

RBC Global Asset Management  
PH&N Institutional

# ***Annual Presentation to Shareholders***

## **Tradex Equity Fund Limited**

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

**Dylan Rae**, CFA, Portfolio Manager

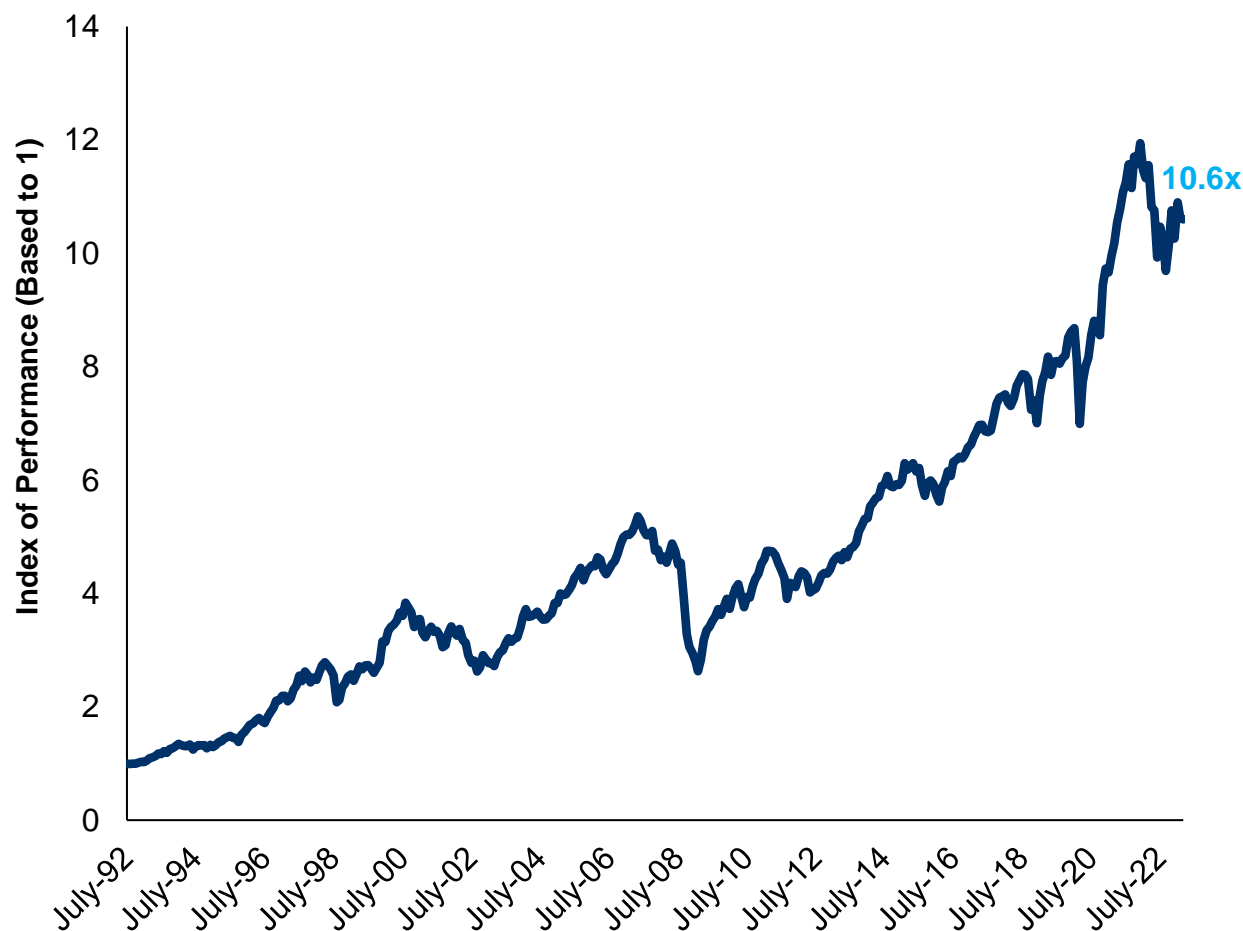
April 26, 2023



# Thank You for 31 Years of Partnership!

Track record for compounding capital & beating peers over long-term

**Tradex: Index of Performance**  
July 1992 - March 2023



## Key Touchstones:

- ✓ Bottom-up active stock picking
- ✓ Long-term ownership mindset
- ✓ Focus on intersection of
  - Great businesses
  - Sound management
  - Poised for superior growth
  - Trading at a reasonable valuation
- ✓ **Accentuating our unique recipe**
  - Canadian & global greats
  - Tactical regional mix & hedging
  - Accessing best of IPOs & Secondaries
  - Cost & value conscious

## Performance Update

Past 12-month have been challenging for GARP style, and global allocation

# Wishful Thinking...

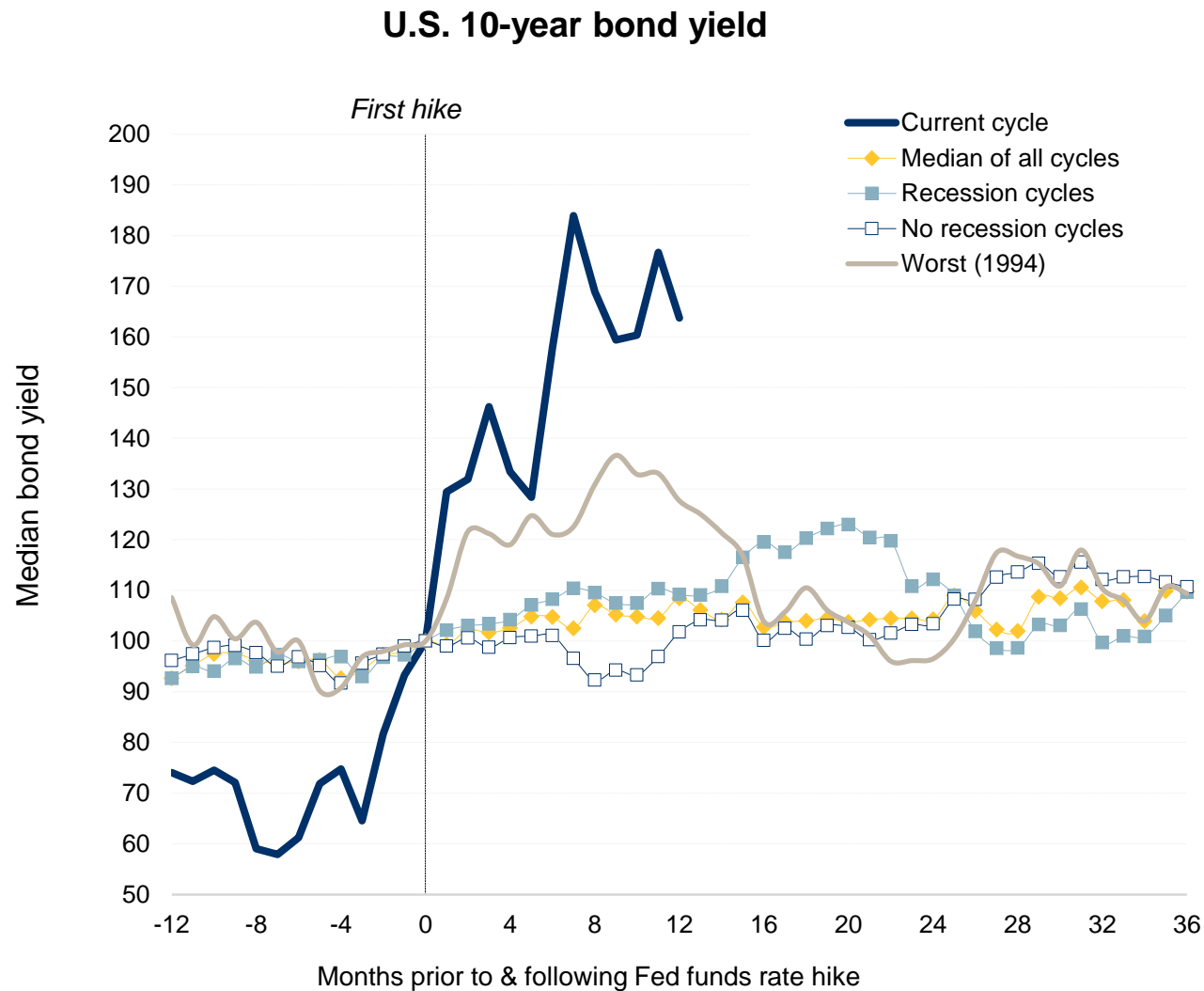
What a difference a year makes!



