Tradex
QUARTERLY

Third quarter 2024

Estate Planning Webcast
Nov. 27th
Noon EST

President's Report to Tradex Members

The Canadian equity market increased in the quarter with the S&P/TSX Composite Index increasing by 9.7% during the past three months and 14.5% year-to-date. In the US, the S&P 500 Index rose 5.5% for the quarter and 20.8% year-to-date. However, the increase in terms of Canadian dollars was lower for the quarter as the Canadian currency increased from 73.06 cents to 74.08 cents, an increase of 1.4% for the period. As of September 27th, the dividend yield of the S&P/TSX was 2.9% and S&P500 1.3%, continuing below bond yields with the 10-year government bond yields 3.0% in Canada and 3.8% for US Treasuries.

The Bank of Canada (BoC) cut its overnight interest rate target by 0.25% at each of the July and September announcements to 4.25%. The Bank is continuing its policy of balance sheet normalization. The bank indicated "The global economy expanded by about 2.5% in the second quarter of 2024." It indicated US economic growth was stronger than expected and Euro-area growth was boosted by tourism and services while inflation in both regions continues to moderate." In Canada, the economy grew by 2.1% in the second quarter, led by government spending and business investment. This was slightly stronger than forecast." It highlighted that inflation had slowed as expected and after its meeting the Canada CPI for August was 2%. The FOMC cut its rate for the first time in 4 years, by 0.5% to between 4.75% and 5% on September 18th from where the rate has been held since July 2023 and indicated perhaps rates could fall a further 0.5% this year. It stated "Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the Committee's 2 percent objective but remains somewhat elevated."

We are pleased to offer a virtual Estate Planning webcast to our members featuring the head of CI Global Asset Management's Tax and Estate Team. Please use the above QR code to register or contact our office for a link.

Electronic Annual Dealer Statements Option

All members, including those having only Tradex Funds accounts, will be receiving the full year dealer statements complete with the annual performance and cost & compensation reports in the new year. If you would prefer an electronic copy or simply to reduce paper, please visit our website to sign up through the Member Login with daily account access and to commence receiving electronic dealer statements

Referral Campaign Ending

Members referring a new client to Tradex before December 31st and new members will receive a $25 deposit to their Tradex accounts in recognition of Tradex Global's 25th anniversary with City of London Investment Management as portfolio manager. New Members are extremely important to the continued success of Tradex and we encourage you to promote Tradex to friends, colleagues and family members with a form to simplify the process, available from our website or by contacting our office.

Three Great Ways to Reduce Taxes

We urge all investors to take advantage of the Tax-Free Savings Account (TFSA) program and we also encourage parents and grandparents to consider investing in a Registered Education Savings Plan (RESP). Contributions for each child under 16 as beneficiary before December 31st annually will receive up to $1,000 in government grant based upon 20% of the amount contributed. New in 2023 was the First Home Savings Account which combines the best components of TFSAs (all returns available tax-free if withdrawn towards eligible home purchase) and RRSPs (deductibility of contributions) and is anticipated to have benefits beyond just for those saving for a first home. Details on the programs are outlined on our back page and appear on our web site at www.tradex.ca.

Blair Cooper

Blair Cooper
October 21, 2024

Tradex Equity Fund Limited – Quarterly Review – September 30, 2024

	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	7.5	7.7	26.1	5.5	10.0	8.3	9.3
S&P/TSX Total Return Index (TRI)**	10.5	10.0	26.7	9.5	11.0	8.1	—
Average Canadian Focused Equity Fund**	7.7***	7.0	24.0	8.1	10.2	7.2	—

*April 1960 **Source: FundData ***Median Canadian Focused Equity

During the third quarter an investment in Tradex Equity Fund Limited increased in value by 7.5%, trailing the Fund's benchmark, the S&P/TSX Total Return Index, and its category average.

The Canadian equity market performed strongly in the third quarter and outperformed the US. Global equity markets faced several challenges over the quarter, including the unwinding of the yen carry trade, the attempted assassination of a US presidential candidate, escalating tensions in the Middle East, and slowing global growth. Despite these factors causing episodes of heightened volatility, global equities went on to notch their fourth consecutive quarter of gains, underpinned by better-than-expected earnings growth and a continued deceleration of inflation. Beneath the surface, the most recent quarter also brought a broadening of performance beyond a concentrated group of mega-cap stocks.

Canadian Apartment Properties REIT, Colliers, and Chartwell Retirement Residences contributed positively to returns along with a large underweight in Cenovus Energy. Not owning Barrick Gold detracted. Among foreign firms the portfolio's position in HCA Healthcare, UnitedHealth Group and AIA Group were among the largest contributors to returns. PHN believes HCA is a best-in-class hospital operator and is well positioned to address the increasing health care demands of an aging population in attractive high-growth US markets. Chinese stocks benefitted from China's central bank stepping in to unveil its most significant stimulus since the pandemic. McKesson, Intuit and Novo Nordisk were among the largest detractors from performance over the quarter.

