

Real Fund

Semi-Annual

DECEMBER 31, 2022

2022 年 12 月 31 日

The Real Fund invests in assets exhibiting specific qualities that allow for long-term growth beyond inflation.

Real Fund 投资于表现出特定品质的资产，这些资产能够实现超越通货膨胀的长期增长。

PERFORMANCE

表现

The Real Fund had a net return of -6.5% in 2022. Inflation was 10.4% as measured by our custom cost of living index and 6.5% as measured by the Canadian Consumer Price Index (CPI).

Real Fund 在 2022 年实现了 -6.5% 的净回报率。通货膨胀率按我们自己的生活成本消费指数和加拿大消费者物价指数 (CPI) 计算分别为 10.4% 和 6.5%。

Performance	December 31, 2022							
						Annualized		
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>5 Yr</u>	<u>7 Yr</u>	<u>Incpt*</u>
Pathfinder Real Fund	-6.5%	20.7%	6.5%	15.3%	-4.8%	5.7%	7.3%	6.4%
<u>Inflation Measures</u>								
Custom Cost of Living Index*	10.4%	16.7%	0.7%	1.9%	-1.2%	5.5%	4.4%	4.1%
CPI	6.5%	4.8%	0.7%	2.2%	2.0%	3.2%	2.8%	2.3%

Source: Bloomberg Markets LP, Pathfinder Asset Management

In 2022, we saw structurally higher inflation drive structurally higher interest rates and structurally lower asset valuations. It was the worst year ever for aggregate asset performance with equities, fixed income, real estate, and digital assets incurring double-digit percent losses.



2022 年，我们见证了结构性的高通货膨胀推动了结构性的高利率和结构性的低资产估值。这是总体资产表现最差的一年：股票、固定收益、房地产和数字资产的损失达到了两位数。

The Real Fund was not immune to the global decline in asset prices, and we view our 2022 return under two perspectives. On one hand, we had a negative return that was well behind inflation. On the other hand, our return could be viewed favourably relative to global asset performance. The fundamentals of our portfolio companies remained strong, our biggest weights reported strong earnings and were rewarded with share price appreciation. This cushioned the significant valuation headwind that arose from the shift to much higher interest rates.

在这场资产价格的全球下跌中，Real Fund 也未能幸免，我们从两个角度看待 2022 年的回报率。一方面，我们的回报为负，远远落后于通货膨胀。另一方面，我们的回报率比全球资产表现要好。我们投资组合公司的基本面依然强劲，我们权重最大的公司报告了强劲的收益，并从股价上涨中获益。这缓冲了由于利率大幅度上升而产生的重大估值下跌。

Higher interest rates actually benefit savers and investors IF you can survive the time frame when they go up. We survived a great valuation reset last year and believe we can capitalize on higher prospective returns across asset classes moving forward. Think when was the last time we could earn >4% from just a treasury bond?

更高的利率实际上对储户和投资者有利，**前提是**你能在利率上升的时期内生存下来。我们得以从去年估值的大幅调整中存活，相信未来我们能从各个资产类别更高的预期回报中获益。想想看，上一次我们购买国债的收益率达到 4% 是什么时候？

ASSET ALLOCATION

资产配置

COMPANIES: 94% WEIGHT

公司：94% 权重

Our portfolio remains concentrated in quality businesses. Below, we highlight our two largest investments and the investment that declined the most last year.

我们的投资组合仍然集中在优质企业。下面，我们将重点介绍我们两项盈利最高的投资和去年跌幅最大的投资。

- **Guardian Capital Group Ltd. (+14% in 2022)** is a diversified financial services firm. Last year, Guardian announced the sale of its insurance network business and its mutual fund dealer business for \$600 million and \$150 million respectively. These businesses account for just 30% of Guardian's overall assets under management yet the company is selling them for more than double the market ascribed value to all of Guardian's businesses (in terms of enterprise value). We view this as a major win for shareholders. We



have owned Guardian since 2014 and made it our largest investment in 2018 when we saw compelling value in the shares.