©Jeff Stahler/Distributed by Universal Uclick for UFS via CartoonStock.com

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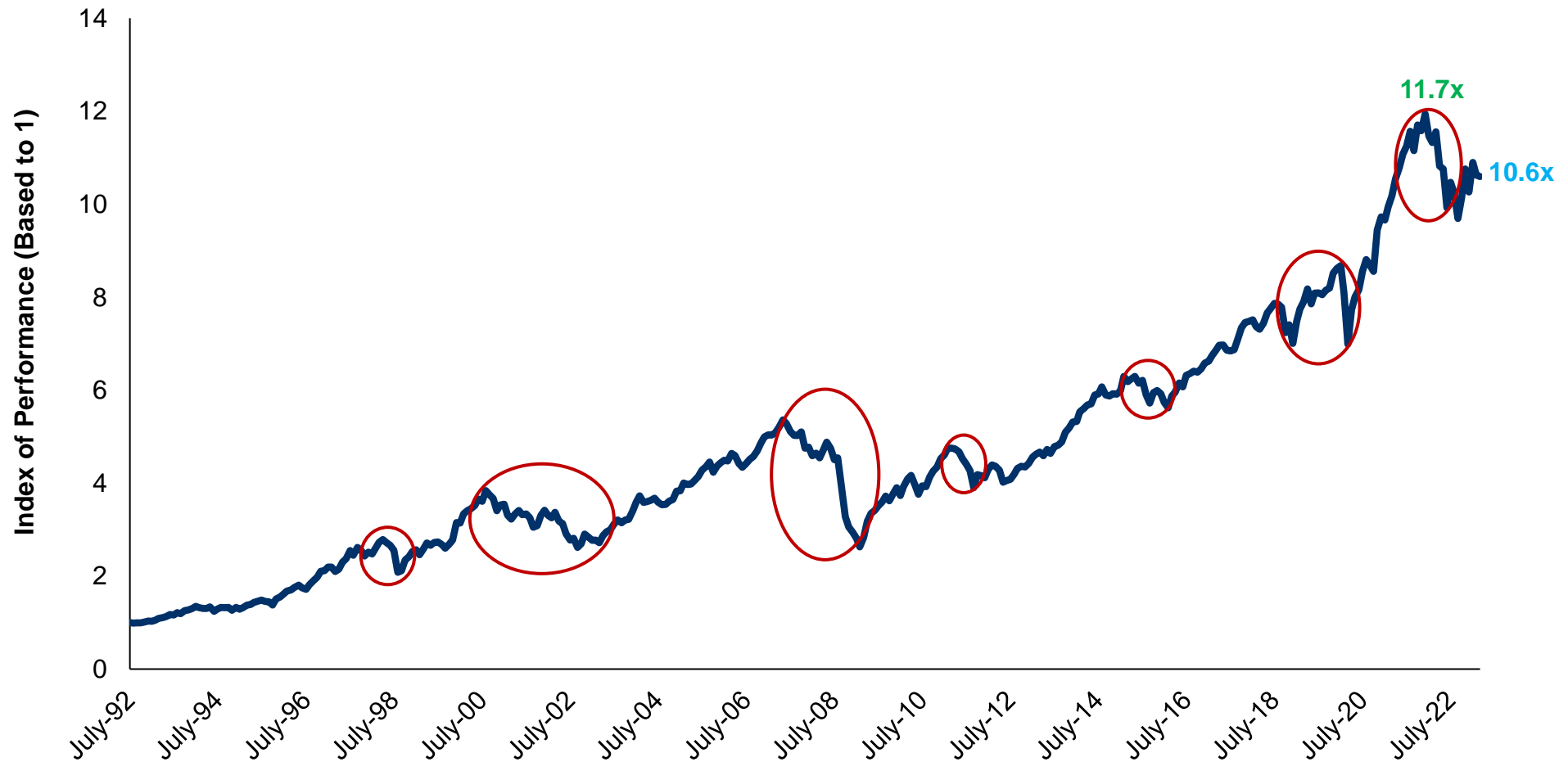
# Fastest Ever Rate Hike...Unfolded Since We Last Met



# Leading to a Tough 2022 for Tradex Investors

Recent performance has been disappointing. But we've been here before & prevailed.

**Tradex: Index of Performance**  
July 1992 - March 2023



Source: People History.com, RBC GAM

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# Performance Against Peers

Recent rankings disappointing & uncharacteristic. Solid outperformance long-term

	1 Year	3 Years	5 Years	10 Years
As of March 31, 2023	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>-8.3</b>	<b>14.9</b>	<b>7.7</b>	<b>8.5</b>
Peer Group Average	<u>-2.6</u>	<u>15.5</u>	<u>6.9</u>	<u>7.2</u>
<b>Performance vs. Peer Group</b>	<b>-5.7</b>	<b>-0.6</b>	<b>+0.8</b>	<b>+1.3</b>

<b>Globefund Quartile Ranking</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>
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Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding

# Tradex calendar year returns and rankings

2021-22 key weak spot. Uncharacteristic & typically reverses. GARP style tilt a key factor.

	2022	2021	2020	2019	2018	2017	2016
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>-14.1</b>	<b>22.7</b>	<b>12.9</b>	<b>23.0</b>	<b>-6.3</b>	<b>13.6</b>	<b>11.1</b>
Peer Group Average	<u>-9.4</u>	<u>22.3</u>	<u>7.7</u>	<u>18.5</u>	<u>-8.8</u>	<u>8.1</u>	<u>11.4</u>
<b>Performance vs. Peer Group</b>	<b>-4.7</b>	<b>+0.4</b>	<b>+5.2</b>	<b>+4.5</b>	<b>+2.5</b>	<b>+5.5</b>	<b>-0.3</b>

