large diversified universe of CEFs provide blend of Country/Region, Sector, Market Cap exposures
  - CEF universe provides a diverse array of investment styles – Growth, Core, Value
    - Portfolio style blend may tilt to value when growth outperformance is extreme
    - Portfolio style blend may tilt to growth when value outperformance is extreme
- ▶ Experienced investment team

# Our Process

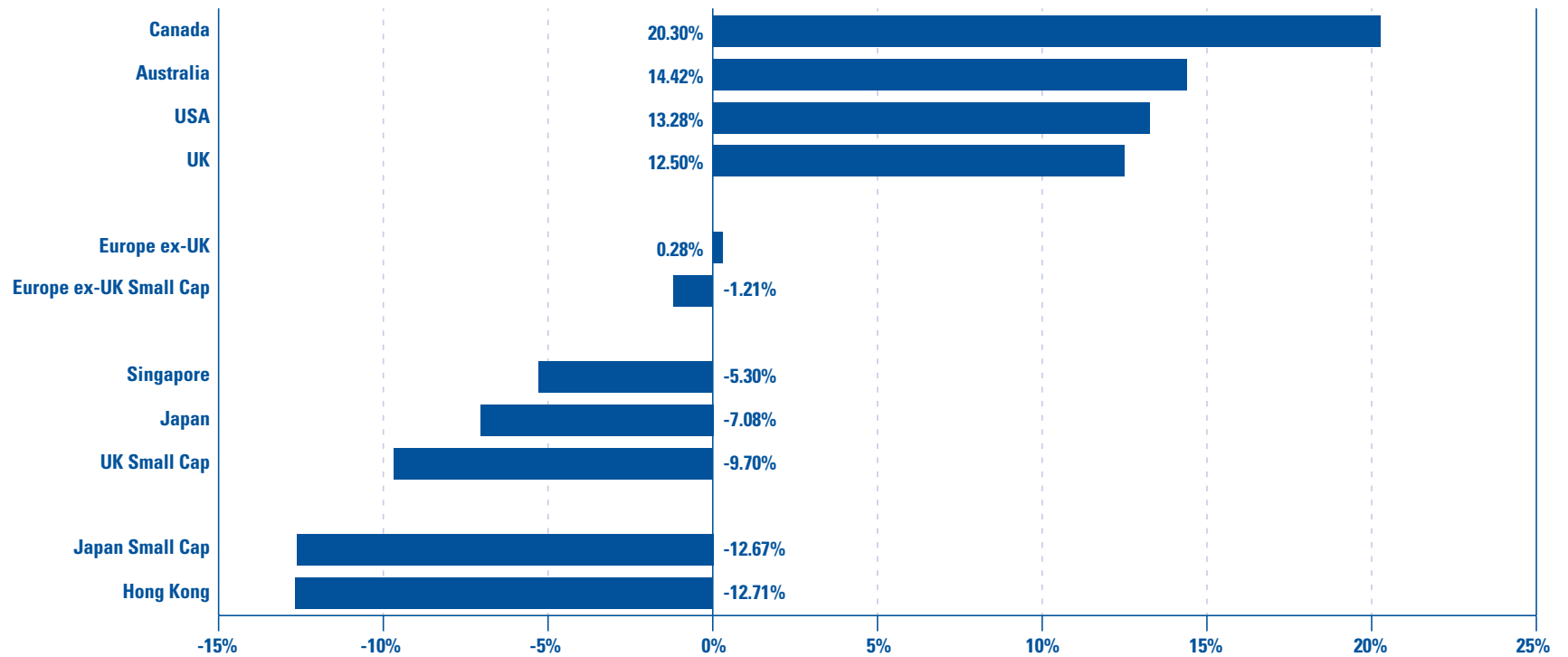
- ▶ Undertake due diligence on closed-end funds
  - Meet the managers
  - Meet the Boards – Governance
  - Review performance
  - Understand the structure/features
  - Consider the value proposition – discount to NAV
  
- ▶ Portfolio Construction/Risk Management
  - Manage the country allocation of the Fund versus the benchmark
  - Manage the sector allocation of the Fund versus the benchmark
  - Manage the style bias of the Fund versus the benchmark
  - Make buy/sell decisions on individual securities
  - Manage the position sizing/liquidity of the resulting portfolio
  - Manage the level of cash in the portfolio