As at September 30, 2024 the Fund's 10 largest holdings were as follows:

Royal Bank of Canada	4.4%	Canadian Natural Resources Ltd.	2.0%
Toronto Dominion Bank	2.8%	Amazon.com Inc	1.9%
Microsoft Corp.	2.7%	Enbridge Inc	1.8%
Shopify Inc	2.7%	Canadian Pacific Kansas City Ltd	1.8%
Brookfield Corp	2.1%	UnitedHealth Group Inc	1.7%

Phillips, Hager & North (PHN) indicates the case for equities to extend their gains will likely require further monetary easing and the avoidance of a "hard landing". The intense economic headwind from high interest rates is fading and relief is on the way as reduced inflation pressures have paved the way for central banks to loosen monetary conditions. Against this backdrop of falling rates, we think the economy is likely to achieve a soft landing where economic growth is sufficient to lift corporate profits and stock prices.

Tradex Bond Fund – Quarterly Review – September 30, 2024

	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	4.8	5.4	14.9	1.5	3.2	3.1	5.4
FTSE TMX Canada Universe Bond	4.7	5.6	12.9	-0.1	0.6	2.3	—
Average Canadian Bond Fund**	4.5***	5.2	12.5	-0.7	0.2	1.4	—

*December 1989 **Source: FundData ***Median Canadian Bond

An investment in the Tradex Bond Fund increased in value by 4.8% during the third quarter outperforming the index and its peers, while it has increased 14.9% for the past year, outperforming the Canadian Bond index by over 2% for the same period.

As we continue to move through 2024, the broad economic environment remains somewhat unchanged from the previous quarter. Overall global growth remains in positive territory, continuing to be led by the US economy. Inflation is much lower in many global economies so far in 2024 than in 2022 and 2023. In Canada, the latest measure of annual total inflation fell back down to 2%, which is right at the Bank of Canada's (the BoC) target for the first time in over three years.

This situation allowed the BoC to lower its policy interest rate in September for the third consecutive time. Foyston, Gordon & Payne (FGP) believes there are more cuts coming as underwhelming growth in the Canadian economy and a cooling, but still healthy, labour market caught the attention of our central bank earlier this summer.

The preferred share market generated strong absolute performance during the quarter and a recent taxation change should drive continued renewed interest in them. The common share portfolio posted a very strong positive return in the quarter.

Government of Canada bond yields decreased during the quarter while the inversion of the yield curve reversed, as seen in the following table:

Term	Record Lows	Yield Dec. 30/22	Yield Dec. 29/23	Yield Jun. 28/24	Yield Sep. 27/24
2 year	**0.15%***	4.06%	3.88%	3.99%	2.91%
3 year	**0.18%***	3.82%	3.67%	3.83%	2.84%
5 year	**0.30%****	3.41%	3.17%	3.51%	2.73%
10 year	**0.43%****	3.30%	3.10%	3.50%	2.95%
30 year	**0.71%*****	3.28%	3.02%	3.39%	3.13%

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

The Fund continued to be diversified across income-generating asset classes. At quarter-end, 41% of the Fund's portfolio value was in government bonds, 33% in corporate bonds, 12% in preferred shares, and 13% in common shares, REITs and Income Trusts. The North West Co. Inc. was the largest contributor to relative performance, returning 25% (Cogeco Inc rose 26%). The yield on the Fund's overall portfolio was 4.1% as at September 30th, as shown in the following table, while the yield on the FTSE TMX Canada Universe index was 3.5%.

	Government Bonds	*Corporate Bonds*	*Preferred Shares*	*Common Shares, Trusts, REITs*	*Weighted average total*
*Yield**	*3.4%*	*4.2%*	*6.3%*	*4.0%*	*4.1%*

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

FGP remains constructive on Canadian fixed income and is seeing good opportunities present themselves for the diligent investor. It is prudently taking advantage of new opportunities at a measured pace as there is still much uncertainty in the economic landscape and the direction of interest rates across the curve. It remains focused on downside protection as we navigate this unique and volatile market where the risk tone of the market will likely remain driven by inflation, fears of a recession, and ongoing geopolitical news. The portfolio continues to be well-positioned to benefit from improving stock market sentiment, but it also owns a roster of companies with resilient defensive attributes that FGP believes will provide downside protection if the market softens over the coming quarters.

Tradex Global Equity Fund – Quarterly Review – September 30, 2024

	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	3.8	8.1	30.9	5.0	10.2	9.9	7.1
Dow Jones Global Total Return Index**	5.4	9.2	31.3	10.1	12.5	11.5	—
Average Canadian Global Equity Fund**	4.8	6.8	26.6	7.1	9.8	8.6	—

*May 1999 **Source: Fundata Canada Inc

During the third quarter of 2024, the value of each unit in the Tradex Global Equity Fund increased by 3.8%. This compares to an increase of 5.1% in the Fund's benchmark, the Dow Jones Global Total Return Index.

