INCREASE YOUR FUTURE WEALTH POTENTIAL

J ZECHNER ASSOCIATES PREFERRED SHARE POOLED FUND



PORTFOLIO MANAGERS: JEFF HEROLD, CFA, DAX LETHAM MBA, CFA, CMA, IAN CLARE

In September, the preferred share market was negatively impacted by volatility in equity markets. Ongoing monetary tightening by the Bank of Canada, the U.S. Federal Reserve, and other central banks led to a selloff in common shares that was followed by preferred shares. The correlation between preferred shares and common equity has been quite high in recent months as the potential for deteriorating economic conditions has generated a risk-off environment. Traditional $25 par value preferred share values have also been hurt by recent new issues of institutional preferred shares and Limited Recourse Capital Notes (LRCNs) by Canadian banks. The banks have been shoring up their balance sheets in advance of some U.S. takeovers as well as preparing for potential economic slowing. The shift from traditional preferred shares (which make up the S&P/TSX index) to the new bank securities by some institutional investors has weakened the traditional preferred share market

Canadian economic data mostly contracted in September. Employment fell by 39,700, which was the third monthly decline in a row. The decline in jobs pushed the unemployment rate up off its all-time low of 4.9% to a level of 5.4%. Canadian inflation slowed to 7.0% down from 7.6% but was still near a multi-decade high.

With both central banks remaining hawkish, though, the potential for a recession increased, which led to widening risk premiums on corporate bonds and appeared to contribute to the weakness in preferred shares.

The only new preferred share issue in the month was an Inaugural $600 million institutional preferred share issue from CIBC. It had an initial dividend rate of 7.365% and a reset spread of 420 basis points. BMO and TD have acquisitions in the US targeted to close by the end of this year.

J. Zechner Associates Preferred Share Pooled Fund

The fund returned -5.43% in September, which was markedly better than the S&P/TSX Preferred Share index return of -6.88%. Contributing to the relatively better performance was relatively high levels of cash equivalents (7.9% at month end), and the holdings of institutional preferred shares and the LRCN which did not suffer the same magnitude of losses as traditional preferred shares in the period.

During the month, we participated in the new CIBC institutional preferred share issue and made some small additions to holdings that had recently cheapened. However, we primarily let cash levels accumulate from deposits, dividends, and the sale of a portion of the BMO.PR.E holding. With the market trending lower, we preferred to be patient about redeploying the growing cash position.

Outlook & Strategy

With both the Bank of Canada and the U.S. Federal Reserve expected to continue their interest rate increases in the coming months, the potential for a recession by the end of this year or the beginning of 2023 is increasing. However, we are confident in the creditworthiness of the issuers in the portfolio, as these companies have successfully weathered previous economic downturns without impacting their preferred shares.

The potential for a recession means there is a significant risk that equity markets decline further, and preferred shares weaken as a result. The recent correlation between preferred shares and common shares, though, has been higher than normal. In the past, we have observed preferred shares are more correlated with equities in down markets than in market rallies. Historically, the correlation in weak markets has been about 45%, but recently the correlation has been closer to 70%. We think that the correlation should return to more typical levels as income-focused investors look to take advantage of the highest yields available in many years. Since the financial crisis of 2008-2009, preferred share yields of 5.00% or more have indicated good value. Currently, institutional preferred share issues have been coming to market with yields in excess of 7.20% and some traditional preferred shares are yielding over 7.00%. In our opinion, that suggests preferred shares are cheap and are offering a buying opportunity.

Strategically, we are monitoring the market for indications that it has stabilized and then we will look to redeploy the elevated cash position. With yields at very attractive levels, and dividend rates resetting substantially higher as a result of higher bond yields, we are looking for issues that are not priced properly to reflect the expected jump in dividend rates. We note that the fund is already well positioned to take advantage of the expected dividend increases with over 28% of the fund scheduled to reset their respective dividend rates before the end of next year. Excluding cash, the average yield of the fund holdings (before expenses) is currently slightly above 6.00%. We believe that will move higher as dividends rates continue to be increased.

30th September 2022	INVESTMENT RETURNS		
	Quarter	1 year	2 year
Preferred Share Fund	-5.19%	-12.40%	12.55%
SP/TSX Preferred Share Index	-6.08%	-13.97%	4.13%

Notes:

Returns are Net of Fees
Past performance is not indicative of future results

Categorization: Canadian Preferred Share

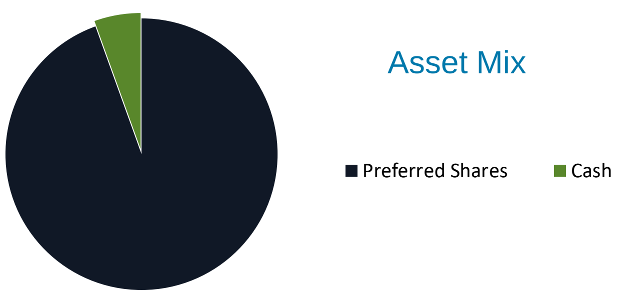
Funds have been categorized according to the Canadian Investment Funds Standards Committee criteria.

Fund Objective:

The fund's investment objective is to provide a combination of current income and long-term capital growth. The Fund will seek to achieve its investment objective primarily by investment in a diversified portfolio of mainly preferred shares of Canadian issuers, Canadian money market securities and debt securities.

Investment Strategy:

The goal of the Fund is to add value of 75 bps per annum over and above the S&P/TSX Preferred Share Index. We will build a well-diversified portfolio of thirty to forty preferred share issues that is actively managed, emphasizing the sectors that offer the best value proposition, we believe that active management can substantially outperform passive investing. Selectively of securities is key as we believe, for example, that we should own the cheapest Royal Bank preferred share issue rather than all 22 Royal bank issues. We avoid overvalued sectors and focus on those sectors that offer the best value on a risk / return basis. We will provide superior credit analysis as we apply the same rigorous credit analysis to Preferred share issues as we do to bonds. We believe that the index is not a prescription of how to invest but rather a proxy of the whole market. Execution of trades and price discipline are essential in a market that can be less liquid.



Top 5 Holdings:

Preferred Shares	
Enbridge Inc. 5.086% Series N	4.44%
Algonquin Power 5.091% Series D	4.01%
CIBC 4.5% Series 47	3.88%
Toronto Dominion Bank 5.75% Series 27	3.63%
BCE Inc. 4.812% Series AQ	3.47%
(as of September 30, 2022)	
Cash	2.97%
Current Portfolio Yield	5.84%

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 only to Canadian investors and require a minimum investment of $150,000; unless the investor is an Accredited Investor. Units of the Funds are qualified investments for certain registered plans.

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").

For more information please contact:

David Cohen, President
Tel 416-867-8649
dcohen@jzechner.com

Toll free 1-866-259-6482