# Our ESG Approach

- ▶ Board engagement and Manager due diligence on ESG
  - Sustainalytics provides basis for Manager engagement
- ▶ Objective to promote disclosure and transparency
  - What gets measured gets managed
- ▶ Annual Stewardship Report and PRI reporting
  - CEF corporate governance policy and proxy voting record disclosed

# Market Performance

1 Year Stock Market Returns in Canadian Dollars (3/31/21 - 3/31/22)\*



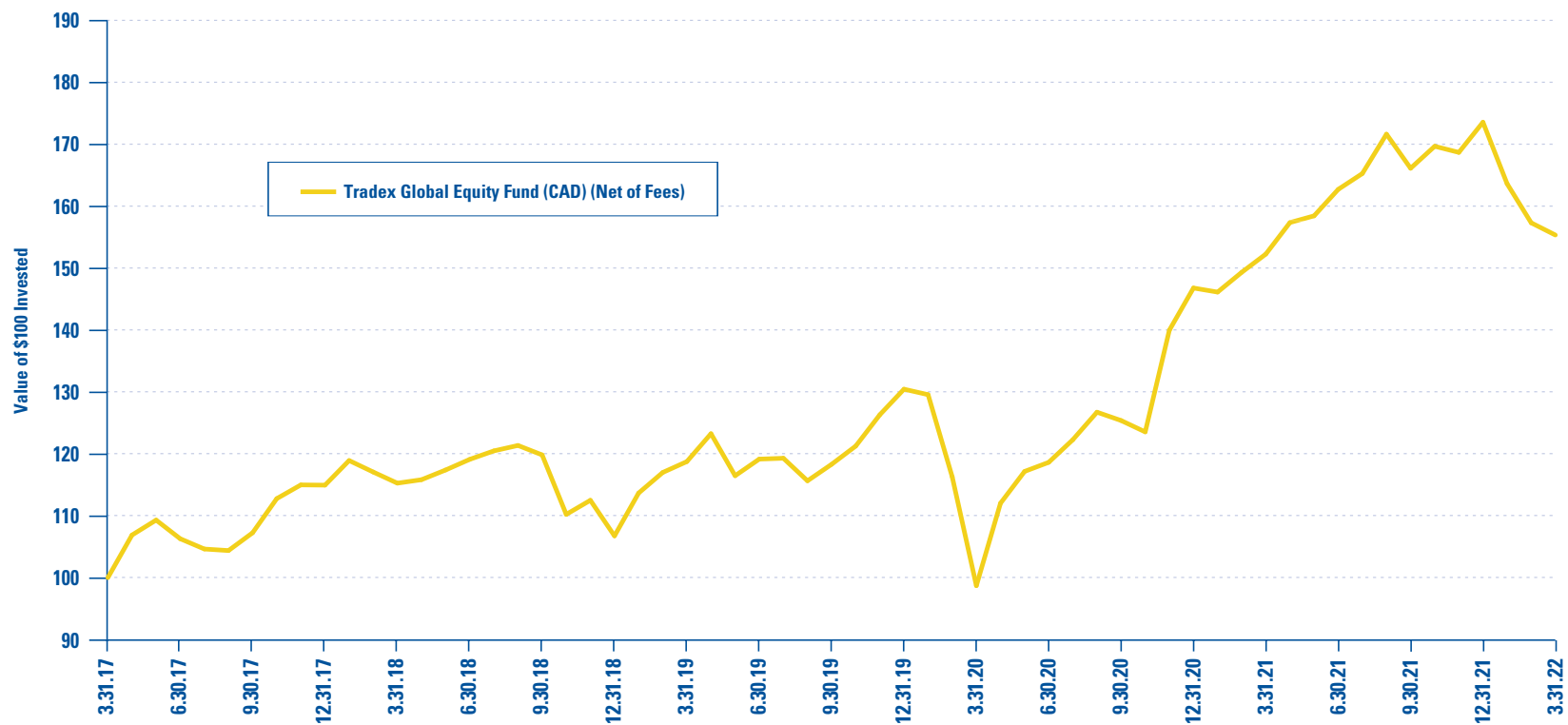
\*Based on gross total return indices.

Past performance is no guarantee of future results. Index returns are subject to change due to restatements by index vendors in the historical index levels.

