

Equally Invested™

Our uniquely managed funds, fee transparency, and exceptional personal service allow our clients to maximize asset growth, focus on long-term objectives, and have a better understanding of where their money is invested and why.

EQUALLY INVESTED... WHAT THIS MEANS:

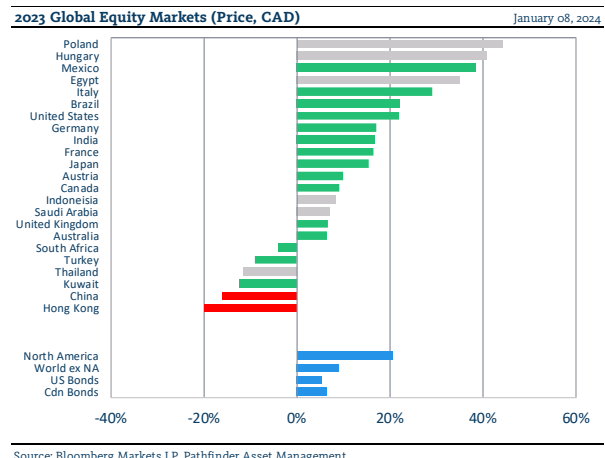
We believe we have created a better platform for money management. Our inception as a family office led to the creation of our Equally Invested™ culture: This means that *everyone* at Pathfinder invests in the *same portfolios* and funds and *pays the same fee* as our clients. Also, we (employees), along with our families are the largest investors at Pathfinder so your portfolios are invested right alongside ours.

January 2024

Over the past several years, we feel like we have been on a “3D seesaw”. Markets and economies have swayed back-and-forth, and up-and-down. The pandemic unleashed some very broad structural forces that are still clearly working their way through the system. After 2020’s severe market crash, the subsequent fiscal/monetary stimulus and ultimate rebound in 2022, we were collectively pulled down with geopolitical tensions and rising inflation. Last year, however, was essentially one big debate between those who thought we were headed into a serious recession and those who thought central banks would manage a soft landing. Add to that, eye watering technology valuations, and 2023 made for a very interesting year.

Every year, we select the top and bottom performing equity markets and present them in a chart to the right. Developed markets are highlighted in green and Emerging & Frontier counties are in grey. The major regionals, as well as fixed income are in blue at the bottom and the returns are all in Canadian dollars for comparability. Major markets were all positive, the opposite of last year. China stands out as the worst performer (plotted in red).

We believe we can say with some conviction that the strong, segmented results were not what many market participants expected at the beginning of the year. In the coming weeks, each of our portfolio managers will publish their mandate reviews and investment outlooks. It has been an interesting year and opinions in the financial press are quite varied. However, given that some uncertainty continues, we remain focused on the quality of businesses that we own.





At Pathfinder, we draw a clear distinction between our Core Portfolios (segregated stocks, bonds and cash) and our Pathfinder Funds (our private specialty pooled funds). The investment profiles of these two “baskets” are quite different. The North American Equity Portfolio is managed to produce broad, equity-like market returns but with less risk. The Pathfinder Funds are specialty mandates and are very different vs. a traditional long-only blue-chip portfolio. We believe that the combination of these two baskets should produce results that are better than broad equity markets alone, for any equity risk level, when combined in various mixes based on client objectives: this is the core belief of *Our Investment Thesis*. Blending between these two baskets and investment grade bonds, where needed, allows your portfolio manager to target essentially any return and risk level that is appropriate for your situation and financial goals. This is also why your financial plan and relationship with your Associate Portfolio Manager is so important. Clear communication and expectations should allow us to meet your goals over time.

Our Investment Thesis:

The **North America Equity Portfolio** is the blue-chip part of your portfolio. It should generate long-run equity returns. We select stocks from a list of high-quality, stable cash-flowing companies and allocate to cash when we feel there is too much risk in financial markets or when stock prices are too high (the two are not the same). We also use a 9% long-run cost of equity capital (similar to the long run return of global equities) as one of the more significant valuation tests when we consider adding a company as an investment into our portfolios. If we are doing our job correctly, we should generate equity like returns with less market risk. We then use the “budgeted risk” saving in this part of the portfolio to allocate capital to the Pathfinder Funds.

