JFT STRATEGIES FUND

Manager Commentary

AS OF JULY 31, 2025

CI GLOBAL ASSET MANAGEMENT

THE TWO WORLDS OF INDIFFERENCE

Many global investors seem to be indifferent about the price they pay for stocks as long as they're going up. They are also indifferent about the economic situation of the bottom half of our population. At best, they certainly don't seem to have noticed. For instance, McDonald's ($MCD) said this in its most recent quarter regarding the low-income consumer: "…overall QSR traffic in the US remained challenging as visits across the industry by **low-income consumers again declined by double-digits…**" Meanwhile, their reported same-store sales (SSS) was +2.5% for the same period. This is a material difference and a disconnect versus what the situation was for low-income consumers before the pandemic. It clearly shows that a sizeable portion of the bottom income earners are hurt. The economy is not working for them, particularly after the inflation we have seen post-pandemic. Another example is Chipotle ($CMG), which reported 25Q2 traffic results of -5% and then later on their call discussed similar trends of "the low-income consumer having pulled back…"

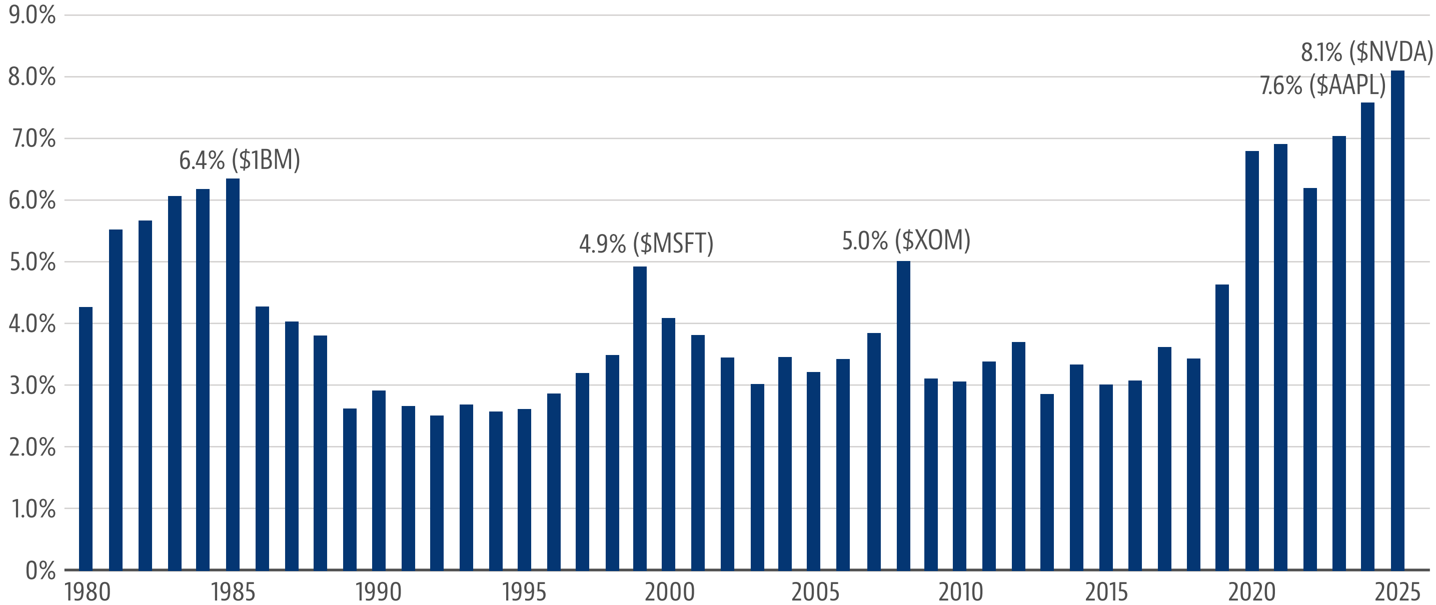
On the deficit front, the deficit grew 20% to $291 billion for the month of July despite collecting an increasing amount of tariff revenue. Interestingly, the revenue for July was up only 2%, which isn't a strong indication for the economy. For the first 10 months of the US fiscal year, the deficit was up 7% to $1.63 trillion. Clearly, we are on an unsustainable path, which has been met with total indifference for now.