Guardian Capital Group Ltd. (2022 年上涨 14%) 是一家多元化的金融服务公司。去年，Guardian 宣布以 6 亿美元和 1.5 亿美元分别出售其保险网络业务和共同基金经销业务。这些业务仅占 Guardian 旗下资产管理总规模的 30%，但 Guardian 出售这些业务的价格是该公司所有业务市场价值（以企业价值计算）的两倍多。我们将其视为股东的重大胜利。我们自 2014 年以来一直持有 Guardian，并在 2018 年我们看到该公司股票的巨大价值时将其变成了我们持有最大的投资。

- **Stella-Jones Inc. (+23% in 2022)** produces rail-ties, utility poles, and residential wood structures in North America. In 2021, there was significant volatility in lumber prices which drove accounting-based volatility in Stella's margins. Shares fell during that time, but our analysis was that there was no change to the structural earnings power of the business. As a result, we added to our investment, making Stella our second largest holding. In 2022, Stella reported strong results, putting to rest questions on its earnings power. Shares re-rated higher but we continue to see good value in them.

Stella-Jones Inc. (2022 年上涨 23%) 在北美生产铁路、电线杆和住宅木结构。2021 年，木材价格大幅波动，导致 Stella 的利润率出现会计层面的波动。在此期间，股价下跌，但我们的分析是，公司的结构性盈利能力没有变化。因此，我们增加了对它的投资，使 Stella 成为我们的第二大持股。2022 年，Stella 公布了强劲的业绩，打消了人们对其盈利能力的质疑。股票重新获得更高的评级，但我们继续看到它们的良好价值。

- **AutoCanada Inc. (-45% in 2022)** is a multi-brand automotive dealership group in Canada and our worst performing investment in 2022. Shares traded lower on concerns that higher interest rates will drive lower auto sales. This is a valid concern, but the current share price may not be reflecting significant positive strides ACQ has made in repair/service, finance/insurance, market competitiveness, recurring revenue, and profitability. While we expect deterioration in 2023 earnings, we think it will be less than what is factored into the share price. This is a view shared by the company given the fact they recently bought-back 15% of their shares outstanding. We recently added to our ACQ investment.

AutoCanada Inc. (2022 年下跌 45%) 是加拿大一家多品牌汽车经销集团，也是我们 2022 年表现最差的投资。由于投资者担心利率上升将导致汽车销量下降，股价下跌。这是合理的担忧，但目前的股价可能没有反映出 ACQ 在维修/服务、金融/保险、市场竞争力、经常性收入和盈利能力方面取得的重大积极进展。虽然我们预计 2023 年的收益会恶化，但我们认为其恶化程度将小于股价所反映的情况。考虑到该公司最近回购了 15% 的流通股，不难看出他们与我们持同样的观点。我们最近增加了对 ACQ 的投资。

HARD ASSETS: 1% COMMODITIES + 5% REAL ESTATE

硬资产：1% 大宗商品 + 5% 房地产

Commodities were the only sector to appreciate in 2022 and we didn't have a meaningful position in resources. We did have a position in natural gas which we exited in October, realizing meaningful gains since our March 2020 initiation. Commodities are difficult to predict, and we typically choose to allocate capital to ideas we have higher conviction in.



大宗商品是 2022 年唯一增值的板块，而我们在资源领域并未有大规模的持股。我们的确曾持有天然气公司的股票，后于去年 10 月份退股，该股自我们 2020 年 3 月持有以来实现了显著的收益。大宗商品难以预测，因此我们通常将资本分配给我们较为有信心的投资。

CURRENCIES/CREDIT: 0%

货币/信贷：0%

After digital assets, long duration fixed income was the worst performing asset class last year. We have avoided fixed income since the inception of the fund but after the recent price collapse, we are beginning to see value.

