

**MARQUEST MUTUAL FUNDS INC.**  
EXPLORER SERIES FUND

MANAGEMENT REPORT OF  
FUND PERFORMANCE

Year ended December 31, 2014

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc. Explorer Series Fund (the "Fund"). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the "Manager") by calling 1-877-777-1541, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

*This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions, and the adoption of International Financial Reporting Standards. Such information has been included to assist readers with assessing recent developments in the Fund's operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management's current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management's beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund's investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. As a result, these forward looking statements would typically include words such as "anticipates, believes, intended or estimated". Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund's prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **Management Discussion of Fund Performance**

### **Investment Objectives and Strategies**

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#### *Investment Objectives*

To achieve long-term capital growth by investing in a diversified portfolio of primarily equity securities of attractive Canadian mining companies, as well as diversified international mining companies which include operations in Canada. The Fund was initially established to enable flow-through limited partnerships formed or acquired by Marquest Asset Management Inc. to complete tax-deferred rollover transactions.

#### *Investment Strategies*

The Fund, may employ some or all of the following strategies:

- analyze financial information to identify under-valued companies with high potential.
- review indicators to identify business cycle and commodity sector trends.
- apply qualitative analysis and management interviews to select investments with the best risk adjusted potential.
- overweight exposure to industry sectors that demonstrate strong potential without exposing the Fund to unreasonable risk.

### **Risks**

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There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund's prospectus available through our website at [www.marquest.ca](http://www.marquest.ca) or at SEDAR's website [www.sedar.com](http://www.sedar.com).

### **Results of Operations**

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#### *Net Asset Value (NAV)*

As at December 31, 2014 the Fund's total NAV was \$12,647,013, a decrease of 26.71% since the prior year end (December 2013: \$17,256,453). This change was primarily the result of net realized loss on sale of investment of \$6,233,353 partially offset by net change in unrealized appreciation in the value of investments of \$1,200,083 and net share subscription of \$1,406,490.

## ***Results of Operations (continued)***

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During the year, sales and redemptions were as follows: Series A Rollover \$27,287,448 and \$25,873,779 respectively (December 2013: \$20,442,650 and \$21,810,865); Series A Regular \$1,250 and \$8,429 respectively (December 2013: \$21,921 and \$8,467) and Series F \$0 and \$0 respectively (December 2013: \$52,641 and \$26,471). There have been no subscriptions of Series I shares of the Fund since the initial launch.

### ***Investment Portfolio***

2014 was a challenging year for the Canadian resource sector, particularly the small cap mining area. Slow growth in the global economy combined with a strong US dollar put considerable pressure on commodity prices. The resource indexes significantly underperformed the S&P/TSX Composite Index during the year, especially in the second half of the year.

During the period the Fund's Series A-Rollover, Series A-Regular and Series F shares generated returns of -31.33%, -31.33% and -31.34% respectively.

Major sectors held in the Fund during the year were Base Metals, Precious Metals and Oil and Gas representing 35.01%, 27.14% and 13.12% of the Fund respectively at year end. The Manager made progress in focusing the Fund holdings into selective companies during the year. At year end the top fifteen holdings represented 41.96% of the Fund. During the year the Manager raised significant cash positions as part of our strategy to manage the challenging environment for resource investing.

### ***Fees and Expenses***

The main expenses for each Series of the Fund consists of management fees, operating costs and other fund costs, as applicable, for each Class. Operating costs include audit, custodian, legal, reporting and independent review committee fees and other expenses. The management expense ratio (MER) is the Fund's total expenses expressed as a percentage of the average NAV of the Fund. MER will change with the increase or decrease of average NAV. The MER for the Fund's Series A Rollover, Series A Regular and Series F shares were 5.14% (December 2013: 5.44%), 5.07% (December 2013: 5.53%) and 3.98% (December 2013: 5.04%) respectively. Total expenses during the year excluding management fees were \$753,976 (December 2013: \$1,096,439), with the decrease being the result of a decrease in operating expense, legal fees, independent review committee fees, custodian fees and transaction costs of \$180,860, \$100,476, \$15,151, \$8,461 and \$54,411 respectively. These were partially offset by an increase in audit fees of \$16,896. During the year total expenses actually paid by the Fund were \$1,159,826.

## ***Recent Developments***

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Global economic growth in 2014 was relatively slow and highly uneven reflecting the divergent monetary policies throughout the world. The US had the strongest economy while Europe remained mired in slow growth. Emerging markets growth rates slowed particularly China where they tightened monetary policy early in the year. Later in the year Europe and China eased their monetary policies which gave hope for a reacceleration and broadening of global growth.

In the second half of the year investors migrated to US dollar investments attracted by relatively strong economic growth and high interest rates relative to other countries. As a result the US dollar rallied strongly. Declining interest rates particularly in Europe set the stage for competitive devaluation of currencies as a tool to accelerate economic growth. As the year drew to a close there were signs that global growth was beginning improve, particularly in Europe. As the year advanced the US economy showed good progress in employment gains and capital spending indicating that their economy was entering the later stages of the economic cycle. By year end the strong US dollar was showing signs that it was beginning to negatively impact US export markets and corporate earnings. The US dollar strength may be the transmission mechanism for a broadening of global growth in 2015.

The decline in commodity markets, particularly weak oil prices was challenging for the Canadian economy in 2014. The strong US dollar was a significant contributor to the weakness in commodities. As a result the S&P/TSX Index significantly underperformed the S&P 500 Index in 2014.

With the improving prospects for global growth and the US economy entering the latter stages of its economic cycle the outlook for the cyclical sectors may improve in 2015. This would be a positive for the Canadian economy and capital markets.

### ***International Financial Reporting Standards***

The changes that impact the Financial Statements and Management Report of Fund Performance for the period ended December 31, 2014 are as follows:

## ***Recent Developments (continued)***

### Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

### Exceptions that are mandated by IFRS 1 First-time adoption of International Reporting Standards

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

### Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities on transition to IFRS.

### Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For a detailed reconciliation of the line item changes as a result of the adoption of IFRS as at January 1, 2013 and December 31, 2013 please refer to Note 10 of the financial statements.

## ***Related Party Transactions***

The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$405,850 in management fees (including HST) was paid to the Manager.

The table below summarizes the rollover transaction into the Fund for the year ended December 31, 2014.

<b>Terminating fund</b>	<b>Merger Date</b>	<b>Continuing fund</b>	<b>Series</b>	<b>Net Assets Acquired</b>	<b>Shares Issued</b>	<b>Exchange ratio</b>
Marquest 2013 – 1 Mining SFT LP National Class	02/14/2014	Explorer Series Fund	A-Rollover	\$1,271,745	1,291,636	7.2425
Marquest 2013 – 1 Mining SFT LP Québec Class	02/14/2014	Explorer Series Fund	A-Rollover	\$3,824,777	3,884,600	7.7241
Marquest Mining Quebec 2013 - I SFT LP	04/21/2014	Explorer Series Fund	A-Rollover	\$1,161,178	1,290,055	74.056
Marquest Mineralfields 2012 SFT LP	04/21/2014	Explorer Series Fund	A-Rollover	\$7,797,303	8,662,707	44.7223
Marquest Mining 2013-I SFT LP	04/21/2014	Explorer Series Fund	A-Rollover	\$828,719	920,696	69.7497
Marquest Mineralfields B.C. 2012 SFT LP	04/21/2014	Explorer Series Fund	A-Rollover	\$1,162,448	1,291,466	48.0993
Marquest Mineralfields 2012-II SFT LP	04/21/2014	Explorer Series Fund	A-Rollover	\$407,408	452,626	51.7288
Marquest Mining B.C. 2013 SFT LP	05/23/2014	Explorer Series Fund	A-Rollover	\$1,255,060	1,451,944	75.2302
Marquest Mining 2013 – II SFT LP	10/24/2014	Explorer Series Fund	A-Rollover	\$2,691,638	4,103,802	88.3488
Marquest Mining Québec 2013 – II SFT LP	10/24/2014	Explorer Series Fund	A-Rollover	\$6,887,128	10,500,272	102.0534

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

<b>Marquest Mutual Funds Inc. - Explorer Series Fund (Series A-Rollover)*</b>					
<i>Net Assets per Unit (\$) <sup>(1)</sup></i>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>0.86</b>	<b>2.01</b>	<b>3.37</b>	<b>7.33</b>	<b>5.10</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.01	0.01	0.02	0.03	0.03
Total expenses	(0.05)	(0.07)	(0.14)	(0.24)	(0.24)
Realized gains (losses) for the year	(0.29)	(0.72)	(2.37)	(0.43)	0.98
Unrealized gains (losses) for the year	0.06	(0.32)	0.97	(3.36)	0.65
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.27)</b>	<b>(1.10)</b>	<b>(1.50)</b>	<b>(4.00)</b>	<b>1.42</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>0.59</b>	<b>0.86</b>	<b>1.94</b>	<b>3.37</b>	<b>7.33</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class A-Rollover units were first issued on January 15, 2005.

**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Explorer Series Fund (Series A-Regular)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>0.92</b>	<b>2.14</b>	<b>3.60</b>	<b>7.67</b>	<b>5.32</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.01	0.01	0.03	0.03	0.05
Total expenses	(0.06)	(0.08)	(0.19)	(0.29)	(0.37)
Realized gains (losses) for the year	(0.33)	(0.79)	(3.37)	(0.52)	1.49
Unrealized gains (losses) for the year	0.14	(0.31)	1.37	(4.12)	0.99
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.24)</b>	<b>(1.17)</b>	<b>(2.13)</b>	<b>(4.90)</b>	<b>2.15</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>0.63</b>	<b>0.92</b>	<b>2.07</b>	<b>3.60</b>	<b>7.67</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class A-Regular units were first issued on January 5, 2005

<b>Marquest Mutual Funds Inc. - Explorer Series Fund (Series F)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>0.79</b>	<b>1.82</b>	<b>3.02</b>	<b>6.49</b>	<b>4.51</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.01	0.01	0.02	0.02	0.04
Total expenses	(0.04)	(0.07)	(0.12)	(0.21)	(0.34)
Realized gains (losses) for the year	(0.28)	(0.75)	(2.00)	(0.37)	1.37
Unrealized gains (losses) for the year	0.07	(0.31)	0.81	(2.91)	0.91
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.24)</b>	<b>(1.13)</b>	<b>(1.26)</b>	<b>(3.47)</b>	<b>1.98</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>0.55</b>	<b>0.79</b>	<b>1.76</b>	<b>3.02</b>	<b>6.49</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class F units were first issued on November 27, 2007.