## Globefund Quartile Ranking

4

3

1

1

2

1

3

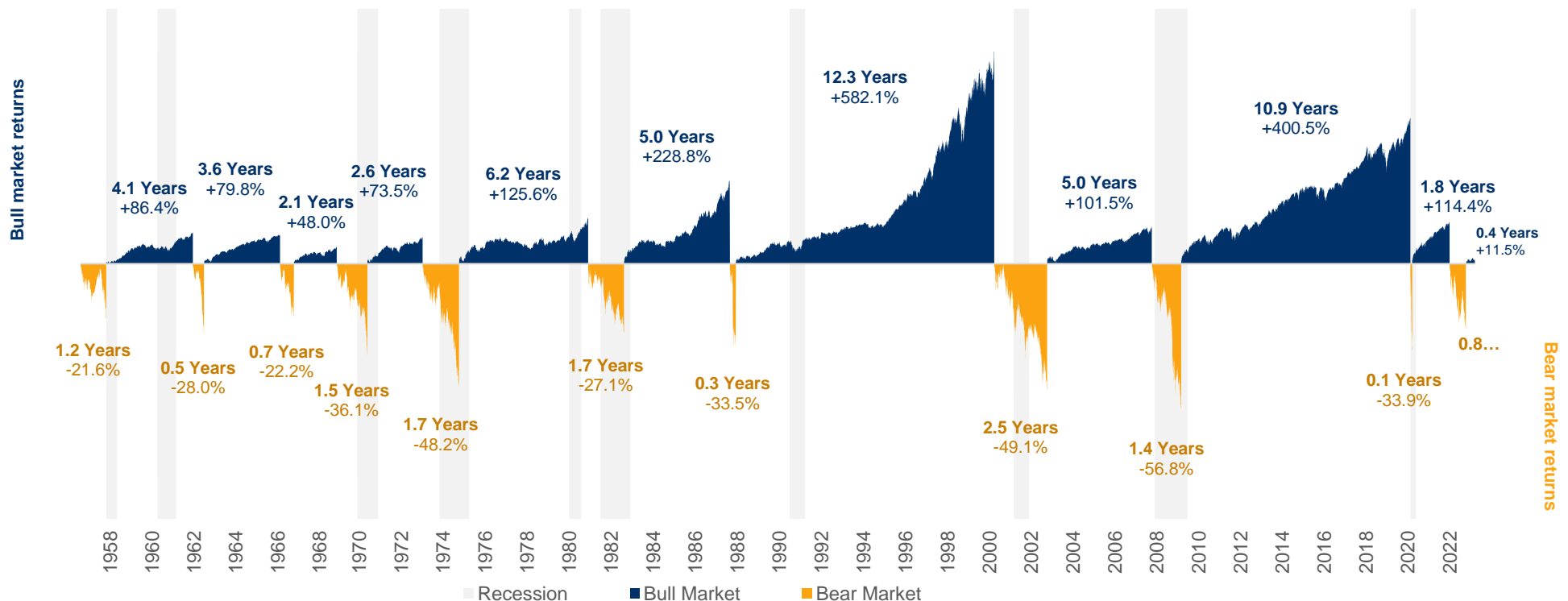
Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding



# Taking the Long-Term View Pays Off

Bears hurt, but they never prevail! Patience is always rewarded.

S&P 500 Bull/Bear Market Returns: 1957-2023



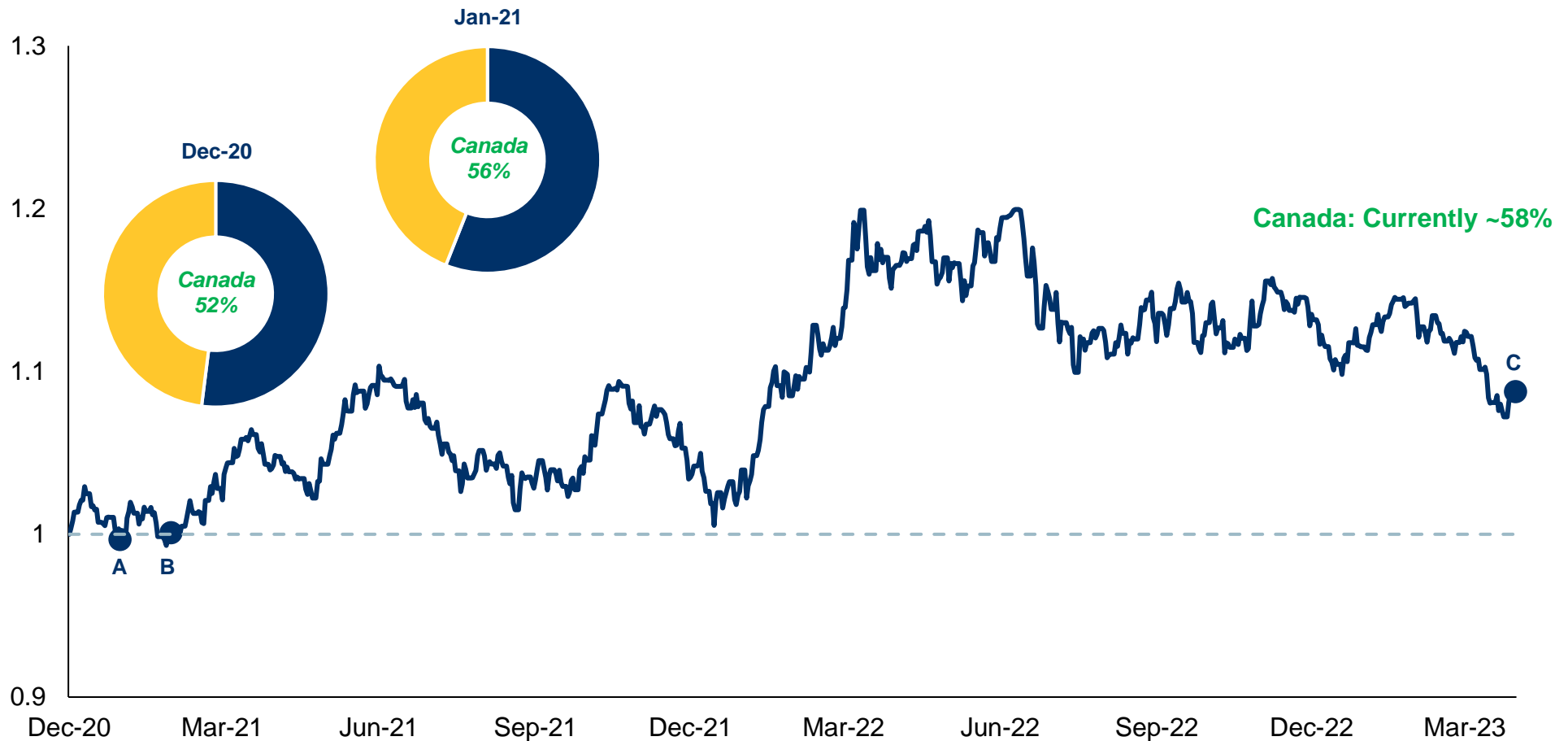
As of Mar 21, 2023. Reflects S&P 500 Index in USD. Source: RBC GAM, Bloomberg. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Bull market starts from lowest close reached after market has fallen 20% or more. Bear market starts from when the index closes at least 20% down from its previous high.

## Tactical Positioning: Canada vs. Global Composition

# Tactical Blend: Increased Canada in Jan-21

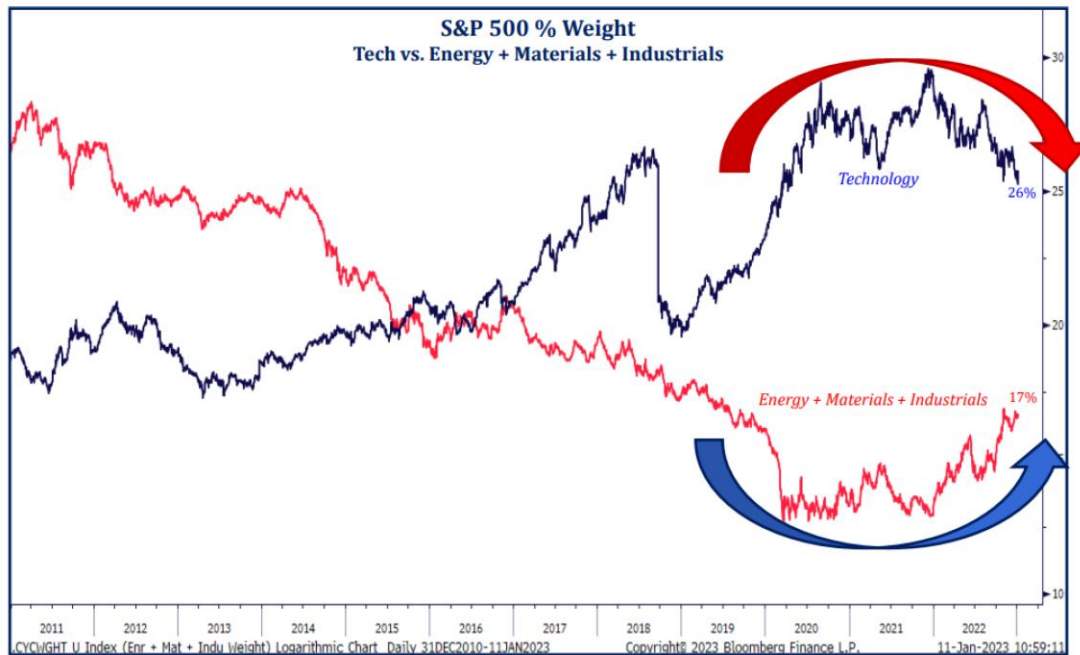
Made the right tactical overweight call into Canada vs Global coming out of Covid