Source: Bloomberg

# Performance Tradex Global Equity Fund

March 31, 2017 - March 31, 2022



*Net performance shown as of March 31, 2022.  
Past performance is no guarantee of future results.*

Source: CIBC Mellon, CLIM

# Performance

## Tradex Global Equity Fund

### ▶ Annualized Returns as at March 31, 2022<sup>†</sup>

|                  | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | Since Inception* |
|------------------|--------|---------|---------|---------|----------|------------------|
| Tradex Net (CAD) | +2.02% | +25.48% | +9.38%  | +9.22%  | +12.01%  | +6.82%           |

### ▶ Attribution - Rolling 1 Year as at March 31, 2022<sup>†</sup>

| Performance (%)            | Rolling 1 Year | Q2 2021      | Q3 2021      | Q4 2021      | Q1 2022      |
|----------------------------|----------------|--------------|--------------|--------------|--------------|
| Tradex Net (CAD)           | +2.02          | +6.87        | +2.09        | +4.48        | -10.50       |
| <b>Attributed to (%)**</b> |                |              |              |              |              |
| Country Allocation         | -2.45          | -0.81        | -0.12        | -1.72        | +0.21        |
| NAV Performances           | -3.81          | +0.82        | +0.60        | -2.34        | -2.53        |
| Discount Movements         | -1.27          | +0.58        | -0.56        | +0.91        | -1.92        |
|                            | <b>-7.53</b>   | <b>+0.59</b> | <b>-0.08</b> | <b>-3.15</b> | <b>-4.24</b> |

\*Inception Date was May 7, 1999. Performance figures as of March 31, 2022.

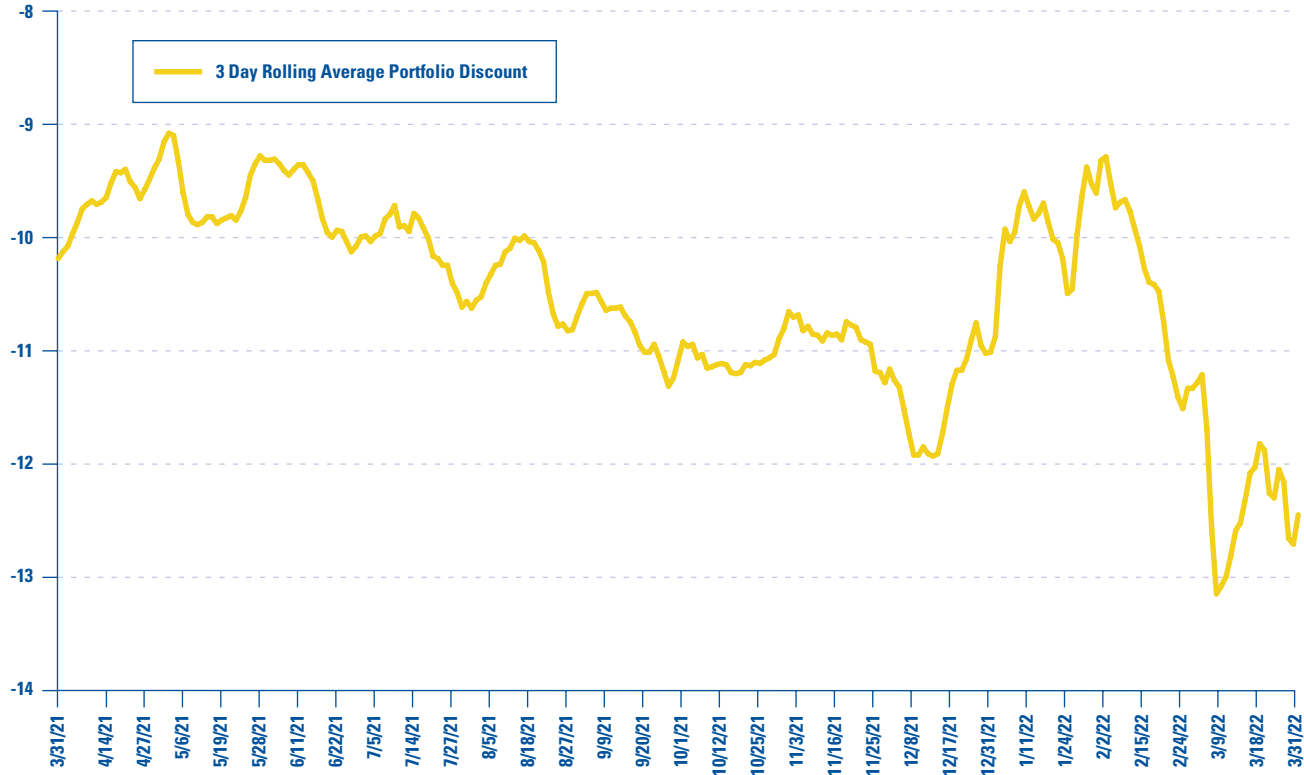
\*\*CLIM estimates. Performances for the Quarter and Year to Date are compounded and therefore will not always equal the sum of the individual component months.