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>					
<b>Series A-Rollover*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 12,630	\$ 17,225	\$ 39,857	\$ 47,293	\$ 103,400
Number of units outstanding <sup>(1)</sup>	21,368,364	19,984,646	19,845,614	13,421,660	13,716,609
Management expense ratio <sup>(2)</sup>	5.14%	5.44%	3.80%	2.50%	0.10%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.14%	5.44%	4.79%	2.50%	0.10%
Trading expense ratio <sup>(3)</sup>	1.32%	1.15%	1.00%	2.10%	2.00%
Portfolio turnover rate <sup>(4)</sup>	176.96%	130.60%	108.70%	225.80%	234.70%
Net asset value per unit <sup>(1)</sup>	\$ 0.59	\$ 0.86	\$2.01	\$3.52	\$7.54
<b>Series A-Regular**</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 16	\$ 30	\$ 39	\$ 13	\$ 79
Number of units outstanding <sup>(1)</sup>	24,749	32,115	18,347	3,583	9,971
Management expense ratio <sup>(2)</sup>	5.07%	5.53%	4.30%	2.50%	6.10%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.07%	5.53%	5.58%	2.50%	6.10%
Trading expense ratio <sup>(3)</sup>	1.32%	1.18%	1.40%	2.40%	3.00%
Portfolio turnover rate <sup>(4)</sup>	176.96%	130.60%	108.70%	225.80%	234.70%
Net asset value per unit <sup>(1)</sup>	\$ 0.63	\$ 0.92	\$2.14	\$3.76	\$7.89
<b>Series F***</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 2	\$ 2	\$ 1	\$ 2	\$ 4
Number of units outstanding <sup>(1)</sup>	2,950	2,950	592	592	592
Management expense ratio <sup>(2)</sup>	3.98%	5.04%	2.60%	0.20%	5.50%
Management expense ratio before waivers or absorption <sup>(5)</sup>	3.98%	5.04%	3.49%	0.20%	5.50%
Trading expense ratio <sup>(3)</sup>	1.32%	1.43%	0.00%	0.00%	3.10%
Portfolio turnover rate <sup>(4)</sup>	176.96%	130.60%	108.70%	225.80%	234.70%
Net asset value per unit <sup>(1)</sup>	\$ 0.55	\$ 0.79	\$ 1.82	\$ 3.16	\$ 6.68

Notes:

(1) The information is provided as at December 31st of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

\*Series A-Rollover units were first issued on January 15, 2005.

\*\*Series A-Regular units were first issued on November 27, 2007

\*\*\*Series F units were first issued on November 27, 2007.

## Management and Performance Fees

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The Fund pays an annual management fee equal to 2.00% of the average total NAV of Series A Rollover and Series A Regular shares and 1.00% of the average total NAV of Series F shares to the Manager. Management fees for Series I shares will be negotiated directly with each investor. This fee is calculated daily and is based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis.

Of the management fees paid by the Fund to the Managers approximately 17.15% was used to pay for sales and trailer commissions and 82.85% was for investment advisory and portfolio management services.

There are no performance fees or incentive fees in the case of the Fund.

## Past Performance

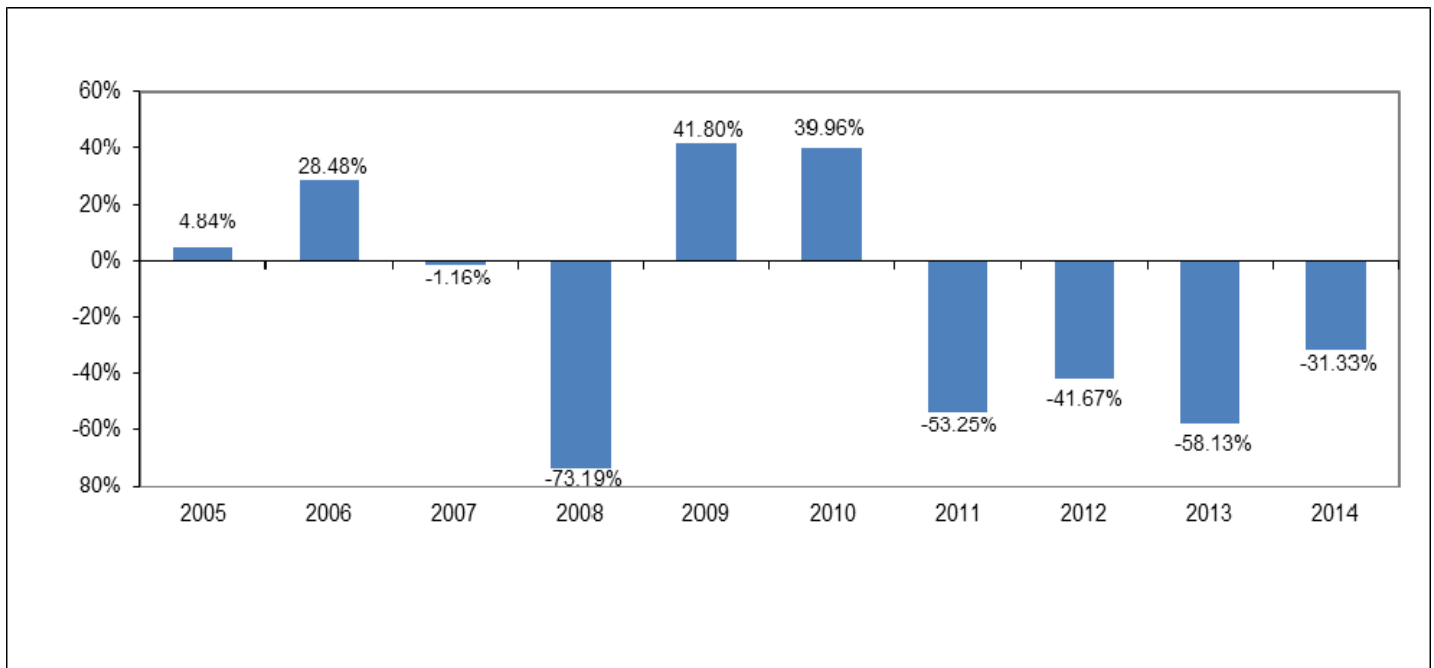
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The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between classes of units are mainly attributable to management fees charged to each class.

