

Tradex

QUARTERLY

Fourth quarter 2022



President's Report to Tradex Members



After 2 years of double-digit gains, the Canadian equity market ended the year down 8.7% despite the S&P/TSX Composite Index increasing by 5.1% during the final three months. The US S&P 500 Index was up 7.1% during the quarter but ended the year down 19.4%, after three straight years of double-digit positive returns for the S&P 500, representing the

worst annual performance since 2008. However, the S&P 500 bottomed (thus far) on October 12th having declined 25% from its peak in January after entering the bear market in June and ended the year with a preliminary recovery of 7.3% despite weakness in December. The increase in terms of Canadian dollars was lower for the quarter as the Canadian currency increased by 1.2% from 72.96 cents to 73.83 cents. As of December 30, the dividend yield of the S&P/TSX was 3.2% and S&P500 1.8% plus buyback yield of 3.3% (Q3), which indicates some returning relative value in stocks as the 10-year government bond yields were 3.3% in Canada and 3.9% for US Treasuries.

The Bank of Canada increased its rate by 0.5% at the October 26th and December 7th announcements and continued its quantitative tightening program indicating "Inflation around the world remains high and broadly based. Global economic growth is slowing." The US FOMC increased its rate by 0.75% at the November 2nd meeting and a further 0.5% on December 15th while continuing its quantitative tightening program. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.

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 2022, we were able to return a record total of \$734,500 in operating revenue to the three Tradex Funds (compared to \$649,750 in 2021). 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 63rd Annual General Meeting on Wednesday April 26th – NEW LOCATION

This year, the Tradex Annual General Meeting will be held at 7:00 p.m. in the **Preston Event Centre**, 523 St Anthony St, Ottawa. As in the past, all three investment counsellors will be present to provide outlooks and answer any questions.

Annual Calendar Year Contribution Opportunities

The Tax-Free Savings Account (TFSA) additional contribution of up to \$6,500 for 2023 is available, and the deadline for Registered Retirement Savings Plan (RRSP) contributions to be deducted against your 2022 income is March 1, 2023. For further details or to complete your contributions, please contact us.

Paperless and Online access for the Tradex Funds

With the new back-office, RBC Investor & Treasury Services for the Tradex funds, we are now able to offer electronic statements and confirmation slips for holders of the Tradex funds. Please register for your wealthlink access on our website (next to the dealer webconnect access) and select electronic delivery if you wish to stop receiving the Tradex funds statements and confirmations by mail. Alternatively, you may contact our office if you prefer us to set you up.

Member Survey

Every 4 years we request input from our members on how Tradex is performing in meeting your requirements and additional services or enhancements you may find beneficial. Please watch for the survey with your proxy mailing this spring and directions to the online version of the survey, if you prefer.

Blair Cooper
January 20, 2023

Tradex Equity Fund Limited – Quarterly Review – December 30, 2022

	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	5.9	3.4	-14.1	6.0	6.5	8.8	9.2
S&P/TSX Total Return Index (TRI)**	6.0	4.5	-5.8	7.5	6.9	7.7	—
Average Canadian Focused Equity Fund**	6.1	4.7	-9.4	6.1	5.2	7.2	—

*April 1960 **Source: Fundata Canada Inc

During the fourth quarter an investment in Tradex Equity Fund Limited increased in value by 5.9%, while the Fund's benchmark, the S&P/TSX Total Return Index increased 6.0% but the fund declined 14.1% for the past year.

The fourth quarter was volatile for the Canadian equity market, as investors weighed the path and pace of future interest rate increases, evidence of slowing inflation, and the likelihood of a recession. Still, the S&P/TSX Composite Index performed well, finishing the period up 6% thanks to the surge in information technology and energy stocks. For the volatile year, it outperformed both the S&P 500 and the MSCI World Index when measured in Canadian dollars. For the TSX, the biggest drag came from the companies involved in health care, technology, and real estate. Amongst the foreign holdings, healthcare and financial stocks detracted the most.

