VALUE CONTRARIAN
ASSET MANAGEMENT

2022

Full Disclosure

Over the coming years, we want to advise investors that the Value Contrarian Fund may be more volatile than has been the case in the past. Here is our reasoning:

1) When your Fund is fully invested, we are subject to the full volatility of the financial markets. As we don't short stocks, cash is often the simplest, risk-free instrument to blunt stock market volatility.

2) Berkshire Hathaway, Warren Buffett's investment vehicle, represents approximately 20% of your fund's assets. We view this as a strong investment in all market conditions. Nonetheless, there will be years (like 2019 & 2020) where Berkshire underperforms the market and will impede your Fund's returns.

3) A rising Canadian dollar and a weakening US dollar will also affect your Funds results, due to our significant U.S. holdings. Presently, the Canadian dollar is approximately 0.78¢. However, if over the coming years it rose to .85¢ or .89¢, this would add a stiff headwind to your fund's net results. Predicting currency moves is about as easy as predicting the weather this time next year. Good Luck!

Benjamin Horwood

Bank of Commerce Centre
1155 boul. René Lévesque W., Suite 2500
Montréal, Québec
H3B 2K4, Canada

Tél. : +1.514.398.0808
Fax : +1.514.398.9602
info@valuecontrarian.com
www.valuecontrarian.com

2022 First Quarter
Value Contrarian Equity Fund

Dear Partners,

If it walks like a Bear, smells like a Bear, and growls like a Bear, then most likely it is the start of a Bear Market cycle.
[March 2009 – January 2022 trough to peak bull cycle S&P 500 / Dow]

Ben Horwood
Value Contrarian Fund
April 25, 2022

High inflation remains the primary economic risk;
it erodes spending power and invites the Fed to tighten
[raise interest rates].

Gwynn Guilford
Wall Street Journal
April 11, 2022

Going forward, the Feds playbook will likely be very different than over the past thirty years. Now, the Feds priority will be to vanquish inflation through rate hikes, as opposed to rescuing a falling stock market /economy by lowering rates [the old playbook].

Benjamin Horwood
Value Contrarian Fund Manager
April 21, 2022

What a difference six months make!

With rapidly rising short term interest rates (& war in Ukraine), cash is no longer considered trash! Moreover, F.O.M.O. (Fear of Missing Out) and T.I.N.A. (There Is No Alternative to Stocks) are now being relegated to the history garbage bin. Simply stated, juicier fixed income returns are now being viewed as credible investment alternatives. That "sucking sound" can now be heard from investors exiting the equity markets into GIC's.

We are in a new transition period. At its core, the conundrum (dilemma) Central Banks face, is quite simple. The question remains, how does one sufficiently cool the economy in order to bring down inflation, without tipping the economy into a deep recession? In other words, how does the Fed orchestrate just the right amount of interest rate hikes to engineer a "soft" economic landing. Easier said than done when it comes to taming inflation.

Joseph Amato, chief investment officer for equities at Neuberger Berman clearly understands that: "When the Fed pushes the brakes, someone goes through the windshield." One need look no further than the plunge in the stock price of Shopify, Paypal, Netflix, Zoom, or Chinese internet stocks. Just a few names amongst the many recent "tech wreck" victims.

At the end of the day, let's be honest here, the Feds task of engineering a "soft landing" without serious collateral damage is not a foregone conclusion.

First Quarter Performance

> **We are in the midst of an opportunity rich environment for Pershing Square due to the dramatic shift in Federal Reserve policy, the highly inflationary environment, geopolitical uncertainty, and the resulting high degree of security price volatility.**
>
> **Bill Ackman – Letter to Investors**
> **Investment Manager**
> **Pershing SQ Holdings**
> **April 20, 2022**

> **No one expects that bringing about a soft landing will be straightforward in the current context – very little is straightforward in the current context.**
>
> **US Fed Chairman**
> **Jerome Powell**
> **April 2022**

Your Fund ended the first quarter with a net asset value of $4,295.77 per unit, an increase of $92.06 from the December 31st, 2021, net asset value of $4,203.71 per unit (after distribution). **Year to date, your Fund returned: +2.2%.**

In a recent note to his Pershing SQ shareholders, Mr. Ackman humbly states: "One of our learnings from past mistakes is to act promptly (ie: sell, sell, sell) when we discover new information about an investment that is inconsistent with our original thesis."

In short, this past January, Mr. Ackman made a poor ($1.1 billion) bet on Netflix. Specifically, he quickly lost confidence in his ability to predict the "company's future prospects with a sufficient degree of certainty".

In just three months, the Pershing Square Fund (+$10 billion in assets), lost over $400 million on its Netflix investment. This drove year-to-date Pershing Square returns into negative territory.