除了数字资产，长期固定收益是去年表现最差的资产类别。自基金成立以来，我们一直避开固定收益产品，但在最近的价格暴跌之后，我们开始看到它的价值。

INVESTMENT OUTLOOK

投资展望

A NEW INVESTMENT ERA

投资新时代

We are changing our outlook for the first time in a decade. We can no longer write that we are in an era of ultra-low interest rates and that there is risk to asset prices if we exit that era. It happened and the investment environment today is very different. Howard Marks from Oaktree Capital recently highlighted that we are likely amid a sea change, just the third sea change he has seen in his 53-year career. He describes the sea change as follows:

十年来，我们对未来的看法第一次发生了转变。我们不能再说，我们正处于一个超低利率时代，如果我们离开那样的时代，资产价格就会面临风险。这种情况发生了，并且如今的投资环境已大不相同。来自 Oaktree Capital 的 Howard Marks 最近强调，我们很可能正处于一场巨变之中，这是他 53 年的职业生涯中看到的第三次巨变。他是这样描述此次巨变的：



Sea Change

December 31, 2022

	<u>2009 to 2021</u>	<u>Today</u>
Fed Behaviour	Highly Stimulative	Tightening
Inflation	Dormant	40-Year High
Economic Outlook	Positive	Recession Likely
Likelihood of distress	Minimal	Rising
Mood	Optimistic	Guarded
Buyers	Eager	Hesitant
Holders	Complacent	Uncertain
Key Worry	FOMO	Investment Losses
Risk Aversion	Absent	Rising
Credit Window	Wide Open	Constricted
Financing	Plentiful	Scarce
Interest Rates	Lowest Ever	More Normal
Yield Spreads	Modest	Normal
Prospective Returns	Lowest Ever	More than Ample

Source: Oaktree Capital Management

These are drastic changes in economic conditions, monetary policy, and investor psychology. The combination of which could shape a new structural era in investing. What could it look like? Below we present some possibilities:

这些是经济状况、货币政策和投资者心理的剧烈变化。这些因素加在一起，可能会塑造一个新的结构性投资时代。它会是怎样的呢？以下是一些可能性：

- 1) **Inflation and interest rates:** The direction of inflation and interest rates will be the most dominant factor in shaping the new era. We don't know where they will go but we do know that inflation and interest rates are at 40- and 12-year highs respectively. Also, some of the conditions that were conducive to low inflation and interest rates over the last 40-years are reversing (deglobalization, lower ratio of workers to retirees).
通货膨胀和利率：通货膨胀和利率的走向，将是塑造新时代的最主要因素。我们不知道它们未来的走向如何，但我们知道的是，通货膨胀和利率分别处于 40 年和 12 年来的高点。此外，过去 40 年中与低通货膨胀和低利率所挂勾的一些条件正在逆转（去全球化、劳动者相对于退休人员的比例降低）。
- 2) **Active management and bargain hunting:** conditions today are more constructive bargain hunting and less constructive structural up-trending markets. The prior era of up-trending markets drove the birth of passive investing: own everything and not knowing what you own. We believe the new era will emphasize active investing: own individual bargains that you know well.
积极管理和逢低买入：目前的状况是更具建设性的逢低买入，以及不太具有建设性的结构性上升市场。前一个呈上升趋势的时代催生了被动投资：拥有一切，但对自己具体拥有的投资并不了解。我们相信新时代将突显主动投资的重要性：持有你熟悉的投资产品。
- 3) **Saving over borrowing:** The prior era greatly benefitted borrowers to the detriment of savers. Low and declining interest rates decrease the cost of borrowing and penalize the reward of saving. Borrowers were



in paradise the last 40 years and especially the last 12 years; the future could be brighter for savers. As mentioned earlier, think when was the last time we could earn >4% from just a treasury bond?

储蓄超越借贷：上一个时代对借款人可谓极大利好，同时损害了储户的利益。低利率（并且在不断下降）降低了借贷成本，损害了储蓄的回报。过去的 40 年的借贷政策之优厚，借款人如置身天堂，尤其是过去的 12 年；而未来，储户的前景可能会更加光明。正如之前提到的，上一次我们购买国债的收益率达到 4% 是什么时候？

- 4) **Education and Real Estate:** The prior era greatly rewarded the assets we borrowed money to buy. Specifically, we took on significant student loans and mortgages to purchase educations and homes. Is it a surprise that college tuitions and housing saw the most inflation during this time? Could that reverse in a new era? Prior to the 40-year declining interest rate era, student loans and mortgages were not prevalent.