**S&P/TSX Relative Performance**  
December 1, 2020 – March 31, 2023



# Sector Leadership: Reversal

Triggered by confluence of regime changes: rates, inflation, war, recession



Canada vs. U.S. Sector Weight Comparison			
Sector	Canada	S&P 500	Spread
Financials	30.8%	11.8%	19.1%
Energy	17.6%	5.1%	12.5%
Materials	12.2%	2.8%	9.4%
Industrials	13.1%	8.5%	4.7%
Utilities	4.4%	3.1%	1.3%
Real Estate	2.7%	2.7%	-0.1%
Communication Services	4.9%	7.5%	-2.6%
Consumer Staples	4.2%	6.9%	-2.7%
Consumer Discretionary	3.7%	10.1%	-6.4%
Health Care	0.4%	15.1%	-14.7%
Information Technology	5.8%	25.8%	-20.0%

As of February 1, 2023. Source: Bloomberg

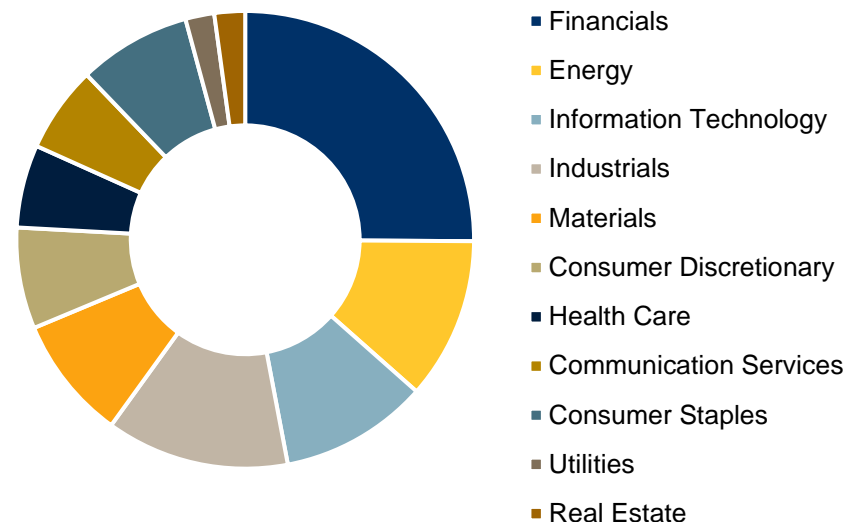
## Positioning

# Attractive Blend of Global Leaders. Many Canadian

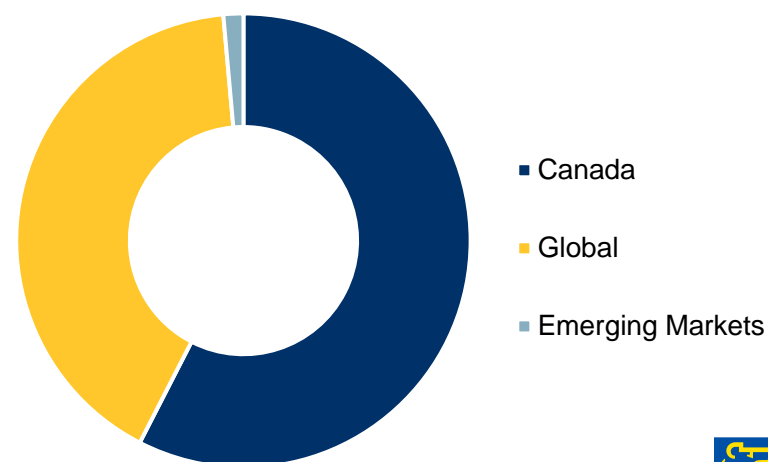
And More Canadian since shifted global profits back toward TSX in Jan/21

Top 15 Holdings: Mar 31/23	Weight (%)	Country	Sector
Royal Bank of Canada	4.0	Canada	Financials
Toronto Dominion Bank	3.3	Canada	Financials
Microsoft Corp	2.9	USA	Info Tech
Canadian Natural Resources	2.2	Canada	Energy
Enbridge	2.1	Canada	Energy
UnitedHealth Group	2.1	USA	Health Care
T-Mobile US	2.0	USA	Communications
Bank of Montreal	1.9	Canada	Financials
Canadian Pacific Railway	1.9	Canada	Industrials
Canadian National Railway	1.9	Canada	Industrials
Anheuser Busch Inbev	1.9	Belgium	Consumer Staples
Fortive	1.8	Canada	Industrials
Shopify	1.7	Canada	Info Tech
Suncor	1.6	Canada	Energy
Pepsi Co	1.6	USA	Consumer Staples

Breakdown by Sector



Breakdown by Region



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

# Bottom-Up Stock Picking

Leaning into competitive strength, stability

## Key near-term market uncertainties

**Recession timing & earnings risks**

**Low Inflation... Or  
*Less Inflation***

**Rate Shock... Over  
or Not**

**Hot/Cold War  
*Again!***

## Favour earnings durability & growth

**Financials:** Cdn banks, infrastructure managers, insurance: [RBC TD](#), [BMO](#), [Brookfield](#), [AIA](#)

**Industrials:** Less cyclical with pricing power: [CN & CP Rail](#), [Fortive](#), [ATS](#), [Nidec](#)

**Energy:** Large, low-cost & likely part of the energy transition: [CNQ](#), [SU](#), [IMO](#), [Equinor](#)

**Consumer:** Durable share gains & pricing power: [Autozone](#), [Amazon](#), [Dollarama](#), [Aritzia](#)

**M&A Synergies:** [CP](#), [Rogers](#), [TD](#), [RBC](#)

# Industrials: Rails are Long-Term Compounders

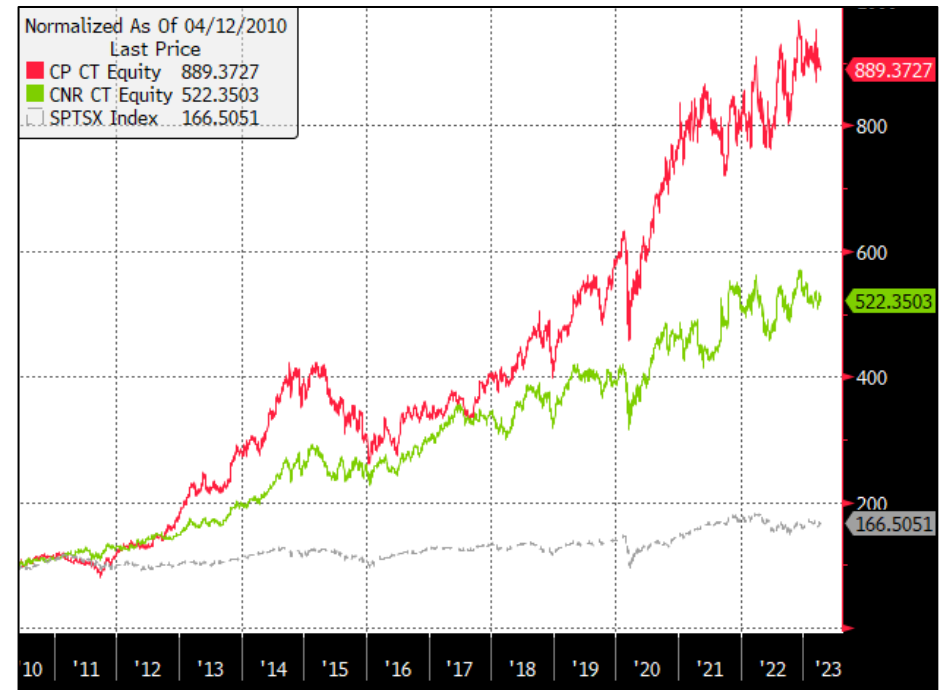
Rails are more all-weather holdings. Less cyclical industrials.