Investors got all excited when the second quarter GDP number came out at 3%, but most don't seem to understand that the threat of tariffs incentivised businesses to import lots of inventories ahead of April tariffs. As imports are a deduction in the calculation of GDP, we saw GDP decline (-0.5%) for the first quarter. Averaging the rate of the first 6 months is probably a much better indication of what the economy is doing – which is roughly +1.25% annualized. Not much growth considering a large deficit continues to boost the GDP numbers. On its own, the huge amount of AI spending is saving the economic data for the time being. Without it, the economy might already be in a recession despite the high deficits, which isn't a nice combination.

But for how long will Meta, Microsoft, Google, xAI and others keep increasing spending? By the estimates of some, Meta is already spending more than it generates in cash flow as proven by the drop in cash on the balance sheet posted in first half of the year (link). Clearly, the spending is likely to peak, or at the very least, the growth should slow down, which will provide a smaller boost to the economy for 2026 or an outright negative impact if the spending begins to decrease.

As we have written, Nvidia ($NVDA) has seen multiple drawdowns of 50% and 75% in its stock over the years. Now, this stock alone represents 8% of the S&P 500 index. The risks to the overall market are much higher considering this is a cyclical company. Whenever the next significant drawdown happens, and it will happen, we might see a sharp and big downdraft as almost half of investor money is invested in passive strategies. When there is a reason to sell, the door won't be big enough, as we saw in August 2024 (Japan sell off) and April 2025. Most investors know that stocks (stocks that are part of indices) are expensive but continue to be indifferent (to be clear, we believe many smaller stocks are very cheap).

S&P 500: WEIGHTING OF TOP HOLDING (ANNUAL, 1980-2025)



Source: S&P Dow Jones (as of 8/6/2025). Charlie Bilello via X, Creative Planning.

US RESTAURANT RESULTS ARE UGLY, AND CANADIAN RESTAURANT RESULTS ARE GREAT.

WHAT COULD EXPLAIN THIS DIVERGENCE?

					Accelerating	
Canada results	24 Q1	24 Q2	24 Q3	24 Q4	25 Q1	25 Q2
Boston Pizza SSS (Canada only)	-1.0%	1.7%	-0.6%	3.4%	4.4%	6.4%
Pizza Pizza SSS (Canada only)	1.7%	-3.9%	-5.3%	-3.8%	1.2%	2.1%
Couche-Tard SSS (Canada only)	-1.2%	-3.4%	-3.9%	-1.5%	2.8%	3.5%
MTY Food SSS (Canada only)	-2.7%	-3.6%	-3.9%	-0.1%	-0.4%	1.4%
A&W SSS (Canada only)	0.6%	0.3%	-1.0%	-1.9%	0.4%	1.6%

					Slowdown / Negative	
US results	24 Q1	24 Q2	24 Q3	24 Q4	25 Q1	25 Q2
Cava SSS (US only)	2.3%	14.4%	18.1%	21.2%	10.8%	2.1%
Wingstop SSS (US only)	21.6%	28.7%	20.9%	10.1%	0.5%	-1.9%
Sweetgreens SSS (US only)	5.0%	9.0%	6.0%	4.0%	-3.1%	-7.6%
Chipotle SSS (US only)	7.0%	11.1%	6.0%	5.4%	-0.4%	-4.0%
Wendy's SSS (US only)	0.6%	0.6%	0.2%	4.1%	-2.8%	-3.6%
Jack in the box SSS (US only)	-2.5%	-2.2%	-2.1%	0.4%	-4.4%	-7.1%

We believe the "Buy Canada/Elbows Up" sentiment is causing this. However, we find the most plausible explanation for this divergence is the trend of both Canadians AND Europeans choosing to travel to Canada with the goal of avoiding the US. Commentaries from hospitality companies such as K-BRO Linen, who most recently on their 25Q2 earnings call helped to confirm this:

> Thank you for the question, Derek. Yes, we are seeing solid performance on the hospitality side of the business. I think being driven by **fewer trips to the US, by Canadians** as well as to your point, **increased European travel to Canada.** So we are definitely seeing that. And if anyone stayed in a hotel room in Canada, it's evidenced by room rates. But we're, we're feeling quite positive about volumes for Q3 on the hospitality segment.