Security selection within technology firms benefitted relative performance during the quarter. The stocks rallied, riding on a decline in longer-term yields and an expected moderation in the interest rate hiking cycle. Magnet Forensics, AIA Group, and Deutsche Post DHL were among the largest contributors. Amongst foreign holdings Roche, Alphabet, and Amazon were among the quarter's largest detractors. In October, Phillips Hager & North (PH&N) completed a purchase of Lasertec and then their valuation discipline caused them to exit the position in November after the stock surged by 53%, leading it to be a major contributor to returns. PH&N reinitiated a position in EOG Resources and exited the position in Silicon Valley Bank (SVB) Financial Group to initiate a position in Morgan Stanley.

At the end of the quarter, foreign equities represented 41% of the total portfolio value. The US market outperformed during

the quarter (US S&P 500 Total Return Index up 7.6%) but was offset partially by the rise of the Canadian dollar. 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 30, 2022, the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	4.1%	Enbridge Inc.	2.2%
TD Bank	3.7%	PepsiCo Inc.	2.1%
Microsoft	2.6%	Bank of Montreal	2.1%
United Health Group Inc	2.4%	Roche Holding AG Genusschein	2.0%
Canadian Natural Resources Ltd	2.3%	T-Mobile US Inc.	2.0%

PH&N indicates that global growth faces a variety of challenges including rising interest rates, high inflation and a struggling Chinese economy. Uncertainty is elevated and financial markets have been extremely volatile, but the significant adjustment in asset prices this year has diminished valuation risk and boosted return potential for investors as we enter 2023. Headwinds have intensified because of tighter monetary policy and reduced fiscal stimulus. PH&N continues to look for a deceleration in growth in 2023, with economies likely slipping into recession in the developed world. They are expecting inflation to continue softening as the four main drivers that pushed inflation to multi-decade highs reverse course. While valuation risk has diminished and return potential has increased, PH&N indicates stock gains could be limited in the near term, absent evidence that the economy is headed for a soft landing, but in their view stocks offer superior return potential over the longer term.

Tradex Bond Fund – Quarterly Review – December 30, 2022

	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	0.7	-0.8	-10.6	0.7	0.8	2.4	5.2
FTSE TMX Canada Universe Bond	0.1	0.6	-11.7	-2.2	0.3	1.6	—
Average Canadian Bond Fund**	0.4	0.3	-12.2	-2.6	-0.5	0.7	—

*December 1989 **Source: Fundata Canada Inc

An investment in the Tradex Bond Fund increased in value by 0.7% during the fourth quarter, outperforming the Fund's benchmark, while it has decreased by 10.6% over the past year while the FTSE TMX Canada Universe Bond index lost 11.7%.

The early days of the fourth quarter brought continued volatility that resulted from persistently high inflation levels and the potential for a stalling of economic growth. Then, the volatility abated somewhat, as we seemingly moved beyond the period of aggressive rate hikes by the majority of

the globally important central banks. This situation allowed interest rates in Canada to move higher in a more modest manner than earlier in the year, but the portfolio's shorter-than-benchmark duration positioning was still a positive contributor.

Amongst our equity portfolio, Bird Construction Inc. was the single biggest contributor while our holdings in Rogers Communications and Quebecor Inc. each returned 20% and the main detractor was Nutrien. Bank and life insurance company capital instruments from the Bank of Nova Scotia,



Sun Life Financial, Manulife Financial, Great-West Lifeco, Toronto-Dominion Bank, and Royal Bank of Canada were a material drag on performance. They now have a yield-to-call above 11% and a yield-to-worst above 7%. In addition, the portfolio experienced underperformance from holdings in preferred shares as that market was impacted by the growing aversion to risk in financial markets and by tax-loss selling in the latter half of the quarter. Government of Canada bond yields increased during the quarter, as seen in the following table:

Term to Maturity	Yield Dec. 31/06	Record Lows	Yield Dec. 31/21	Yield Sept. 29/22	Yield Dec. 30/22
2 year	4.02%	0.15%*	0.95%	3.79%	4.06%
3 year	3.99%	0.18%*	1.02%	3.72%	3.82%
5 year	3.99%	0.30%**	1.25%	3.32%	3.41%
10 year	4.08%	0.43%**	1.42%	3.16%	3.30%
30 year	4.14%	0.71%***	1.68%	3.09%	3.28%

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, 40% of the Fund's portfolio value was in government bonds, 32%

in corporate bonds, 12% in preferred shares, and 16% in common shares, REITs and Income Trusts. The yield on the Fund's overall portfolio was 4.8% as at December 30th, as shown in the following table, while the yield on the FTSE TMX Canada Universe index was 4.3%.