## Why CP & CN are perennially top holdings?

- Irreplaceable network/land position
- Oligopoly with structural/secular advantages
- Inflation+ pricing, efficiency, low competition

## Why we currently prefer CP Railway?

- ✓ Broader growth drivers: expanded Mexican service, share gains from trucking
- ✓ Operating ratio gains: Kansas City synergies



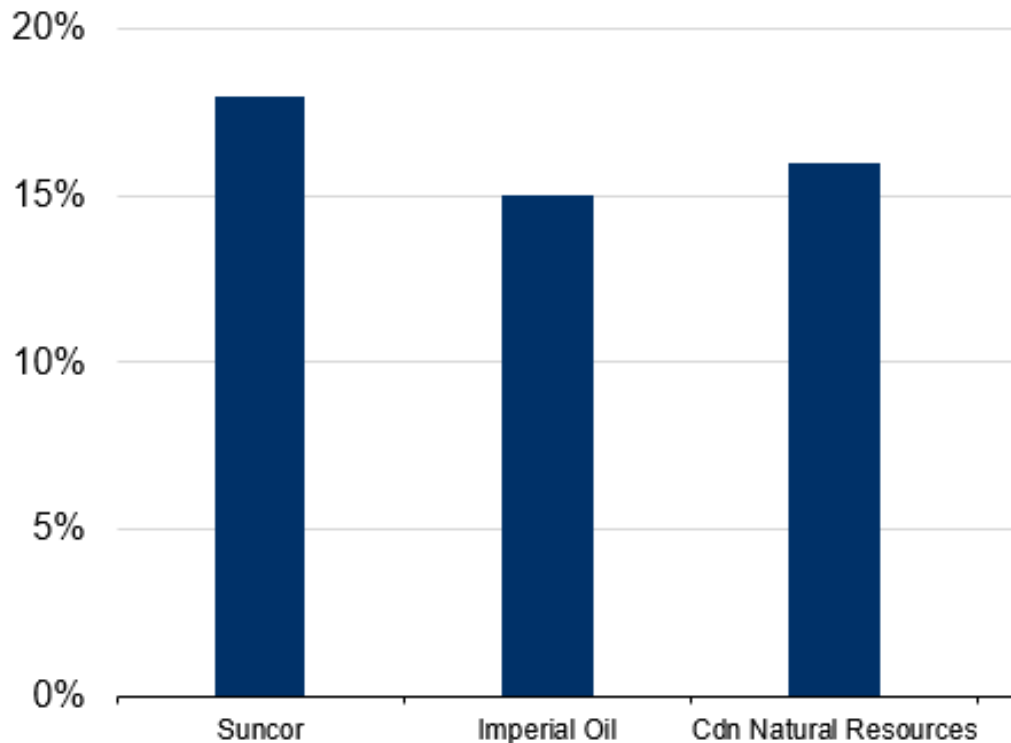
Source: RBC GAM, StockCharts.com as of April 12, 2023. Not a recommendation to buy or sell a security.



# Canadian Energy: Recession is Typically a Headwind

Certainly a risk. But best in class, large producers are attractive

## Key Holdings: 2023 Free Cash Flow Yield



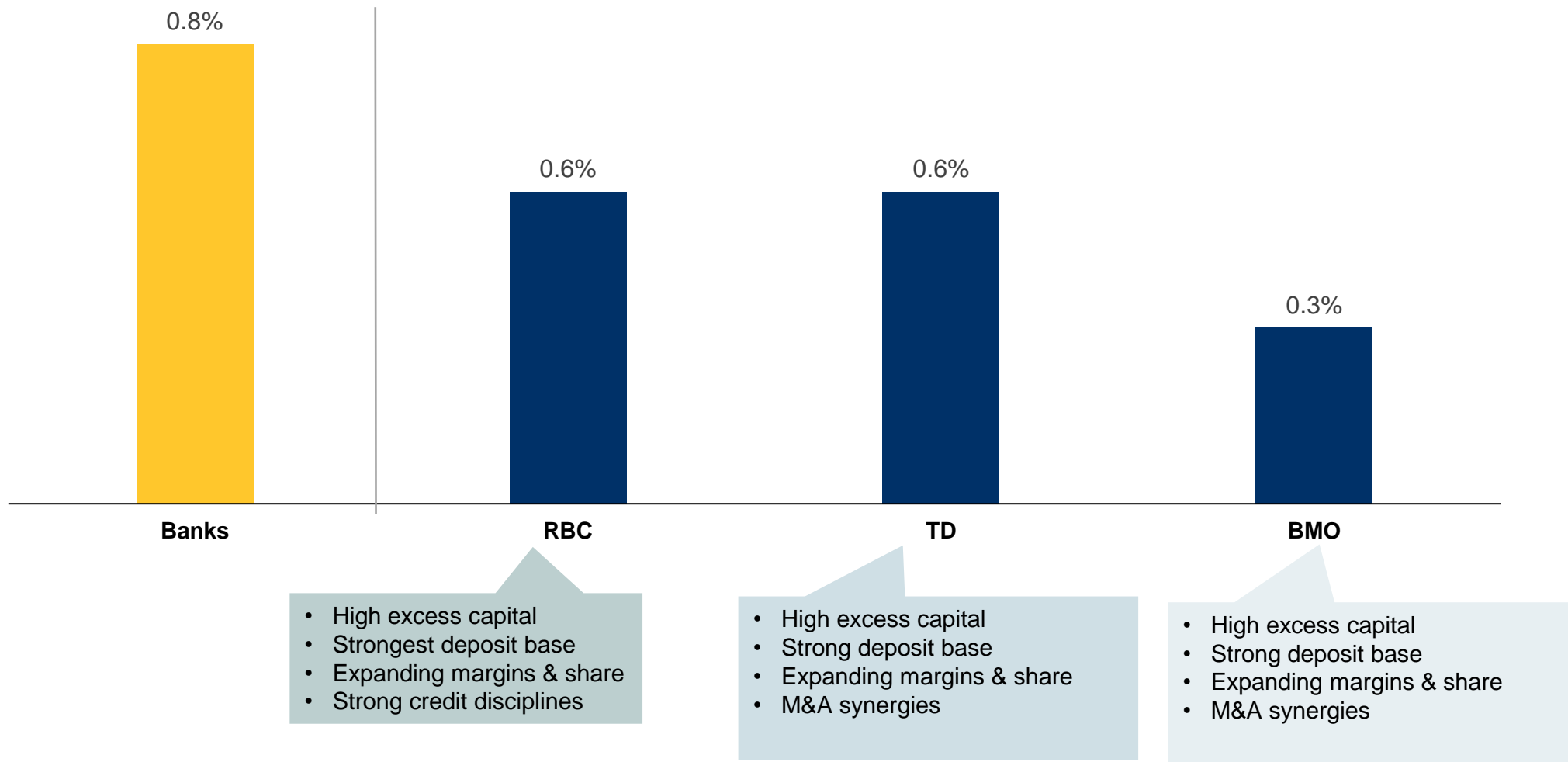
### Why these are core holdings:

- ✓ Strong free cash generation
- ✓ Low-cost producers
- ✓ Medium term market dynamics continue to be strong
- ✓ Cutting edge abatement technology, aim for net zero by 2050
- ✓ Attractive valuation

# Financials: Canadian Banks are Comparatively Resilient & Cheap

Prefer strongest capital, market positions & deposits

Active weights across key Financials sub-sectors



As of March 31, 2023. 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..