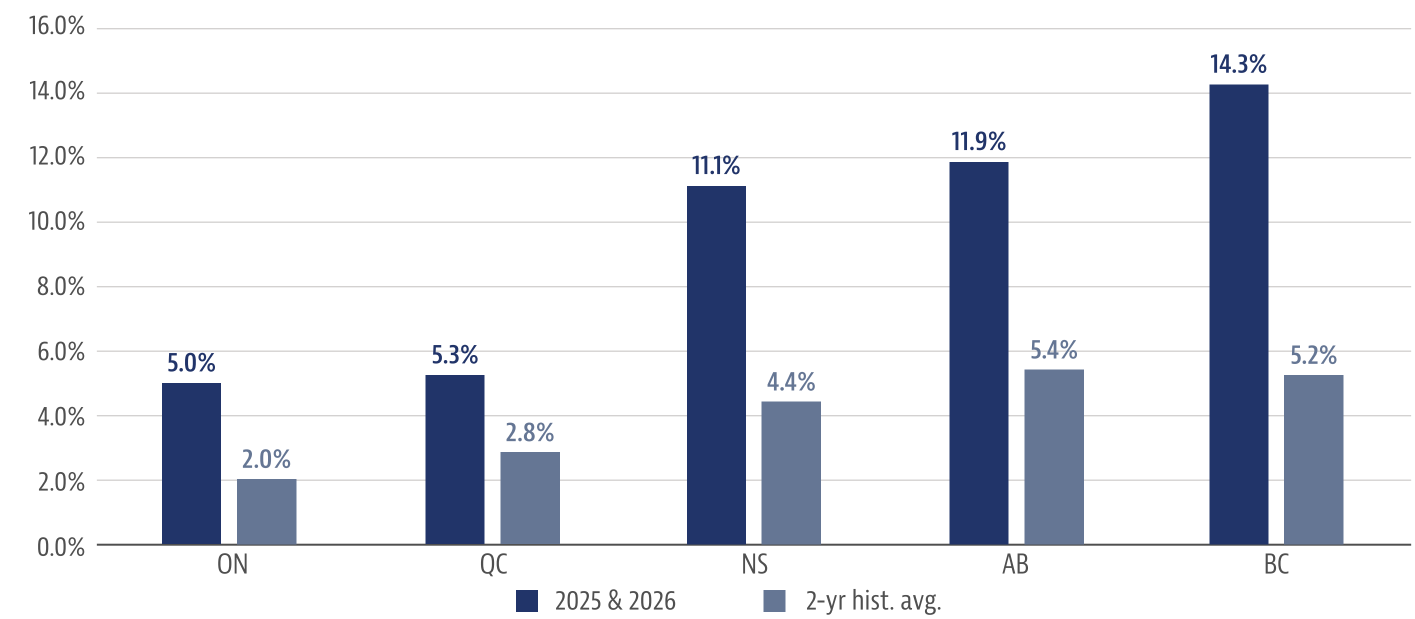
K-Bro Linen CEO, 25Q2 Earnings Call.

We have also heard similar feedback from companies such as BCE and Rogers Communications who have commented about revenue per user pressure from lower roaming fees year-over-year as Canadians travel less to the US. This tailwind to Canadian spending data is only temporary in our view. More importantly, in time, the trends in the US will likely normalize and therefore make the US restaurant industry an interesting hunting ground right now for investment opportunities.