<sup>†</sup>Net returns. Past performance is no guarantee of future results.

Source: CIBC Mellon, CLIM

# Tradex Global Equity Fund

## 3 Day Rolling Average Portfolio Discount Rolling 1 Year as of March 31, 2022



Source: CLIM



# Performance Drivers – March 31, 2021 - March 31, 2022

## Contributors

|                                 |         |
|---------------------------------|---------|
| ▶ <b>Country -245 bps*</b>      |         |
| • Overweight UK                 | +43 bps |
| • Underweight Hong Kong         | +15 bps |
| ▶ <b>NAV -381 bps*</b>          |         |
| • Miller/Howard High Inc Equity | +63 bps |
| • Clearbridge Energy Midstream  | +53 bps |
| • Allianz Technology Trust      | +43 bps |
| • Pershing Square Holdings      | +34 bps |
| • Scottish Investment Trust     | +32 bps |
| ▶ <b>Discount -127 bps*</b>     |         |
| • Scottish Investment Trust     | +30 bps |
| • Berkshire Hathaway            | +28 bps |
| • Sprott Focus Trust            | +23 bps |
| • Strategic Equity Capital      | +19 bps |
| • Allianz Technology Trust      | +19 bps |

## Detractors

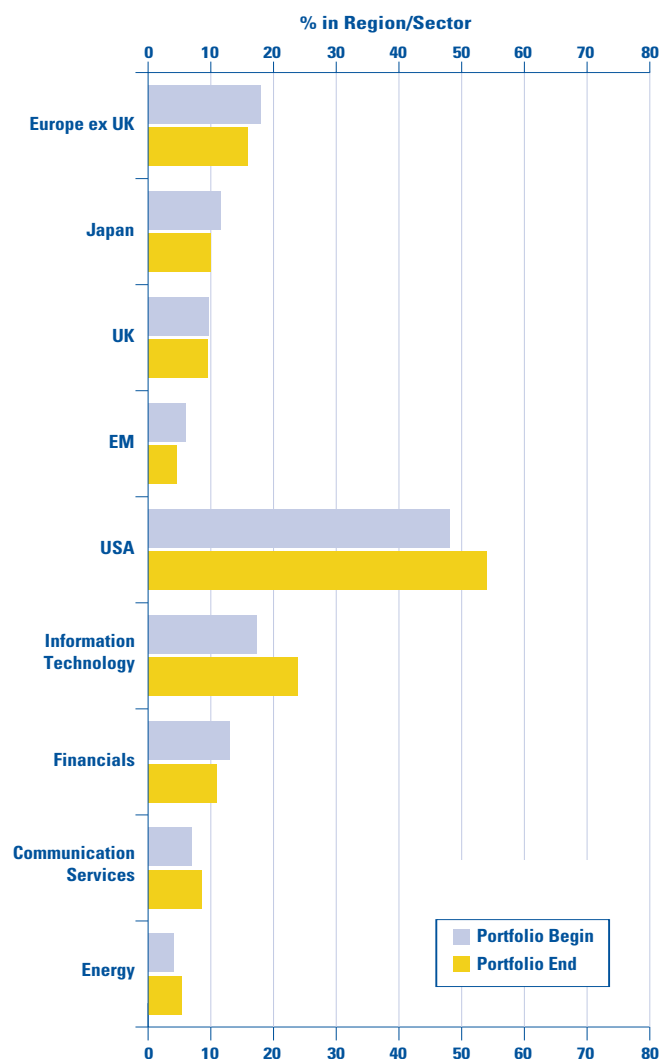
|                                 |          |
|---------------------------------|----------|
| • Out of Index Chinese Exposure | -102 bps |
| • Underweight USA               | -59 bps  |
| • Overweight Japan              | -57 bps  |
| • BlackRock Innov & Growth      | -184 bps |
| • NB Next Gen Connectivity      | -99 bps  |
| • Polar Cap Technology          | -57 bps  |
| • BlackRock Health Sciences     | -52 bps  |
| • JPMorgan Japanese Inv Trust   | -34 bps  |
| • Prosus NV                     | -47 bps  |
| • Polar Cap Technology          | -32 bps  |
| • NB Next Gen Connectivity      | -23 bps  |
| • Pershing Square Holdings      | -13 bps  |
| • ASA Gold & Precious Metals    | -11 bps  |