# Bottom-Up Stock Picking

Leaning into competitive strength, stability & secular growth...

## Key near-term market uncertainties

**Recession timing & earnings risks**

**Low Inflation... Or  
*Less Inflation***

**Rate Shock... Over  
or Not**

**Hot/Cold War  
*Again!***

## ...And secular or disruptive growth areas

**Artificial Intelligence:** Valuations & strong commercial prospects: [TSMC](#), [NVIDIA](#), [Microsoft](#), [United Health](#), [Thomson-Reuters](#)

**Electrification & Renewables:** Demand imbalance for copper and renewed demand for uranium: [First Quantum](#), [Cameco](#)

**Recovering Online Ecosystem:** Apple's privacy blocks hurt ad-targeting. That obstacle is set to clear away as Apple launches its own targeting: [Amazon](#), [Shopify](#), [Lightspeed](#)

# Even great stocks suffer periodic & harsh setbacks

Ultimately strong Competitive Dynamics fuel long-term outperformance

Cumulative share price performance: Amazon vs. eBay



Source: RBC GAM, Bloomberg. As of March 31, 2023 in US dollars.

Percentage returns are actual stock returns

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# Recent portfolio additions

High barriers to entry businesses with strong competitive dynamics

## Eurofins



## Safran



## LVMH



### Business model

Laboratory testing: pharmaceuticals, food, environmental, and consumer products

Leading position in narrow-body jet engines and several aerospace products

Luxury conglomerate with some of the world's most coveted brands

### Market share opportunity

Gaining share versus smaller competitors who can't compete on cost or logistics

Defended market share positions; share opportunity in aircraft interiors

History of bold acquisitions to secure strong positions in luxury segments

### End-market growth

Increasing regulation, consumer preferences, and environmental safety

Aftermarket service growth driven by COVID recovery and increased service needs

Europe remains the largest market followed by Americas; Asia attractive growth engine

### Management & ESG

Decentralized entrepreneurial culture; services ensure safety

Methodical and process driven engineering culture, appropriate for safety-led industry

Family controlled and run business that prioritizes long-term strategic thinking

## Market Outlook

*...Valuations have improved, earnings growth will eventually reassert itself*



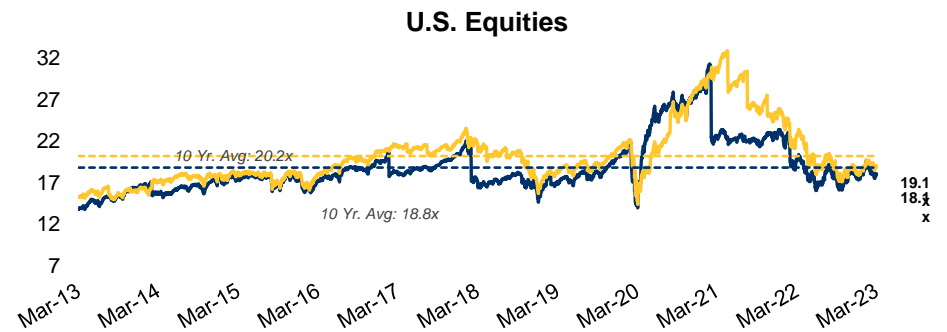
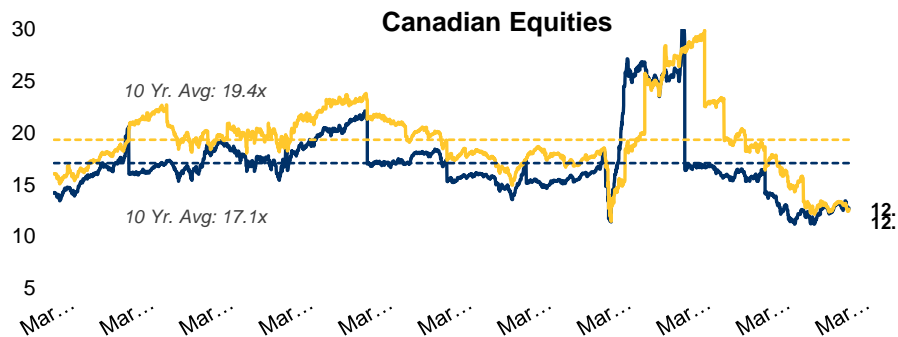
# Soft and Furry Landing



John Darkow / politicalcartoons.com

# Equity market valuations

The market sell-off has improved valuations



Trailing P/E Ratio

Forward P/E Ratio

Source: Bloomberg, RBC GAM. Data as of Mar 21, 2023. Canadian Equities represented by S&P/TSX Index. U.S. Equities represented by S&P 500 Index.



# Other Reasons for Optimism?

Since 1960s: 12-month S&P 500 return after a bear market is +17.0%

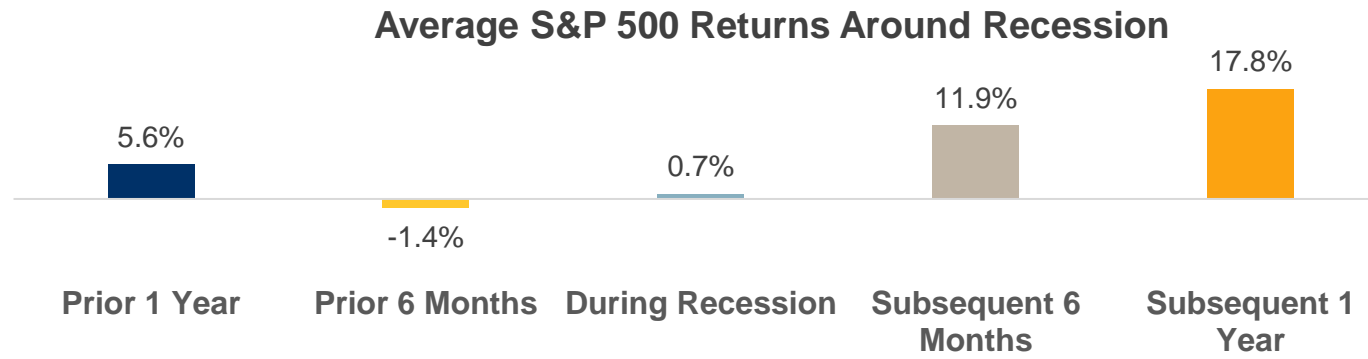
Year	Peak Date	-20% Date	1Y	3Y	5Y	10Y
1961	Dec 12, 1961	May 28, 1962	30.73%	20.62%	14.05%	10.72%
1966	Feb 09, 1966	Aug 29, 1966	28.98%	12.15%	9.81%	6.83%
1968	Nov 29, 1968	Jan 29, 1970	16.48%	14.27%	1.43%	7.22%
1973	Jan 11, 1973	Nov 27, 1973	-23.74%	6.93%	4.66%	11.01%
1980	Nov 28, 1980	Feb 22, 1982	37.99%	23.02%	26.15%	18.51%
1987	Aug 25, 1987	Oct 19, 1987	27.82%	15.65%	16.96%	18.87%
2000	Mar 24, 2000	Mar 12, 2001	0.11%	-0.11%	3.39%	2.95%
2007	Oct 09, 2007	Jul 09, 2008	-27.15%	4.90%	8.21%	10.72%
2020	Feb 19, 2020	Mar 12, 2020	61.75%	17.76%		
<b>Average</b>			<b>17.00%</b>	<b>12.80%</b>	<b>10.58%</b>	<b>10.85%</b>
<b>Median</b>			<b>27.82%</b>	<b>14.27%</b>	<b>9.01%</b>	<b>10.72%</b>

Historically, investing during bear markets has rewarded investors, particularly over the long-term

Source: RBC GAM, Bloomberg. As of Mar 21, 2023. Analyzing S&P 500 Index returns following bear markets (20% declines) between 1960 and 2023. The 2020 bear market was not included in the 5Y or 10Y average/median calculation given timeframe has not transpired as of yet. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Returns greater than one year are annualized.