CANADIAN MULTI-FAMILY REITS – WAITING FOR THE TURN

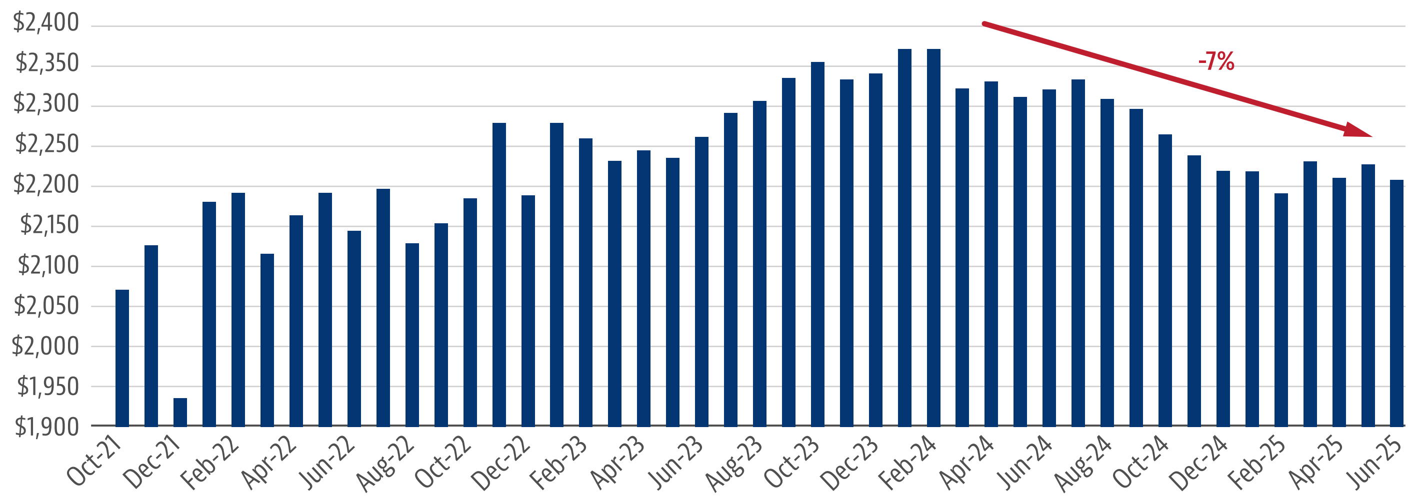
We recently saw a great chart from Canaccord talking about the large supply coming into the Canadian rental market, with 2025 and 2026 supply being almost double the 2023 and 2024 levels. We also have seen that Canadian average rents have been declining, likely a result of the double whammy of slower population growth and more supply. While we have been watching and waiting to get more aggressive on buying Canadian multi-family REITs, this data suggests potentially more weakness may be ahead.

FORECAST APARTMENT UNIT COMPLETIONS AS A PERCENTAGE OF TOTAL SUPPLY IN 2025 AND 2026 COMPARED TO THE HISTORICAL AVERAGE SINCE 2000



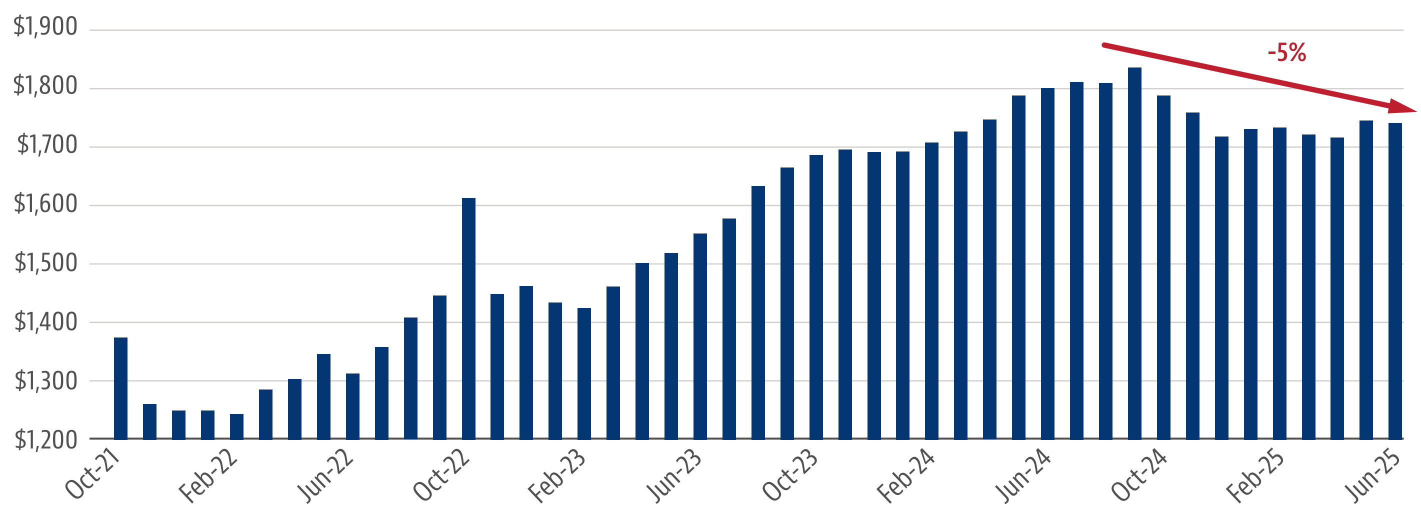
Source: CMHC, Canaccord Genuity estimates.