*\*Net of contributors and detractors.*

*Nothing herein should be construed as investment advice or a recommendation to buy or sell any securities.*

*Past performance is no guarantee of future results.*

# Activity – March 31, 2021 - March 31, 2022



| Portfolio Weight Change | Relative Weight Change | Notable Purchases   | Notable Sales   |
|-------------------------|------------------------|---|---|
| -2.10%                  | -0.80%                 | European Opps Trust<br>Groupe Bruxelles Lambert                         | First Trust Dynamic Europe*<br>European Smaller Co<br>European Assets*    |
| -1.60%                  | -0.20%                 | JPMorgan Japanese Inv<br>AVI Japan Opportunities                        | Aberdeen Japan Equity   |
| -0.20%                  | -0.10%                 | Temple Bar^<br>Aberforth Smaller Cos Trust^                             | Baillie Gifford UK Growth*<br>Strategic Equity Capital                    |
| -1.40%                  | -1.40%                 |   | Templeton EM Invest*  |
| 5.90%                   | 3.40%                  | BlackRock Innov & Growth^<br>NB Next Gen Connectivity^                  | Adams Diversified Equity<br>Berkshire Hathaway*<br>Sprott Focus Trust     |
| 6.60%                   | 5.50%                  | Polar Cap Technology<br>NB Next Gen Connectivity^<br>Allianz Technology | Allianz Technology  |
| -1.80%                  | -1.80%                 |   | Polar Cap Gbl Financial   |
| 1.80%                   | 2.90%                  | Prosus NV^  |   |
| 1.50%                   | 0.40%                  | Tortoise Midstream Energy^  |   |
| Global                  |                        | ASA Gold & Prec Metals<br>Scottish Investment Trust^                    | Scottish Mortgage<br>Witan Investment Trust *<br>BlackRock World Mining * |

Notable purchases and sales are based on a combination of dollar value, impact on portfolio composition, and valuation considerations and are determined by the portfolio managers.  
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^New Purchase