# Best Returns Come After Recessions are Priced In

Sustained volatility to be expected. But, we will ultimately cross the valley

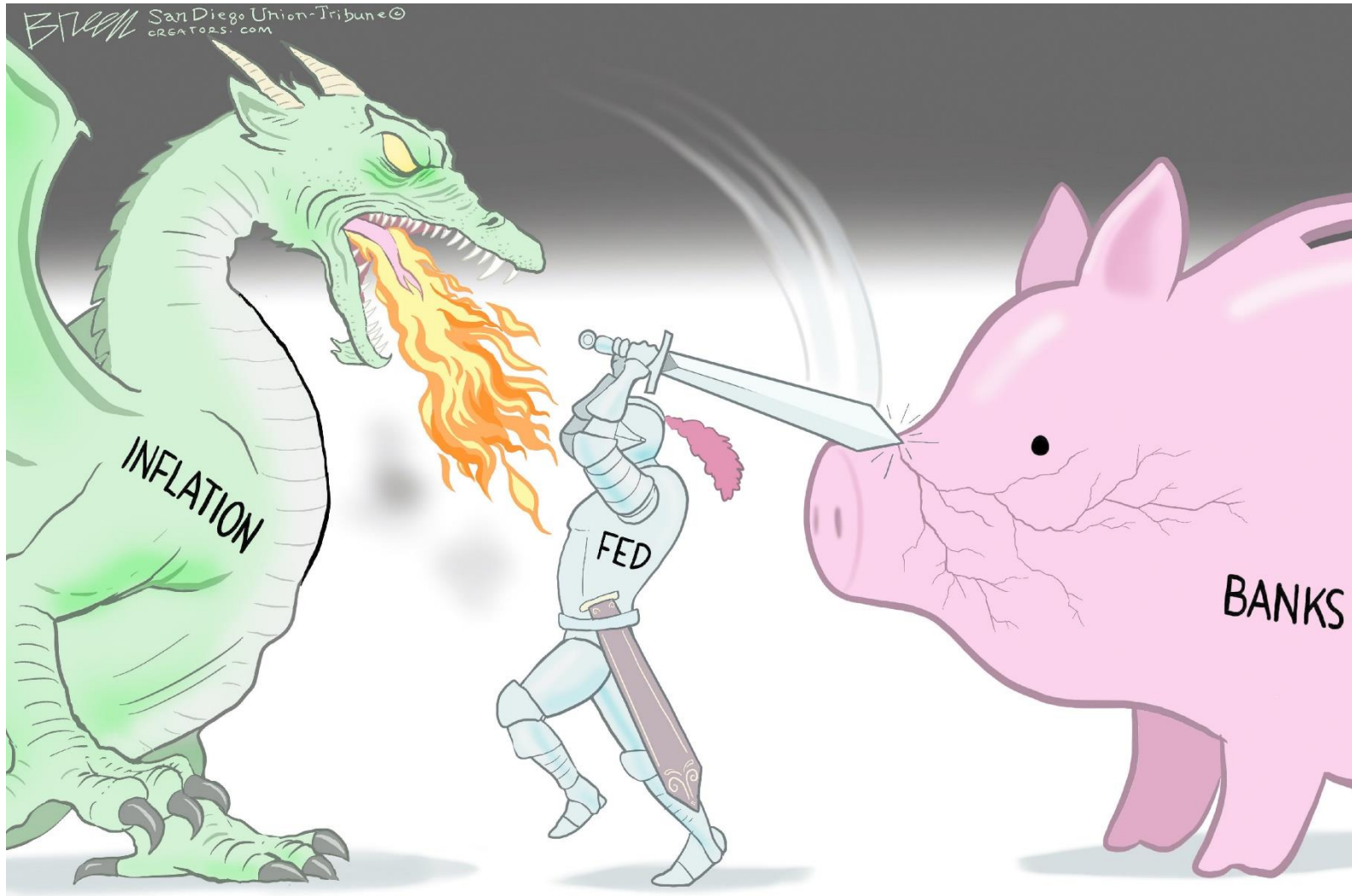


Recession		Market Performance - S&P 500				
Start	End	Prior 1 Year	Prior 6 Months	During Recession	Subsequent 6 Months	Subsequent 1 Year
10/23/1957	4/30/1958	-8.2%	-8.9%	8.8%	20.3%	37.2%
4/1/1960	2/28/1961	2.9%	-1.0%	17.5%	8.3%	13.6%
12/1/1969	11/30/1970	-11.2%	-8.4%	-2.3%	15.7%	11.2%
11/1/1973	3/31/1975	-1.5%	2.2%	-12.8%	1.6%	28.3%
1/2/1980	7/31/1980	15.5%	6.6%	18.8%	9.1%	13.0%
7/1/1981	11/30/1982	18.6%	-2.0%	10.9%	21.0%	25.6%
7/2/1990	3/28/1991	17.0%	1.7%	7.1%	4.5%	10.9%
3/1/2001	11/30/2001	-9.0%	-17.9%	-7.3%	-5.9%	-16.5%
12/3/2007	6/30/2009	7.5%	-3.2%	-24.0%	23.8%	14.4%
2/19/2020	5/29/2020	24.2%	16.9%	-9.6%	20.5%	40.3%

Source: RBC GAM, Bloomberg. As of Mar 21, 2023. S&P 500 returns in USD. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Returns greater than one year are annualized.

# Biggest Risk to Being Constructive Looking to 2024?

Risk of another self-inflicted policy error...



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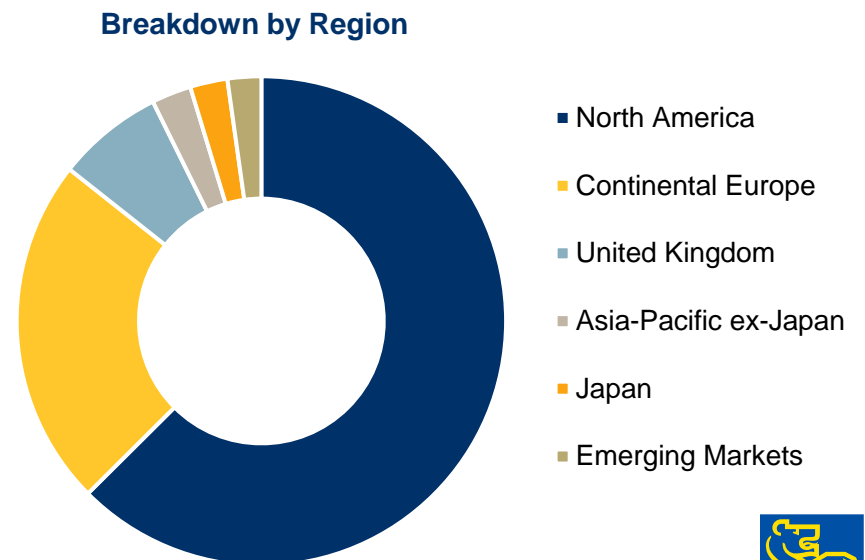
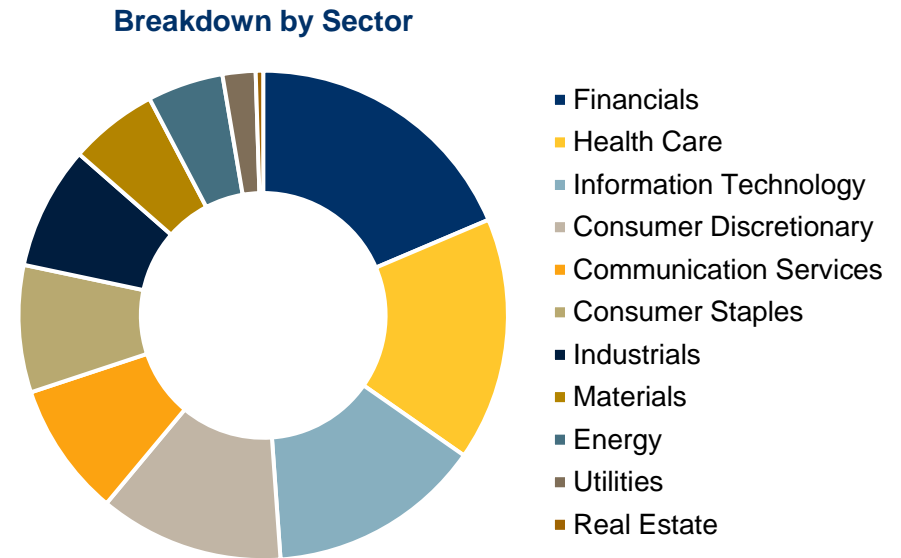
Thank you for your ongoing confidence in our partnership!

