JZechner ASSOCIATES INC.

INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES SPECIAL EQUITY FUND

PORTFOLIO MANAGER: JACQUELINE RICCI, CFA

The Fed and global central banks have now pivoted from their "transitory" stance and concluded that they need to break inflation with aggressive "front loaded" interest rate hikes. This triggered heavy losses across global capital markets. Within the backdrop of this tightening cycle, stocks suffered their worst first half of the year in over 50 years, as the "free money" era ended. Below are the major global equity index returns and show a considerable pull back. Canada fared better than many other markets because of its higher energy weight.

The poor returns were not just felt in equities, as bond markets also suffered their worst first half on record. The FTSE Canada Universe Bond Index was down -12.2% as of June 30th, 2022. Interest rates pushed higher as record inflation numbers were reported and central banks vowed to reign in inflation via tight monetary policy.

For the most part, commodities held in relatively well in the first quarter of the year but finally succumbed to the pressure of a potential recession. The CRB Commodity Index is still up 25% in 2022, but that is largely driven by the energy sector with oil gaining 40% and natural gas up 48%. In the second quarter the price of copper was down -22% while gold was lower by -7%.

OUTLOOK

All markets have been dragged down by the Fed moving from an easing posture to a tightening posture. Despite the already severe draft down in markets, sentiment appears to be overwhelmingly negative, with many investors now predicting an imminent recession. Many technical targets have been met with respect to exhaustion to the downside.

The first stage of the sell-off in stocks was almost entirely due to the re-evaluations of high multiple growth stocks from the rise in interest rates. Future interest rate expectations have risen sharply on the surge of inflation, which is proving to be far broader based and problematic than the Fed previously had thought. Supply chain disruptions, Chinese COVID shutdowns and ongoing geopolitical conflicts have added to the pressures. Fed Chair Jerome Powell was clear in his recent speech that "the Fed will not let the economy slip into a high inflation regime even if this means raising interest rates to levels that put growth at risk". This latest tough stance has finally pulled commodity stocks substantially lower. The last sector that still shows positive returns for the year remains energy but recently the sector has also come under pressure.

We believe we are in the final stages of the correction and are optimistic for the second half of the year. With commodities finally capitulating we think we have seen the peak in inflation. The rate increases as well as the incredibly strong US dollar will continue to permeate through the economy creating the slowdown that will keep inflation under control. It appears that the bond market agrees, with the 10-year bond yield holding around the 3.00% level, after hitting almost 3.5% in early June.

With this backdrop we have begun to add to our technology weight after being underweight for several quarters. Names added include Lightspeed, Docebo, Magnet Forensics and we have recently increased the portfolio's position in Tecsys. We are once again overweight the technology sector.

We have reduced the portfolio's exposure in base metals in favour of gold and have reduced our energy weight. We still have an overweight position in materials and energy. As we globally march towards reducing our carbon footprint, the need for increased supplies of basic materials grows. The underinvestment in the materials sector for the past decade will keep the supply side of the equation very tight. In the energy sector, we expect demand will continue to exceed supply due to the geo-political upheaval and capital discipline being demonstrated by companies. Furthermore, China's demand for both metals and energy has been limited due to their COVID lockdowns. As they re-open their economy, China's increased demand for energy and materials will help offset the demand destruction in Europe and North America from higher interest rates and slowing economies.

When evaluating the risks to the portfolio, we consider what could go wrong? Could Chairman Powell overdo the rate increases and cause a more dramatic slowdown than expected? Have analysts reduced their earnings expectations enough or will we be faced with significantly negative earning surprises? Could the war in the Ukraine and Russia find a resolution and cause a further selloff in energy? Are we heading for a period of global stagflation (high inflation, low growth)? Obviously, all these risks are possible, but at this stage in the sell-off, we are confident that the market is pricing in many of these scenarios and the portfolio is well positioned for the predictable recovery.

30-June-22			INVESTMENT RETURNS	
	Q2 22	1 Year	3 Year	5 Year
Special Equity Fund	-20.32%	-10.03%	22.79%	9.73%
S&P/TSX Small Cap	-20.83%	-13.82%	6.93%	3.43%

Notes:
*Returns are Gross of Fees.
*All indices are total return.
*Management Fee 2.0% Performance Fee 20% of the annual return in excess of 10% hurdle rate with a 1 yr. carry-forward on any deficiency relative to the hurdle rate.
*Past performance is not indicative of future results.

Categorization: Canadian Small/Mid Cap Equity

Funds have been categorized according to the Canadian Investment Funds Standards Committee criteria.

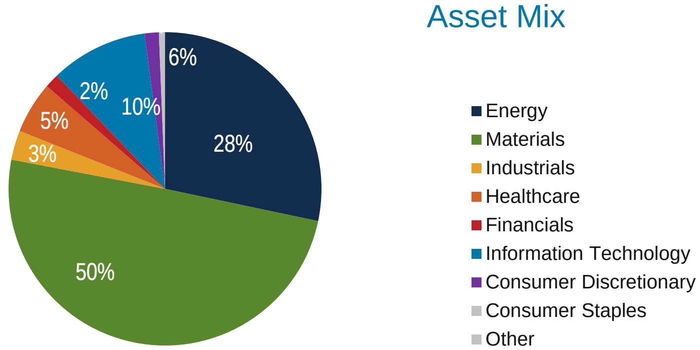
Fund Objective:

The fund is designed to generate consistent, positive returns that are commensurate with a moderate to high degree of investment risk. The objective of the Special Equity Fund is to provide long-term growth through capital appreciation by investing in rapidly growing small, medium and large Canadian companies that demonstrate the ability to grow at a faster rate than the economy. The Fund is suitable for sophisticated investors who can tolerate a moderate to higher degree of risk and volatility. This fund should produce higher returns than the market over time but may experience a greater than average degree of volatility over short-term periods. Investors must be prepared to accept a higher degree of risk.

Strategic Allocation:

The fund's aim is to add value through security selection but will focus on themes and concepts that may influence the sector weightings. The strategy includes identifying stocks with sustainable growth characteristics from a universe of primarily small and mid-capitalization stocks. The fund is suitable as a portion of an investor's overall equity component of a fully diversified investment portfolio. It typically holds 70 plus stocks, and is aimed to be fully invested, limiting cash to small amounts.

Asset Mix



Top 5 Holdings:

Stocks	
North American Nickel Inc.	2.52%
K92 Mining	2.08%
Birchcliff Energy.	2.01%
Spartan Delta Corp.	1.95%
Crew Energy Inc.	1.76%

(as of June 30, 2022)

Benefits of our Pooled Funds

The J Zechner Associates Pooled Funds offer professional money management, varied investment choices, the potential for above average returns and lower management fees so you keep more of your accumulated wealth.

A pooled fund is a unit trust that operates like a mutual fund but is not required to have a prospectus under securities law.
A pooled fund is sold through an Offering Memorandum.

J Zechner Pooled Funds are available to accredited investors. Units of the funds are qualified investments for registered products.

Solid Partnership Foundation

Eligibility for Investment

The Fund will only invest in securities that will be qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan (an "RRSP"), registered retirement income fund (a "RRIF), or tax-free savings account (a "TFSA").

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