Nonetheless, I give Ackman credit for promptly admitting to his Netflix mistake and exiting the investment within 24 hours. Painful, but necessary medicine.

The broad index's (DOW/S&P 500) peaked in January 2022. While the NASDAQ Index (QQQ) peaked in November 2021. Simply stated, most bear markets don't progress from peak to trough in 3-6 months. The 2-month [peak to trough] pandemic bear market of February/March 2020 was one of history's shortest selloffs, and certainly not the norm.

Seasoned investors understand that bear markets take time to unfold. Bear markets grind investors down slowly, over a period of 12, 18, or 36 months. In 1973, for example, the Dow peaked in January, the Arab/Israeli war broke out in October 1973, but the market only bottomed a year later, in October 1974 (21 months). Here is a more recent example: The S&P 500 peaked in March 2000, the 9/11 attacks occurred in September 2001, but the market bottomed in November 2002 (2 years and 8 months).

Just the other week I received the following email from a novice investor: "Hello Benny – I'd like some advice on some stocks worth to buy." This individual then provided an accompanying list of 32 potential stock investments I was to review. Requests like this are simply not received near bear market bottoms! Rather, this is a request piggybacking off the "sugar high" memories of the recent bull market.

What we are witnessing today, and over the coming year, is the unwinding of the pandemic's "easy money" Fed policies. Ultra low interest rates over the past two years have inflated valuations across financial markets.

Unfortunately, the "momentum" investing crowd who flocked to the pandemic stock market "high flyers", are in for a rude shock during this next stage of the market cycle. "Price paid" is where most retail investors stepped into trouble.

The first quarter saw your Fund manager pruning the portfolio with cyclical names we prefer not to be holding during a market downturn. As a result, our cash position is now +10%.

On the US side, we continue to add to our position in Verizon, a major US telecom name. Yielding 5% with growing earnings and a P/E ratio of under 10x – it fits our "value" criteria.

While on the Canadian side, we loaded up on Rogers Communications. A family feud and board room drama caused the stock to momentarily drop into the high fifties. Today, the stock is in the low seventies, recent earnings beat expectations, and the $25 billion dollar Shaw acquisition seems to be on track.

Opportunities arise in all market environments.

OUTLOOK

In our humble opinion, the investment pendulum has now swung from "maximum greed" to one that is headed to "maximum fear". But a wholesale change in investor sentiment will take time.

Benjamin Horwood
Value Contrarian Fund Manager
April 21, 2022

Just consider the list of bad-actor countries that the United States has used sanctions against for long periods of time. From Cuba to North Korea, Iran to Venezuela – not to mention Iraq before our 2003 invasion – the pattern is predictable: The people suffer, the regime endures. [Meaning, we're stuck with Putin for the long-term – barring health issues]

Ross Douthat
New York Times
April 3, 2022

Simply stated, inflation and geopolitical risks are on the rise, while asset valuations still remain high. Stocks are generally not fully pricing in a major recession.

Over the next 12-30 months, investors will be witnessing the unwinding of all the Central Banks easy money craziness (ie: ultra low interest rates & QE initiatives over the past two years).

As for the war in Ukraine, one thing is almost certain. Western sanctions are unlikely to deliver the Russian people from Putin's rule. Moreover, Ukrainian gains in the short term will result from battlefield success, with sanctions "playing only a supporting role".

As the above Ross Douthat quote clearly illustrates, "the people suffer, the regime endures".

In the meantime, the war in Ukraine adds further fuel to the inflationary fires already raging. The war amounts to a supply shock of oil, steel, wheat and other commodities. The crisis hits growth while raising inflation. It also means the end of the post cold war "peace dividend".

In conclusion, investors still seem a bit too complacent. They expect that the Fed will somehow quell inflation, without severe consequences to economic growth. But with numerous and aggressive Fed rate increases in the pipeline, combined with the winding down of quantitative easing (QE), a "benign" outcome becomes much more difficult to engineer.

Respectfully yours,

Benjamin D. Horwood
Portfolio Manager
Date: May 1st, 2022

Value Contrarian Equity Fund
Next Fund Purchase
Date: May 19, 2022
Call today: (514) 398 - 0808

P.S. Do visit us at our web site: **www.valuecontrarian.com**

**We're often asked: "When is the best time to invest in the Value Contrarian Fund?" Although there is no best time, since itis impossible to time the market, a preferable entry point is when the Fund has produced a month of negative returns or a year of underperformance. Unfortunately, human nature prefers the exact opposite.

Overall, long-term shareholders in the V/C Fund benefit from a sinking stock market, the same as a regular grocery shopperbenefits from declining food prices. So when stock markets plummet – as they will from time to time – "neither panic nor mourn". It's good buying news for your Fund.