### Year-by-Year Returns

The following bar charts show the Fund's annual Series A Rollover, Series A Regular and Series F shares performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

#### Series A Rollover

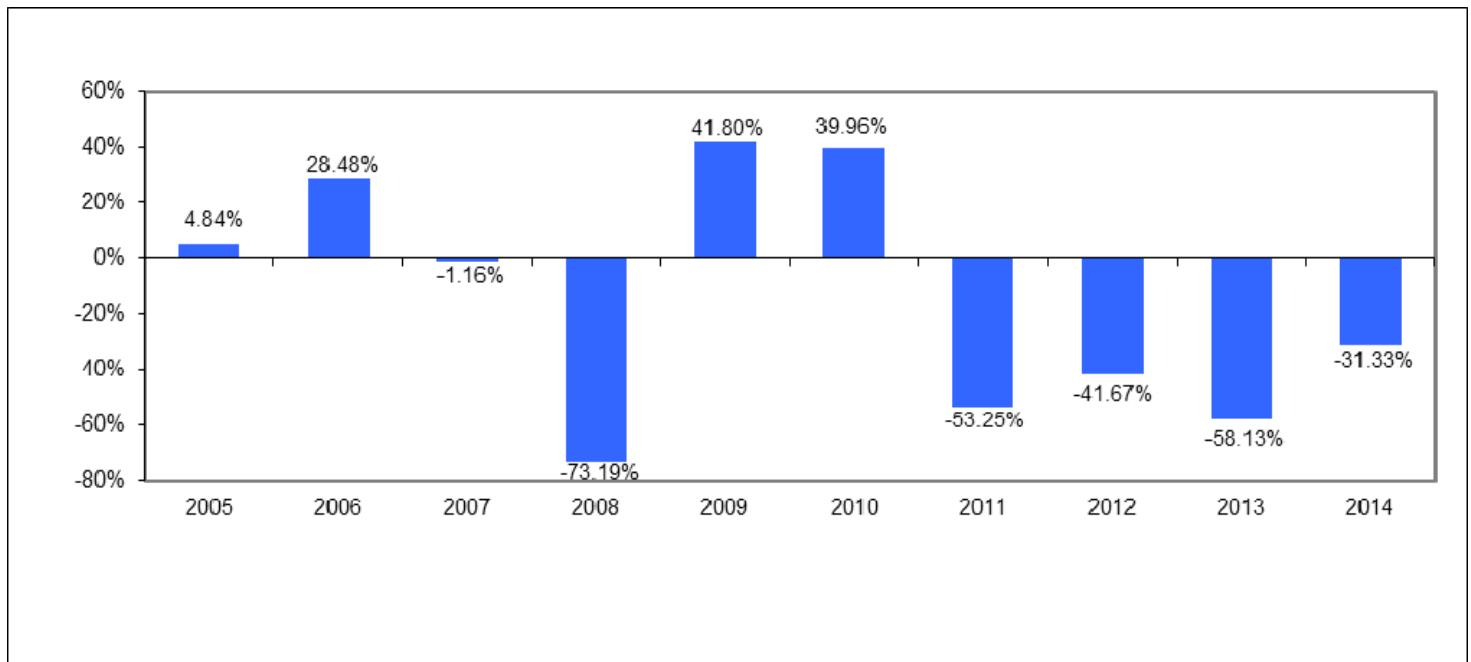


\*Inception date for Series A Rollover shares was January 5, 2005.



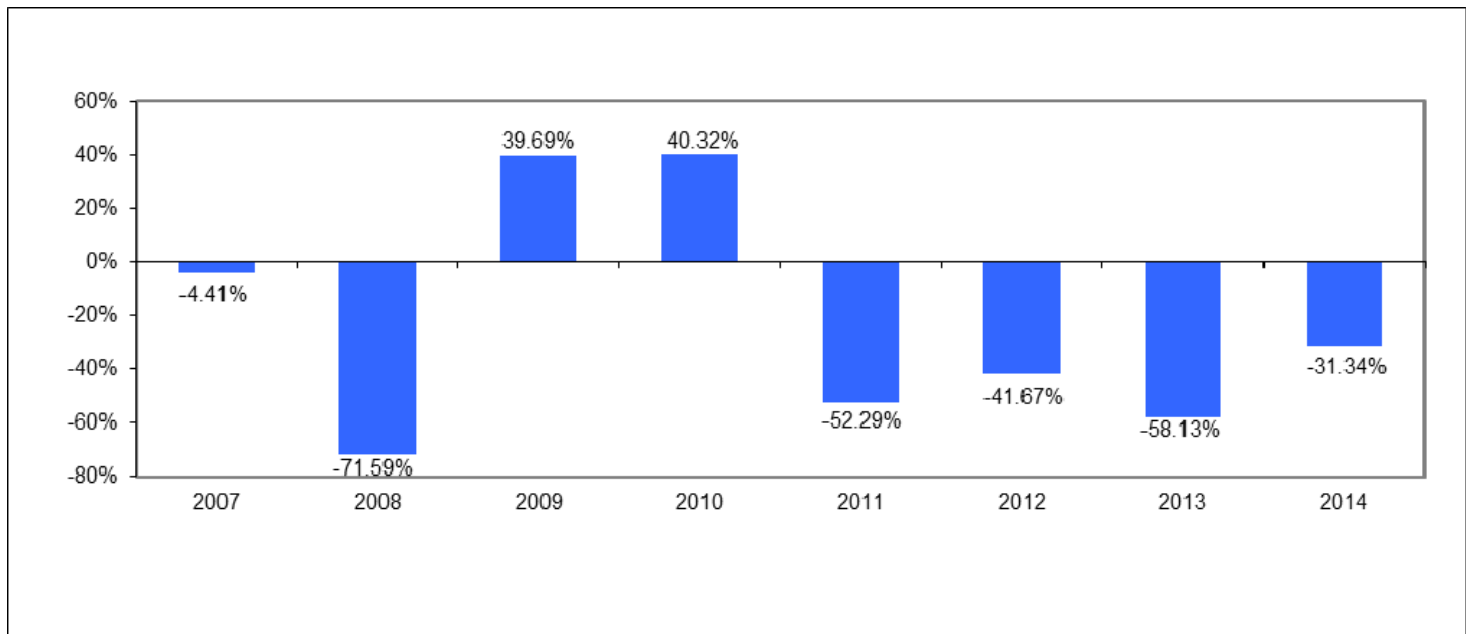
Past Performance (continued)

Series A Regular



\*Inception date for Series A Regular shares was November 27, 2007.