The **Pathfinder Funds** are more aggressive by comparison and are managed for performance (either absolute or relative). Furthermore, each of the risk profiles and investment processes are quite different. This is by design so that we do not introduce a high level of correlation either between each fund or the Equity Portfolio. As a generalization, the funds are able to use derivatives, leverage, shorting, trade physical commodities, own private companies and typically have higher position concentration. Each fund has its own mandate, and a short one-line description is outlined on the next page. Over the coming weeks, you will receive portfolio manager reviews that will dive into more detail about each mandate and fund.

The diversity of risk profiles among the mandates at Pathfinder allows our Portfolio Managers and Associate Portfolio Managers to custom blend a portfolio for each individual client, depending on their needs and investment goals. Less risk taken in the North American Portfolio allows for the budgeted risk to be spent elsewhere. Much of this is accomplished by diversifying asset classes, management strategy and differentiation.

With respect to risk, most people think of risk in terms of losing money. Other more institutionalized investors think of risk in more relative terms - i.e. their portfolio's return against a benchmark. In the latter case, the absolute return is less important than the relative return. If you have read much of what Pathfinder has written over the years, you would know that we are not big believers in benchmarking. We are more concerned about buying the best companies that we can find and taking a real investment position, rather than hugging widely published index weights (investors can do this cheaply on their own by using Exchange Traded Funds). Thus, risk minimization for us comes from our process, and our process allows us to customize this for each client.



PERFORMANCE:

A summary of the Pathfinder mandates and their performance follows:

Pathfinder Mandates, Benchmarks and Selected Indices (CAD)								December 31, 2023
	2023	2022	2021	2020	2019	5 Yr.	5 Yr.SD	Incpt*
Pathfinder Large-Cap Stocks								
North American Equity	28.7	(7.8)	20.3	(1.3)	17.1	10.5	12.5	7.7
North American High Income	6.7	0.9	25.0	(7.1)	18.6	8.2	13.0	6.6
Pathfinder Funds								
Pathfinder Partners' Fund	10.5	(20.6)	19.6	50.6	26.3	14.8	18.6	7.1
Pathfinder Real Fund	20.6	(6.5)	20.7	6.5	15.3	10.8	19.0	7.6
Pathfinder International Fund	25.7	(18.1)	9.4	16.2	14.2	8.4	15.2	7.1
Pathfinder Resource Fund	2.2	(18.7)	23.6	69.9	15.6	15.1	22.4	11.2
Selected Stock Indices								
S&P/TSX Composite	11.8	(5.8)	25.1	5.6	22.9	11.3	15.9	
S&P 500 (CAD)	23.3	(12.4)	27.5	16.5	25.3	15.0	14.1	
Bloomberg World ex US Large & Mid Cap (CAD)	12.4	(10.8)	8.2	11.2	16.1	7.0	12.6	
Bloomberg Emerging Markets (CAD)	7.3	(14.8)	1.7	20.1	12.3	4.6	13.5	
iShares Core Canadian Universe Bond ETF	6.6	(11.8)	(2.6)	8.6	6.8	1.2	6.5	
Fund Benchmarks								
S&P/TSX Venture	(3.0)	(39.3)	7.3	51.6	3.7	(0.2)	27.5	(10.3)
Resource Fund Custom Benchmark	(2.1)	12.0	19.8	6.0	19.0	10.6	24.4	5.1
Custom Cost of Living	(0.9)	10.5	16.7	0.7	1.9	5.6	5.5	2.5
International Custom Benchmark (CAD)	10.8	(11.5)	4.9	15.7	15.0	6.5	12.3	6.6

Source: Bloomberg Markets LP, Pathfinder Asset Management

* Please see Fund Fact sheets for inception dates

NORTH AMERICAN EQUITY & HIGH INCOME

This is the blue-chip part of your portfolio. It should generate long-run equity returns with less volatility.