# 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.

# Tradex Fund – Canadian positioning

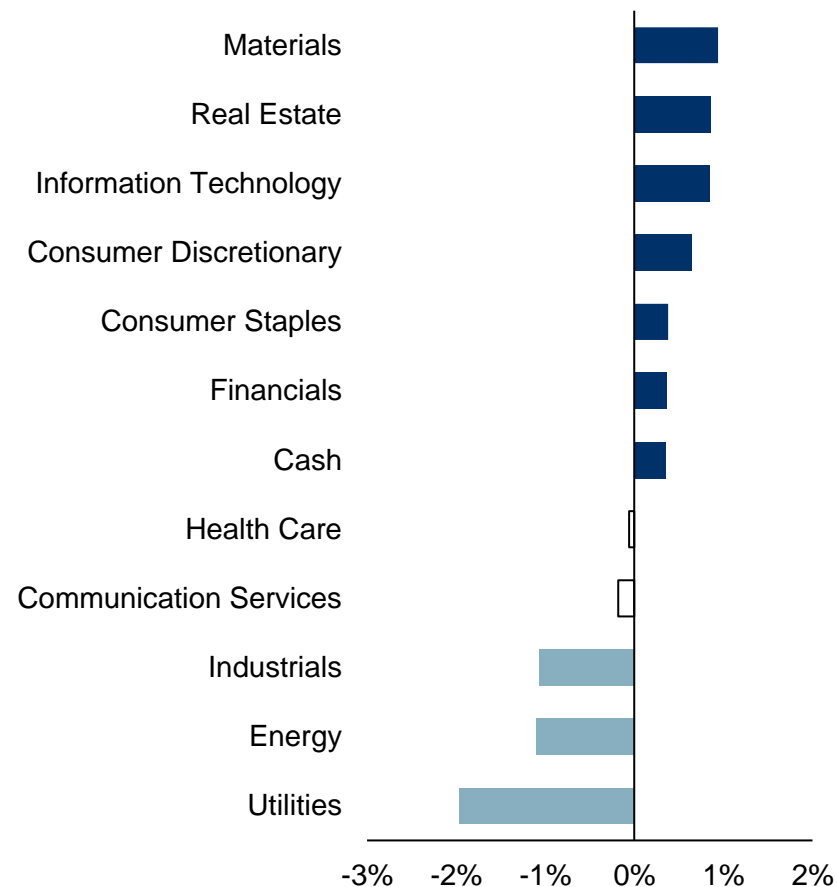
As of March 31, 2023

Top 5 Active Weights	Sector	Active Weight (%)
First Quantum Minerals	Materials	1.3%
Thomson-Reuters	Industrials	0.8%
Canadian Natural Resources	Energy	0.8%
Suncor Energy	Energy	0.8%
Descartes Systems	Technology	0.7%

Bottom 5 Active Weights	Sector	Active Weight (%)
Constellation Software	Info Tech	-1.7%
Barrick Gold	Materials	-1.5%
Cenovus Energy	Energy	-1.1%
Pembina Pipeline	Energy	-0.8%
Fairfax Financial Holdings	Financials	-0.7%

	# of Securities	Dividend Yield	Beta
<b>Tradex Equity Fund – Canadian Equities</b>	<b>87</b>	<b>3.2%</b>	<b>1.0X</b>
S&P/TSX Capped Composite Index	234	3.2%	1.0X

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



As of March 31, 2023

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# Our Approach to Climate Change



## Fully integrated ESG



**Build climate expertise**



**Integrate climate data & analytics**



**Conduct climate scenario analysis**



## Active Stewardship



**Thoughtful proxy voting**



**Engagement**



**Collaboration and advocacy**



## Client-driven solutions & reporting



**Research and insights**



**Product innovation**



**Transparent reporting**

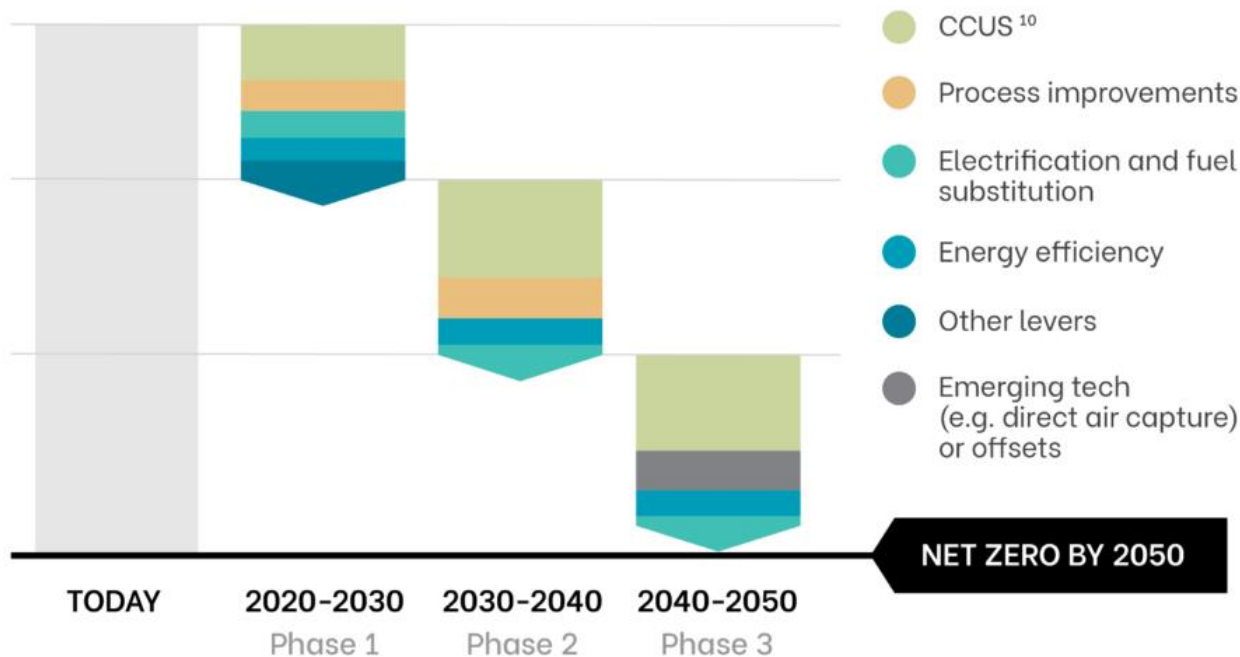


TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

# Oil Sands Producers have a Pathway to net zero

Multiple parallel pathways are needed

## A three-phased approach to net zero



## How do we get there?

- ✓ Carbon capture & storage does most of heavy lifting
- ✓ Improving current processes help in next 2 decades
- ✓ Emerging technologies needed to reach 2050 goals

Source: <https://pathwaysalliance.ca>

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