Series F



\*Inception date for Series F shares was November 27, 2007.

## Annual Compound Returns

The table below compares the annual compounded return of the Series A Rollover, Series A Regular and Series F shares of the Fund against the S&P/TSX Capped Materials Index. The S&P/TSX Capped Materials Index is a modified cap-weighted index, whose equity weights are capped at 25%. This index constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks.

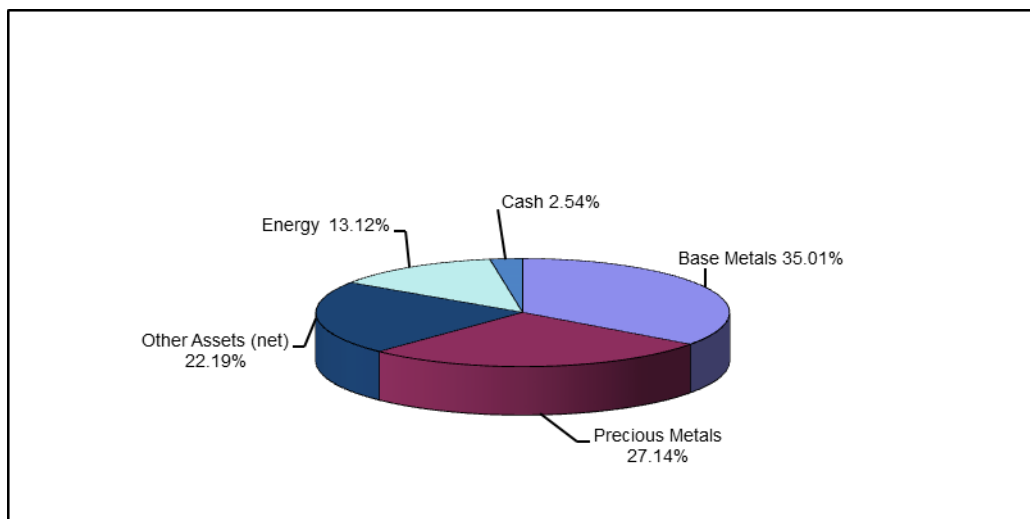
As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP. Unlike the index, the Fund must report performance net of all accrued fees and expenses, which dilute the actual Fund performance in relative comparison to the benchmarks, which does not incur any types of fees/expenses. Generally, the Fund underperformed the index.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
Series A-Rollover	-31.3%	-46.4%	-44.9%	-35.7%	-27.3%
S&P/TSX Capped Materials Index	-2.6%	-13.3%	-6.9%	3.8%	3.4%
Series A-Regular	-31.3%	-46.4%	-44.9%	-35.4%	-35.9%
S&P/TSX Capped Materials Index	-2.6%	-13.3%	-6.9%	3.8%	-3.9%
Series F	-30.5%	-45.8%	-44.2%	-35.1%	-33.6%
S&P/TSX Capped Materials Index	-2.6%	-13.3%	-6.9%	3.8%	-3.9%

## Summary of Investment Portfolio (as at December 31, 2014)

The pie chart and table below provide information about the investment portfolio of the Fund, including a breakdown of the Fund's portfolio into subgroups and the Top 25 positions held by the Fund as a percentage of NAV.

### Asset Mix



**Summary of Investment Portfolio (as at December 31, 2014) (continued)****Top 25 Holdings**

1	Appia Energy Corp.	5.37%	14	Aldrin Resources Corp.	1.67%
2	Integra Gold Corp.	4.57%	15	Red Pine Exploration Inc.	1.64%
3	Canada Zinc Metals Corp.	4.36%	16	Puma Exploration Inc.	1.60%
4	KWG Resources Inc.	3.66%	17	Xmet Inc.	1.52%
5	Menator Resources Inc.	2.71%	18	Almaden Minerals Ltd.	1.47%
6	Magpie Mines Inc.	2.68%	19	NexGen Energy Ltd.	1.29%
7	Treasury Metals Inc.	2.56%	20	Novx21 Inc.	1.28%
8	Cash	2.54%	21	Alexandria Minerals Corp.	1.21%
9	Copperbank Resources Corp.	2.18%	22	Pele Mountain Resources Inc.	1.12%
10	Energizer Resources Inc.	2.14%	23	Tantalex Resources Corp.	1.11%
11	Glen Eagle Resources Inc.	2.09%	24	Uracan Resources Ltd.	1.09%
12	Harte Gold Corp.	2.06%	25	Globex Mining Enterprises Inc.	1.08%
13	Nemaska Lithium Inc.	1.73%		<b>TOTAL % OF NAV</b>	<b>54.73%</b>

*This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.marquest.ca](http://www.marquest.ca). The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2014. The Fund does not hold short positions. The prospectus and other information of Marquest Mutual Fund Inc.- Explorer Series Fund are available on the internet [www.sedar.com](http://www.sedar.com).*

**TORONTO**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**MONTREAL**

1155 Robert-Bourassa Boulevard  
Suite 905  
Montreal, QC H3B 3A7  
Phone 514.227.0666  
Toll Free 1.866.687.9363

**VANCOUVER**

1055 West Hastings  
Suite 300  
Vancouver, BC V6E 2E9  
Phone 604.895.7281

**CLIENT SERVICES**

Phone 416.365.4077  
Toll free 1.888.964.3533  
[clientservices@marquest.ca](mailto:clientservices@marquest.ca)

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)



**MARQUEST MUTUAL FUNDS, INC.**  
ENERGY SERIES FUND

MANAGEMENT REPORT OF  
FUND PERFORMANCE

Year ended December 31, 2014

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc., Energy Series Fund (the "Fund"). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the "Manager") by calling 1-877-777-1541, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

*This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions, and the adoption of International Financial Reporting Standards. Such information has been included to assist readers with assessing recent developments in the Fund's operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management's current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management's beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund's investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. As a result, these forward looking statements would typically include words such as "anticipates, believes, intended or estimated". Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund's prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **Management Discussion of Fund Performance**

### **Investment Objectives and Strategies**

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#### *Investment Objectives*

The fundamental investment objective is to seek long-term capital growth by investing in a diversified portfolio of primarily equity securities of attractive Canadian companies in the oil and gas sector. The Fund was initially established to enable flow-through limited partnerships formed or acquired by Marquest Asset Management Inc. to complete tax-deferred rollover transactions.