After the gains in the first half of 2024, driven largely by technology stocks, markets experienced a period of volatility in the third quarter, as weak economic data in the US, falling oil prices and an unexpected rate hike in Japan threatened to throw the global rally off course. September brought both the first rate cut from the Federal Reserve (a higher-than-previously-anticipated 50 bps reduction) and new stimulus from the Chinese government, setting off a steady rise in equities into month-end, supported by gains from nearly every sector. Bond markets continued to rally in the third quarter as the outlook for interest rates and the chances of a soft landing for the economy solidified. Yields on the 10-year Treasury note fell from 4.5% at the beginning of July to 3.8% by the end of the quarter. The potential for geopolitical factors to impact markets in Q4 looms, however, as tensions between Israel and its neighbors escalates and the upcoming US Presidential race remains tight.

Utility company stocks were strongest over the quarter, while Energy firms generally fell as oil prices declined. Hong Kong was the standout among developed markets, returning 20.8% in Canadian dollars as it piggybacked on China's end of September rally. The US notched another positive quarter, with the S&P gaining 4.6% (NASDAQ +1.5%) following the start of Fed easing. Positive global sentiment led European markets higher, with Spain up 12.5%, Ireland gaining 9.6% and Germany's DAX index rising 8.9%, while Denmark (-8.1%) declined. The Canadian market rose 10.5%, buoyed by gains in the Finance and Real Estate companies, while a broad-based rally led the Australian market 11.2% higher. Japan's 5.5% rise was muted compared to its peers after the Bank of Japan's surprise rate hike at the end of July. Emerging Asia led gains in the Emerging Markets index (7.4%), with sharp rises seen in Thailand (+26.2%), Malaysia (+19.3%) and the Philippines (17.2%), while Turkey (-13.7%) and Mexico (-7.6%) declined.

Earlier in the period City of London (CLIM) initiated two new positions in US-focused infrastructure funds trading at wide discounts, then began to reduce both holdings into quarter-end following NAV out-performance and discount narrowing. It added to a widely discounted US healthcare fund and several Japanese funds. Purchases were funded with sales of US exposure, in particular two US funds that have recently been targeted by activists, prompting discount narrowing. In addition, CLIM reduced tech exposure on discount narrowing.

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THREE GREAT WAYS TO INCREASE YOUR SAVINGS AND REDUCE TAXES

Tax-Free Savings Accounts (TFSAs)

Tax-Free Savings Accounts (TFSAs) were introduced in 2009, allowing eligible contributions to grow tax-free.

Canadians aged 18 and over can contribute up to $7,000 every year in a TFSA. Unused TFSA contribution room can be carried forward to future years, so if you have not contributed to a TFSA, you may contribute up to a limit of $95,000 in 2024 or $102,000 in 2025.

Unlike an RRSP, contributions to a TFSA are not deductible from your current income for income tax purposes, but all returns earned in a TFSA will not be taxed even when withdrawn. Additionally, the contribution limit is increased by any amount withdrawn in the following or future years.

For estate planning purposes, there can be additional tax benefits for a spouse or common-law partner.

With a Tradex TFSA, you can tailor the plan to meet your investment objectives, including investing in any combination of the Tradex Funds and Savings Account with no fees or administration charges, and can access most Canadian mutual funds and select GICs in an intermidiary TFSA through us. This gives you complete flexibility in managing your TFSA.

Registered Education Savings Plans (RESPs)

The 20% Government of Canada cash grant makes this the best way by far to save for your child's or grandchild's education.

You receive a cash grant of up to $500 per year (20% of the first $2,500 contributed annually) for each child. Additional Provincial grants available in Quebec and BC.

In addition, you can catch up on "unused" grant-eligible contribution room over time (maximum one year per annum).

The lifetime RESP contribution limit is $50,000 per child and there is no annual contribution limit.

When you establish an RESP through Tradex you have an extremely wide choice of investment options, plus the ability to diversify your holdings in a number of different investments. Furthermore, at Tradex there are usually no sales commissions or other administrative charges.

RESP contributions are not tax-deductible by the contributor, but the income and capital gains earned on the entire investment grow tax-deferred. And, when those earnings are eventually withdrawn to pay for educational expenses (including tuition, books, housing, etc.), the money is favourably taxed at the student's typically low rate.

FIRST HOME SAVINGS ACCOUNT

New in 2023, the FHSA combines the tax-deductibility of a Registered Retirement Savings Plan (RRSP) with the tax-free compounding and withdrawal benefit of TFSAs when proceeds are used for a first home purchase (defined as not having owned your residence for 5 years). The current maximum annual contributions are $8,000 (subject to maximum lifetime contributions of $40,000) and the room is cumulative once a plan is opened, while allowing you to catch up on "unused" eligible contribution room over time (one additional year per annum). If not withdrawn for a home, the plan may be consolidated with your RRSP without impacting or requiring eligible RRSP contribution room.

For more information on setting up an FHSA or RESP at Tradex pleass phone or e-mail us.
We'll provide you with full details on these programs and mail you a complete investor's information kit.