	Government Bonds	Corporate Bonds	Preferred Shares	Common Shares, Trusts, REITs	Weighted average total
Yield*	4.0%	5.4%	6.1%	4.7%	4.8%

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

Foyston, Gordon & Payne (FGP) indicate corporate bonds currently look to offer good long-term value given the wide level of spreads and the modest duration profile relative to government bonds. Given the significant increase in policy rates and resulting sizeable increases in dividend levels of floating rate preferred shares, they expect prices for these securities to begin generating strong performance.

FGP remain focused on downside protection as they navigate this unique and volatile market where the risk tone of the market will likely remain driven by inflation, fears of a recession, and geopolitical news.

Tradex Global Equity Fund – Quarterly Review – December 30, 2022

	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	7.4	8.3	-21.0	1.7	3.6	10.2	6.0
Dow Jones Global Total Return Index**	8.7	7.8	-12.6	5.2	6.8	11.6	—
Average Canadian Global Equity Fund**	8.5	6.0	-13.9	3.8	4.9	8.6	—

*May 1999 **Source: Fundata Canada Inc

During the fourth quarter of 2022, the value of each unit in the Tradex Global Equity Fund increased by 7.4%. For 2022 as a whole, the Fund has decreased by 21%.

Global equity markets ground higher during the final quarter of 2022 as signs of a peaking in global inflation rates spurred hopes of a slowing in the pace of interest rate hikes and even loftier aspirations of an eventual pivot towards interest rate reductions. Indeed, the US Federal Reserve raised short-term interest rates twice during the period with the first 75bps increase in November followed by a reduced 50bps increase in December, as evidence emerged of slowing economic growth, particularly in manufacturing, and a weakening housing market. The labor market remained tight however, with unemployment low and wage gains robust and this remains the counter argument, if not to slowing rate rises, then certainly to an outright pivot and reduction. Slowing activity caused fears of a US recession and earnings downgrades to grow but a milder start to the European winter and reduced energy prices boosted sentiment while China's eventual loosening of their strict Covid lockdown protocols garnered optimism and enabled equity markets to make gains from their end of September lows.

Value oriented stocks significantly outperformed growth stocks during the period. The energy companies were strongest.

Conversely, firms providing consumer discretionary goods and services were the worst performing. From a geographical perspective, previously beaten down European markets, which have a preponderance of exposure to value sectors, outperformed led by Germany's DAX index which rose 23.4% and France's CAC Index which advanced by 20.9%. The UK market was also strong with the FTSE 100 Index rising 16.0%. Japan outperformed aided by a resurgent Yen following an unexpected adjustment to the Bank of Japan's monetary policy and helped the Topix Index gain 11.9% in Canadian dollar terms. North American markets underperformed with the US S&P 500 Index rising only 5.6% while Canadian stocks returned 6.0%. Emerging Markets as a whole were approximately in line with global markets but within them, South Africa and Korea outperformed while Brazil, China, and India all lagged.

Portfolio activity was relatively light during the period. US exposure was increased as City of London Investment Management (CLIM) made additions to securities whose discounts widened in relation to US end of year tax loss selling and to capture long-term capital gains distributions. UK exposure was reduced as CLIM sold out of a position whose discount had narrowed. Overall performance of the Fund in 2022 was very disappointing, but CLIM continues to believe there is significant embedded value to be realized when markets recover.

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, scan or fax:

FIRST NAME (FULL)

LAST NAME

TELEPHONE NUMBER