#### *Investment Strategies*

The Fund may employ some or all of the following strategies:

- Analyze financial information to identify under-valued companies with high potential.
- Review indicators to identify business cycle and commodity sector trends.
- Apply qualitative analysis and management interviews to select investments with the best risk adjusted potential.
- Overweight exposure to industry sectors that demonstrate strong potential without exposing the Fund to unreasonable risk.

### **Risks**

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There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund's prospectus available through our website at [www.marquest.ca](http://www.marquest.ca) or at SEDAR's website [www.sedar.com](http://www.sedar.com).

### **Results of Operations**

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#### *Net Asset Value (NAV)*

As at December 31, 2014 the Fund's total NAV was \$860,816, a decrease of 25.34% since the prior year end (December 2013: \$1,153,022). This change was primarily the result of net change in unrealized depreciation on investments of \$178,376 and net share redemption transactions of \$97,058.

During the year, sales and redemptions were as follows: Series A Rollover \$397,055 and \$495,325 respectively (December 2013: 518,384 and \$1,090,047) and Series A Regular \$4,036 and \$2,825 respectively (December 2013: \$0 and \$0). There have been no subscriptions of Series F and I shares of the Fund since the initial launch.

## ***Results of Operations (continued)***

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### *Investment Portfolio*

2014 was a challenging year for the Canadian resource sector, particularly the oil and gas area. Slow growth in the global economy combined with a strong US dollar put considerable pressure on commodity prices. The decline in oil prices put considerable pressure on Canadian oil and gas stocks. The oil and gas indexes significantly underperformed the S&P/TSX Composite Index during the year, particularly in the second half of the year.

During the year the Fund's Series A-Rollover and Series A-Regular shares generated returns of -17.30% and -16.05% respectively.

Major sectors held in the Fund during the year were Energy and Utilities representing 49.70% and 5.58% the Fund respectively at year end. During the year the Manager raised significant cash positions as part of our strategy to manage the challenging environment for resource investing. At year end the Fund held 41.07% in short term securities awaiting timely deployment in selective opportunities in the oil and gas sector.

### *Fees and Expenses*

The main expenses for each Series of the Fund consists of management fees, operating costs and other fund costs, as applicable, for each Class. Operating costs include audit, custodian, legal, reporting and independent review committee fees and other expenses. The management expense ratio (MER) is the Fund's total expenses expressed as a percentage of the average NAV of the Fund. MER will change with the increase or decrease of average NAV. The MER for the Fund's Series A Rollover and Series A were 6.11% (December 2013: 5.63%) and 5.96% (December 2013: 5.32%) respectively. Total expenses during the year excluding management fees were \$56,487 (December 2013: \$71,407), with the decrease being the result of a decrease in audit fees, legal fees and transaction costs of \$7,162, \$4,033 and \$11,835 respectively. These were partially offset by an increase in operating expense of \$9,100. During the year the total expenses actually paid by the Fund were \$82,728.

### ***Recent Developments***

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Global economic growth in 2014 was relatively slow and highly uneven reflecting the divergent monetary policies throughout the world. The US had the strongest economy while Europe remained mired in slow growth. Emerging markets growth rates slowed particularly China where they tightened monetary policy early in the year. Later in the year Europe and China eased their monetary policies which gave hope for a reacceleration and broadening of global growth.

In the second half of the year investors migrated to US dollar investments attracted by relatively strong economic growth and high interest rates relative to other countries. As a result the US dollar rallied strongly. Declining interest rates particularly in Europe set the stage for competitive devaluation of currencies as a tool to accelerate economic growth. As the year drew to a close there were signs that global growth was beginning improve, particularly in Europe. As the year advanced the US economy showed good progress in employment gains and capital spending indicating that their economy was entering the later stages of the economic cycle. By year end the strong US dollar was showing signs that it was beginning to negatively impact US export markets and corporate earnings. The US dollar strength may be the transmission mechanism for a broadening of global growth in 2015.

The decline in commodity markets, particularly weak oil prices was challenging for the Canadian economy in 2014. The strong US dollar was a significant contributor to the weakness in commodities. As a result the S&P/TSX Index significantly underperformed the S&P 500 Index in 2014.

With the improving prospects for global growth and the US economy entering the latter stages of its economic cycle the outlook for the cyclical sectors may improve in 2015. This would be a positive for the Canadian economy and capital markets.

## ***Recent Developments (continued)***

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### *International Financial Reporting Standards*

The changes that impact the Financial Statements and Management Report of Fund Performance for the year ended December 31, 2014 are as follows:

#### Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

#### Exceptions that are mandated by IFRS 1 First-time adoption of International Reporting Standards

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

#### Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities on transition to IFRS.

#### Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For a detailed reconciliation of the line item changes as a result of the adoption of IFRS as at January 1, 2013 and December 31, 2013 please refer to Note 10 of the financial statements.

## ***Related Party Transactions***

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The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of shareholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$26,241 in management fees (including HST) was paid to the Manager.

The table below summarizes the rollover transaction into the Fund for the year ended December 31, 2014.