教育和房地产：在上一个时代，我们借钱购买的资产得到了极大的回报。具体来说，我们申请了大量的学生贷款和抵押贷款，以购买教育和住房。在这段时间里，大学学费和住房价格的通货膨胀幅度最大，这令人惊讶吗？这种情况会在新的时代发生逆转吗？在为期 40 年的利率下降时代之前，学生贷款和抵押贷款并不普遍。

Over short time frames, we see many economic cycles, asset bubbles and bursts but changes in eras happen rarely. A sea change is of utmost significance, as Warren Buffet stresses “only when the tide goes out do we find out who’s been swimming naked”. Many investment strategies that worked in the prior era could be exposed in the next; in fact, this was already happening in 2022. Also, new strategies could emerge as leaders. We believe the environment could be favourable to our strategy of fundamental conviction and concentration.

在短时间内，我们看到许多经济周期、资产泡沫和破裂，但跨时代的巨变很少发生。巨变至关重要，正如沃伦·巴菲特所强调的那样，“只有当退潮后，我们才能发现谁在裸泳”。许多在前一个时代有效的投资策略，可能在下一个时代并不适用；事实上，这在 2022 年已经在发生了。此外，新的策略可能会涌现成为主流。我们认为该环境可能有利于我们的基于基本面和集中投资的策略。

FINAL REMARKS

结语

In behavioral economics, recency bias is the tendency for people to overweight recent events without considering the objective probabilities of those events over the long run. In this regard, I was recently asked “when will interest rates return to normal?”. The questioner’s reference to normal was the last 12 years: a benchmark interest rate of 0% with mortgage rates between 1.5% and 3.5%. It is important to highlight that, under objective probabilities, the last 12 years WAS NOT NORMAL. It is closer to a major outlier than normality.

在行为经济学中，近因偏差是指人们倾向于过度关注近期事件，而不考虑这些事件在长期内的客观概率。在这方面，最近有人问我：“利率何时才能回归正常？”提问者所说的“正常”指的是过去 12 年：基准利率为 0%，抵押贷款利率在 1.5% 到 3.5% 之间。重要的是要强调，在客观概率下，过去 12 年**并不正常**。它更接近于一个主要的异常值，而不是正常值。



Last year was likely a return to more normal conditions. As we wrote in our outlook, we don't know where interest rates go from here but many of the conditions that were conducive to low inflation and interest rates are reversing. I'd be shocked if the next 12 and 40 years looked like the prior, please keep that in mind when making decisions.

去年的情况则可能是回归到更为正常环境的表现。正如我们在展望中所写的那样，我们不知道利率将向何方向发展，但许多与低通货膨胀和低利率所挂勾的条件正在逆转。如果未来的 12 年和 40 年看上去和过去的阶段一样，我会感到震惊，请在做决定时记住这一点。

Thank-you for investing.

感谢您的投资。

Christian Anthony, CFA | Portfolio Manager

Christian Anthony，特许金融分析师 | 投资组合经理

“At all times, in all markets, in all parts of the world, the tiniest change in rates changes the value of every financial asset.” – Warren Buffett

“在任何时候、任何市场，在世界任何地方，利率的最微小变化都会改变每项金融资产的价值。” —— 沃伦·巴菲特

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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 an insider of companies periodically mentioned in this report. Please visit www.paml.ca for full disclosures.

*All returns are time weighted and net of fees. Performance returns from the Real Fund are presented based on the Class C Master series. Inception and 2013 returns include the 10 months from inception in March 2013. Returns greater than one year are annualized. The custom cost of living and CPI provide general information and should not be interpreted as a benchmark for your own portfolio return. The custom cost of living represents an equally weighted (at inception) basket of Teranet-National Bank National Composite House Price Index™, UBS E-TRACS CMCI Food Total Return ETN ETF (FUD:NYSE), United States Gasoline ETF (UGA:NYSE) and Canadian import prices from Statistics Canada in Canadian dollars. We created the custom cost of living index to give investors another way to measure their cost of living. It has some differences versus CPI; for example, CPI measures shelter costs as the cost of renting a home versus the custom index which measures it as at the cost of purchasing a home. A bachelor may view renting as an accurate gauge of shelter costs. On the other hand, a mother and father who want to raise their family under the security of the same roof without the risk of forced relocation likely views home ownership as a more accurate gauge of shelter costs.

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](#).

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