NATIONAL CONDOS AVERAGE RENT



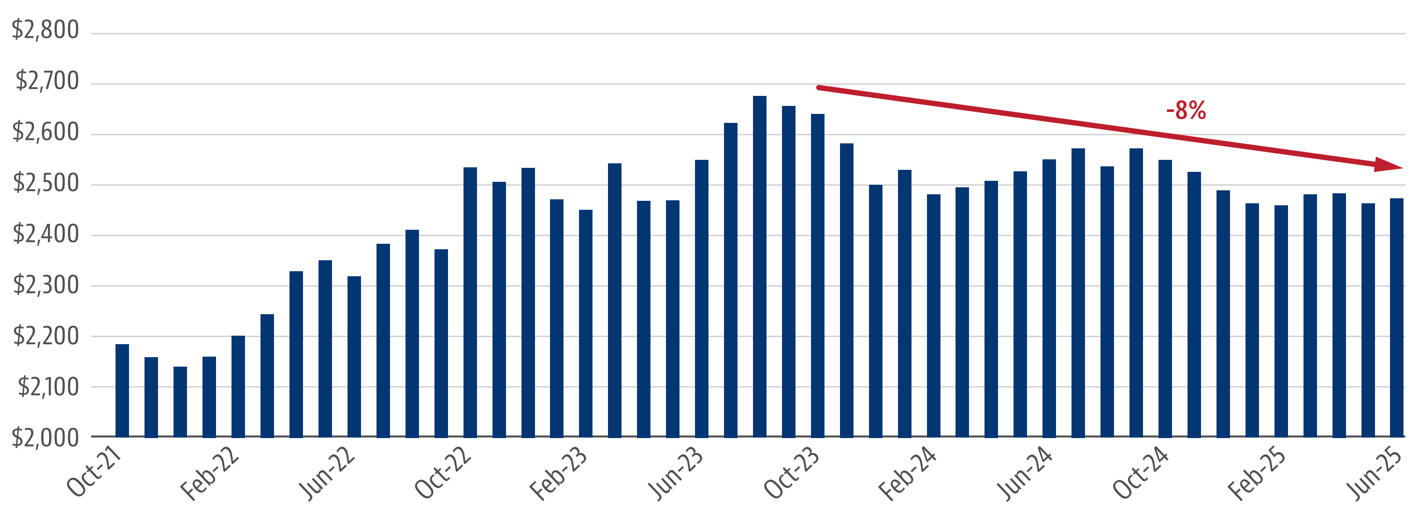
Source: rental.ca

ALBERTA AVERAGE RENT



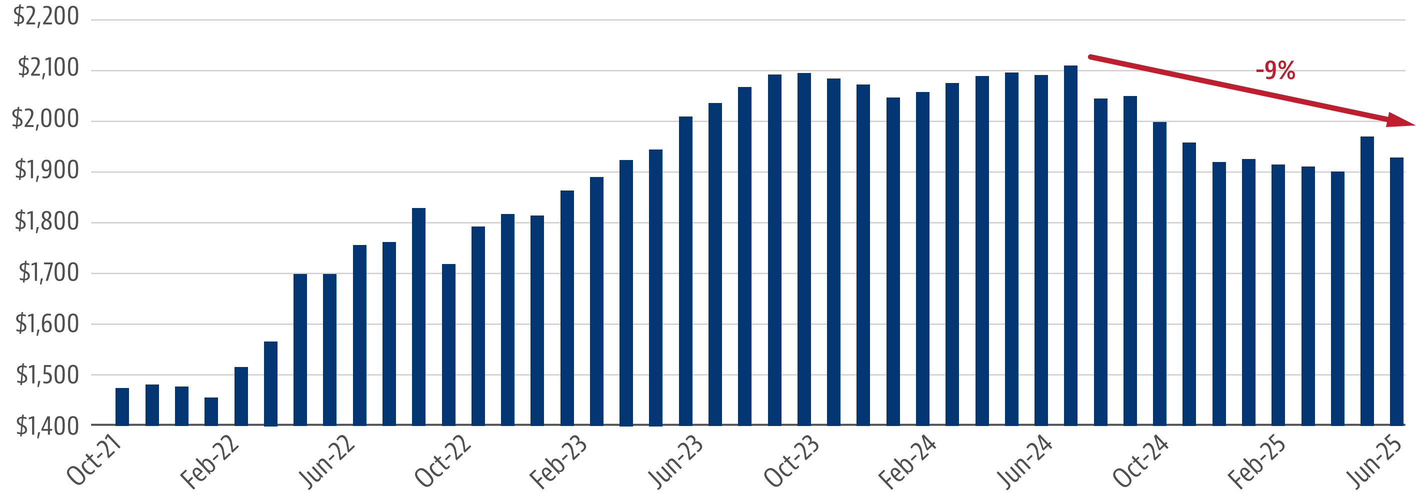
Source: rental.ca

BC AVERAGE RENT



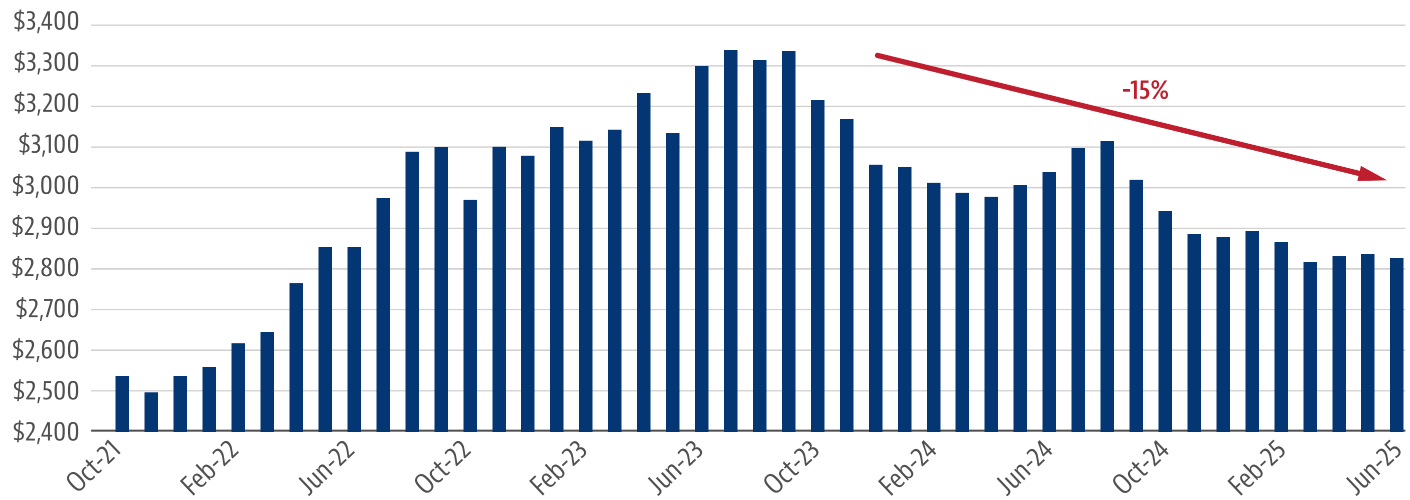
Source: rental.ca

CALGARY AVERAGE RENT



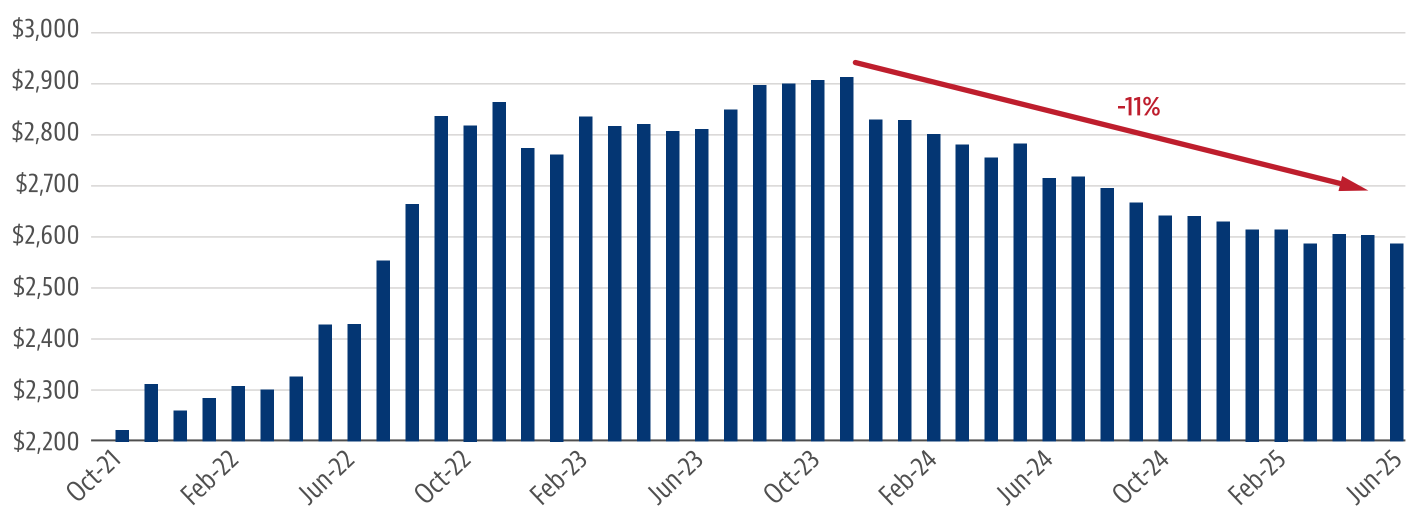
Source: rental.ca

VANCOUVER CONDOS AVERAGE RENT



Source: rental.ca

TORONTO CONDOS AVERAGE RENT



Source: rental.ca

PORTFOLIO POSITIONING

On the portfolio side, we own many positions which should provide us with very attractive long-term returns, we believe. As an example, Total Energy Services (TOT) just hit a multi-year high recently after posting a great quarter (sales & earnings up double-digits), but it still trades at only 5x P/E on a forward basis. Another one, Diversified Royalty (DIV), which has been in the portfolio for about 12 years, just hit a multi-year high and it pays us an 8% dividend.

On the other side of the portfolio, we are holding back on shorting in a bigger way, waiting for the right timing to increase those positions. We complement our portfolio's short positions with some extra hedging using put options, which have a limited loss but could provide a substantial gain if the market falls.

Jean-Francois Tardif

President & Portfolio Manager
Timelo Investment Management Inc.

For more information, please visit ci.com.

GLOSSARY OF TERMS

Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Drawdown: Measures the peak-to-trough decline of an investment or, in other words, the difference between the highest and lowest price over a given timeframe.

Volatility: Measures how much the price of a security, derivative, or index fluctuates. The most commonly used measure of volatility when it comes to investment funds is standard deviation.

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Published August 25, 2025.

25-08-1434350_E (08/25)