<b>Terminating fund</b>	<b>Merger Date</b>	<b>Continuing fund</b>	<b>Series</b>	<b>Net Assets Acquired</b>	<b>Shares Issued</b>	<b>Exchange ratio</b>
Marquest Energy Fields 2012 SFT LP	05/23/2014	Energy Series Fund	A-Rollover	\$ 390,747	957,479	97.2060



## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

<b>Marquest Mutual Funds Inc. - Energy Series Fund (Series A-Rollover)*</b>					
<i>Net Assets per Unit (\$) <sup>(1)</sup></i>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>0.35</b>	<b>0.50</b>	<b>0.70</b>	<b>1.46</b>	<b>1.34</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.01	0.01	-	-	0.03
Total expenses	(0.03)	(0.02)	(0.03)	(0.04)	(0.06)
Realized gains (losses) for the year	0.01	(0.27)	(0.04)	(0.25)	(0.31)
Unrealized gains (losses) for the year	(0.05)	0.11	(0.11)	(0.33)	(0.01)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.06)</b>	<b>(0.17)</b>	<b>(0.17)</b>	<b>(0.62)</b>	<b>(0.38)</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>0.29</b>	<b>0.35</b>	<b>0.44</b>	<b>0.70</b>	<b>1.46</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Series A-Rollover units were first issued on May 1, 2006.

<b>Marquest Mutual Funds Inc. - Energy Series Fund (Series A-Regular)*</b>					
<i>Net Assets per Unit (\$) <sup>(1)</sup></i>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>0.45</b>	<b>0.64</b>	<b>0.66</b>	<b>1.38</b>	<b>\$ -</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.01	0.01	-	-	0.05
Total expenses	(0.04)	(0.03)	(0.01)	(0.05)	(0.13)
Realized gains (losses) for the year	0.04	(0.32)	(0.02)	(0.29)	0.66
Unrealized gains (losses) for the year	(0.12)	0.15	(0.05)	(0.36)	0.03
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.11)</b>	<b>(0.19)</b>	<b>(0.08)</b>	<b>(0.70)</b>	<b>0.83</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>0.38</b>	<b>0.45</b>	<b>0.57</b>	<b>0.66</b>	<b>1.38</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements. In accordance with securities laws and industry practice, the Fund uses closing reported prices for the purposes of determining net asset value, however the Fund is required to use bid prices (for investment held) and ask price (for investments sold short) for the fair valuation of investments under GAAP in calculating net assets per unit.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Series A-Regular units were first issued on September 9, 2010.

## Financial Highlights (continued)

<b>Ratios and Supplemental Data</b>					
<b>Series A-Rollover*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 858	\$ 1,151	\$ 2,353	\$ 1,104	\$ 4,395
Number of units outstanding <sup>(1)</sup>	2,981,909	3,309,521	4,724,201	1,570,871	2,935,086
Management expense ratio <sup>(2)</sup>	6.11%	5.63%	4.80%	2.60%	2.50%
Management expense ratio before waivers or absorption <sup>(5)</sup>	6.11%	5.63%	5.71%	2.60%	2.50%
Trading expense ratio <sup>(3)</sup>	0.96%	1.59%	1.00%	0.70%	2.20%
Portfolio turnover rate <sup>(4)</sup>	148.29%	86.50%	111.80%	-	295.00%
Net asset value per unit <sup>(1)</sup>	\$0.29	\$ 0.35	\$0.50	\$0.70	\$1.49
<b>Series A-Regular**</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 3	\$ 2	\$ 3	\$ 4	\$ 7
Number of units outstanding <sup>(1)</sup>	7,524	5,267	5,267	5,267	5,267
Management expense ratio <sup>(2)</sup>	5.96%	5.32%	2.60%	2.60%	2.40%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.96%	5.32%	2.74%	2.60%	2.40%
Trading expense ratio <sup>(3)</sup>	0.96%	1.41%	0.10%	0.90%	-
Portfolio turnover rate <sup>(4)</sup>	148.29%	86.50%	111.80%	-	295.00%
Net asset value per unit <sup>(1)</sup>	\$0.38	\$ 0.45	\$0.64	\$0.67	\$1.41

Notes:

(1) The information is provided as at December 31st of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

\*Series A-Rollover units were first issued on May 1, 2006.

\*\*Series A-Regular units were first issued on September 9, 2010.

## Management and Performance Fees

The Fund pays an annual management fee equal to 2.00% of the average total NAV of Series A Rollover and Series A Regular shares and 1.00% of the average total NAV of Series F shares to the Manager. Management fees for Series I shares will be negotiated directly with each investor. This fee is calculated daily and is based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis.

Of the management fees paid by the Fund to the Managers approximately 20.58% was used to pay for sales and trailer commissions and 79.42% was for investment advisory and portfolio management services.

There are no performance fees or incentive fees in the case of the Fund.