PATHFINDER PARTNERS FUND

This fund invests in high-torque, early-stage companies that have the potential to generate superior returns.

PATHFINDER REAL FUND

This fund invests in assets exhibiting specific qualities that allow for growth beyond inflation.

PATHFINDER INTERNATIONAL FUND

This fund focuses on companies with revenue exposure to developed international & emerging markets.

PATHFINDER RESOURCE FUND

This fund is a concentrated portfolio comprised of natural resource companies.



FINANCIAL PLANNING 2024:

There is a significant amount of diligence, structure, discipline and care that goes into managing the different investment strategies we employ at Pathfinder. We firmly believe that allocation to the investment strategies should be based on a solid foundation, which is your personal financial plan. Pathfinder invests each of our portfolios with the goal of achieving a desired long-term rate of return with an acceptable level of volatility and risk. We believe that families should think about their personal financial goals in a similar way. As our clients know, we provide a regular quarterly update where we discuss both the portfolio and what we need to plan for in your financial life. We ask that you start to think about this over the coming weeks and have any questions or updates on your personal financial situation ready for our discussion.

There are a few important financial dates coming up that we would like to keep you abreast of:

January 1st, 2024: Additional Tax-Free Savings Account (TFSA) Contribution Room of \$7,000

As our clients will note, in January of each year, we allocate the maximum allowable contribution from non-registered accounts (if available) to the TFSA. If you are a client and don't have any funds in your non-registered investment account with Pathfinder, and would like to make a TFSA contribution, we will be in touch to arrange this. The TFSA was formally introduced in the 2008 federal budget. Fortunately, unused TFSA contribution room can be carried forward to future years so that starting on January 1st, 2024, the cumulative limit for someone who has never contributed could be as high as \$95,000. In other words, if you were at least 18 years of age in 2009, a resident of Canada throughout that period and have never opened a TFSA before, you could contribute the entire \$95,000 to your TFSA as of Jan. 1.

March 1st, 2024: RRSP Deadline

If you want to lower your 2022 tax bill through a registered retirement savings plan (RRSP), you must make your contribution before midnight, March 1. The limit is 18% of the previous year's income up to a maximum of \$30,780. Any unused contributions from previous years can be used in future years (including 2022). Contributions can be deducted from taxable income and grow tax free through investments until they are fully taxed when you withdraw the funds in retirement. We will be in touch to confirm RRSP contribution room and arrange contributions if appropriate.

April 30th, 2024: Personal Income Tax Filing Deadline

It may seem like a long way off but the deadline to file your 2022 income tax is April 30. It might be a good idea to gather and isolate relevant receipts and documents this week before they get mixed up with 2023 receipts and documents. Employers are required to send T4 slips with most of the tax information needed to file by March 1. A good tax plan will leave more of your tax dollars to compound as investments. To our clients: we will be in touch closer to the date, to confirm you are still using the same accountant and will arrange sending your tax package directly to them.

We will be in regular contact throughout the year but would also like to encourage all clients and readers to reach out to us any time with any financial concerns or questions.



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Sources: Bloomberg, Pathfinder Asset Management Limited

Disclosure

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are insiders of companies periodically mentioned in this report. Please visit www.paml.ca for full disclosures.

Changes in Leverage. We are increasing the asset ceiling to 2.0 times the market value of equity for [Pathfinder International Fund](#) and [Pathfinder Real Fund](#) to be consistent with [Pathfinder Partners' Fund](#) and [Pathfinder Resource Fund](#).

For more information, please follow the links above to review the fund term sheets.

*All returns are time weighted and net of investment management fees. Performance returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the masters series of each fund. The Pathfinder North American Equity Portfolio and the Pathfinder North American High Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April, 2013), and Pathfinder International Fund (November 2014) and Pathfinder Resource Fund (May 2018)..

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