\*Exited Position

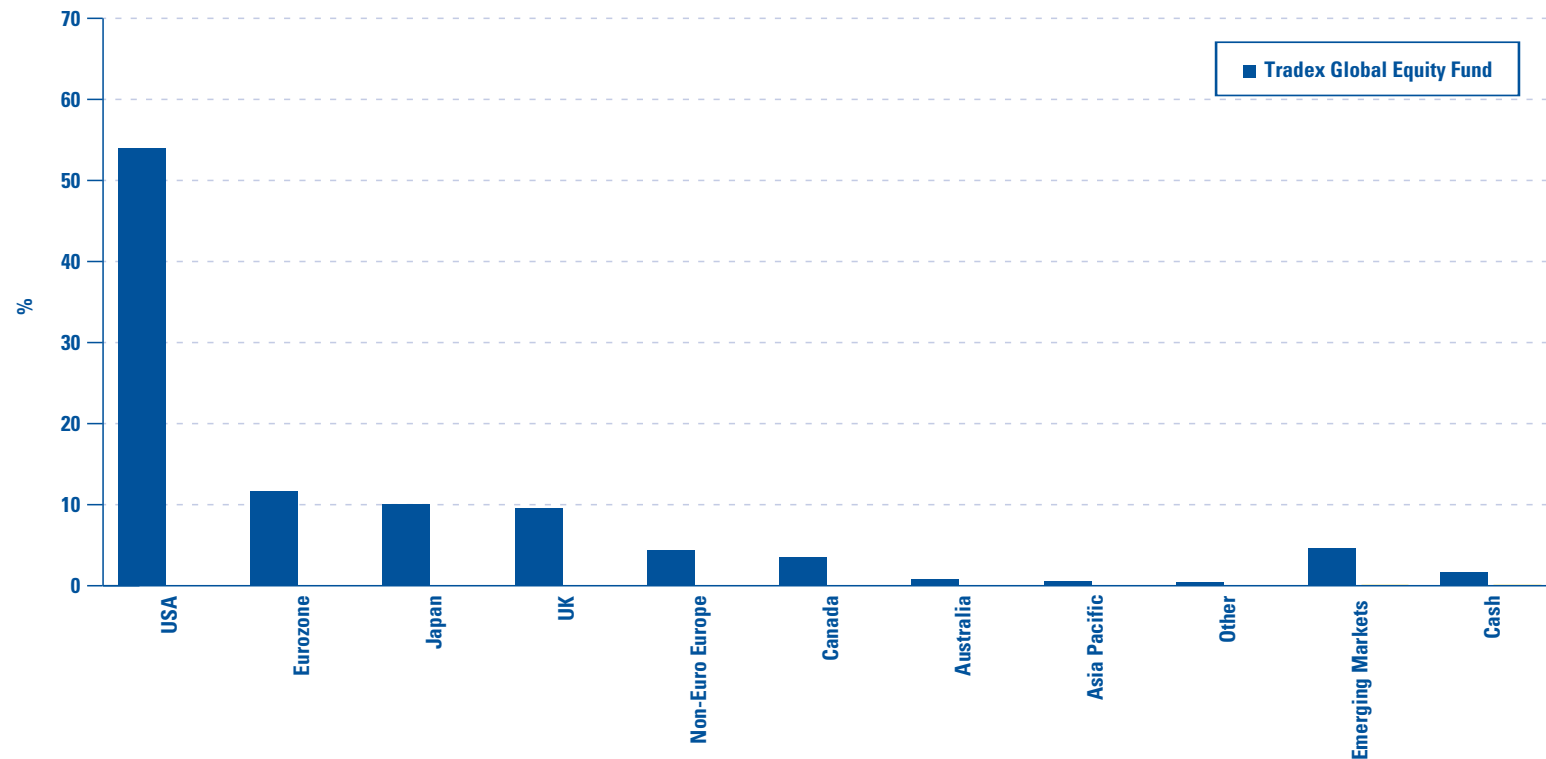
Source: CLIM

# Tradex Portfolio Characteristics - Country Allocation

March 31, 2022

- ▶ Weighted average discount of closed-end funds: **12.4%**
- ▶ Diversified across **40+ countries**
- ▶ Made up of **30 to 50 holdings**
- ▶ Represent **2,500± underlying stocks**

Country Allocation



Past performance is no guarantee of future results

\* Russian exposure represented less than 1 bp.

Source: CLIM

# Global Outlook

## ► Features

- Russia-Ukraine conflict lasts another 3-6 months but ceasefire eventually reached
- COVID becomes endemic – economic normalization continues in developed world
- US interest rates rise to combat inflation but growth remains positive
- Inflationary pressures remain elevated but supply chain disruptions ease
- European economy continues to be hampered by energy disruption
- US midterms produce Republican majority in House and Senate
- Energy and commodity prices consolidate around current levels but do not move significantly lower
- US long term bonds consolidate in 2.5-2.75% range

## ► Outlook

- Corporate earnings growth remains in low single digits as corporates are able to pass on higher input costs to consumers
- Equity valuations improved following recent falls but more attractive outside of US
- While short term interest rate increase, equities will continue to outperform bonds
- Overall equity returns likely in low single digits over the next 12 months
- US dollar strength likely to peak
- Non-US equities modestly outperform their US counterparts
- Healthcare sector to outperform as low valuations and defensive qualities dominate and risk of regulatory headwinds recede
- Infrastructure sector likely to benefit from increased investment

*Any forward looking statements or forecasts are based on assumptions and actual results may vary from any such statements or forecasts.*

*Source: CLIM*

# Summary

- ▶ Value oriented investment strategy
- ▶ Utilize closed-end funds as investment medium
- ▶ Focused on exploiting closed-end fund discount volatility
- ▶ Diversified approach helps to reduce risk
- ▶ Key allocation decisions

## Overweight

Japan

UK

Eurozone

Emerging Markets

## Neutral

Canada

## Underweight

USA

Australia

## Overweight

Energy

Healthcare

Industrials

Information Technology

Materials

## Neutral

Communication Services

Consumer Discretionary

Real Estate

## Underweight

Consumer Staples

Financials

Utilities

**Questions?**

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