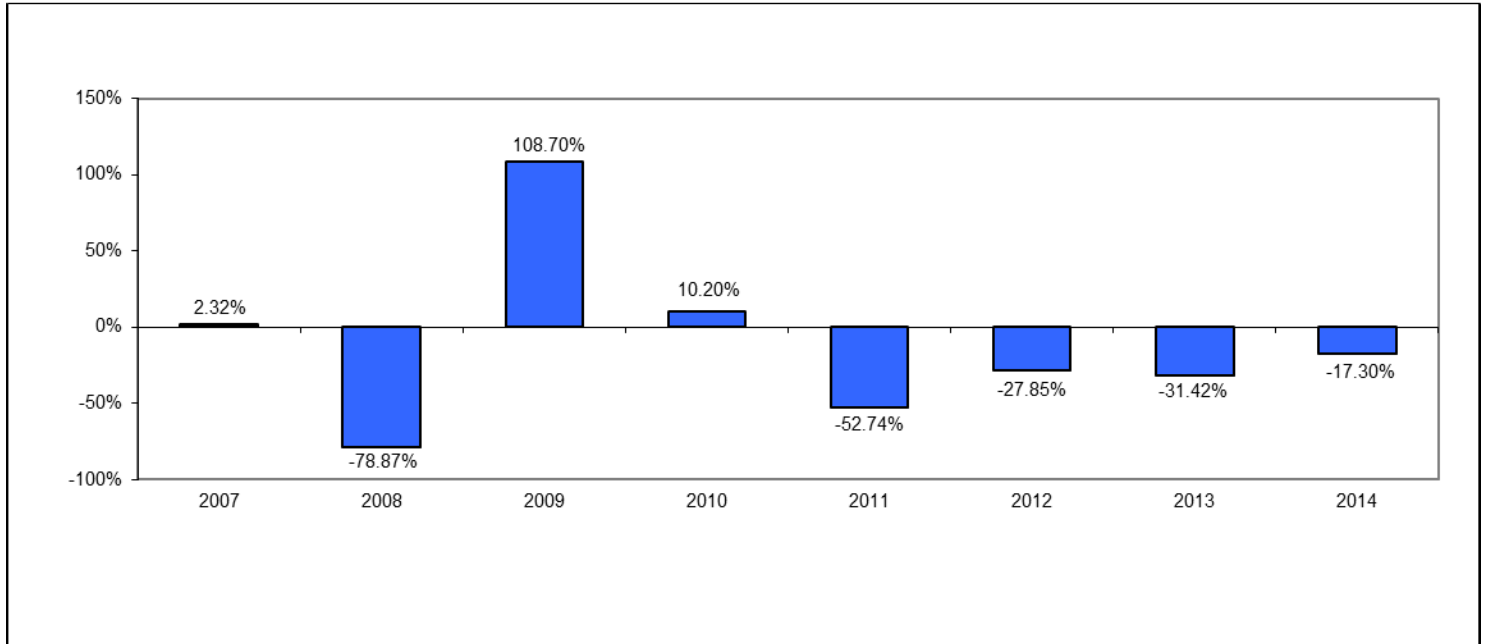
## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between series of shares are mainly attributable to management fees charged to each class.

### Year-by-Year Returns

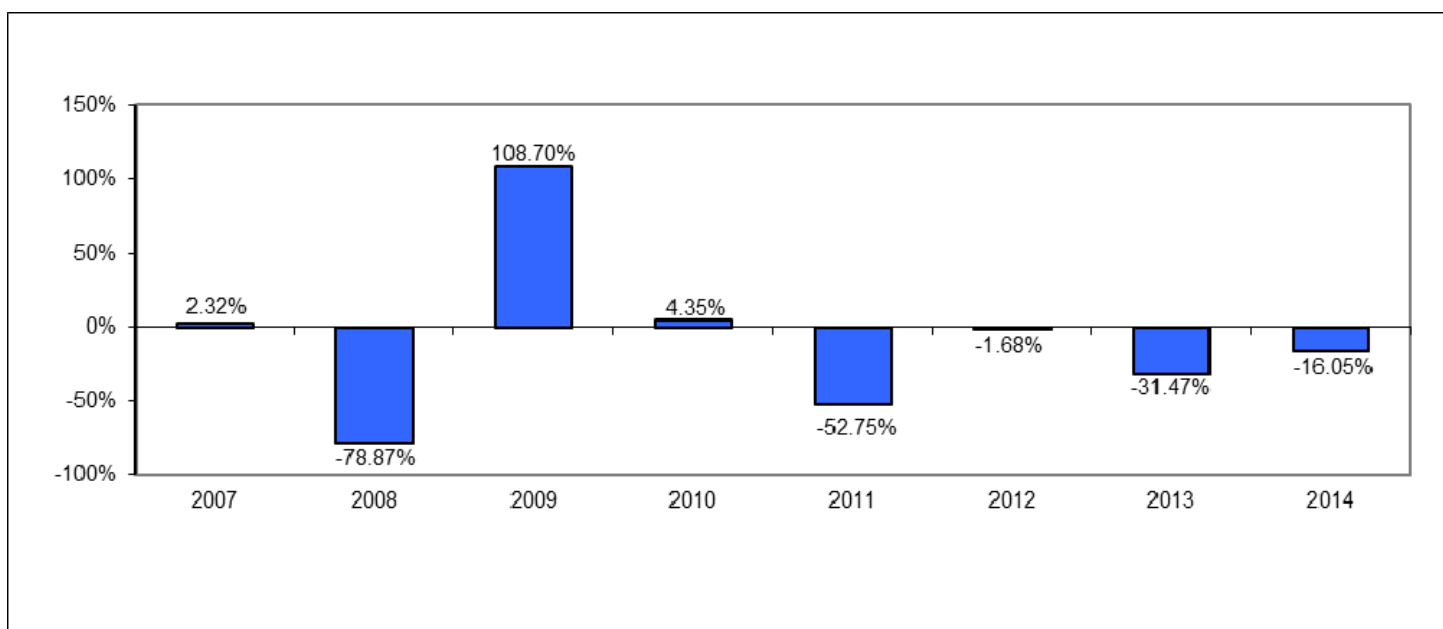
The following bar charts show the Fund's annual Series A Rollover and Series A Regular shares performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

#### Series A Rollover



\*Inception date for Series A Rollover shares was November 27, 2007

Series A Regular



\*Inception date for Series A Regular shares was November 27, 2007.

Annual Compound Returns

The table below compares the annual compounded return of the Series A Rollover and Series A Regular shares of the Fund against the S&P/TSX Capped Energy Index. The S&P/TSX Capped Energy Index is a modified cap-weighted index, whose equity weights are capped at 25%. This index constitutes are derived from a subset stock pool of S&P/TSX Composite Index stocks. Sector Classification is based on the Global Industry Classification Standard (GICS).

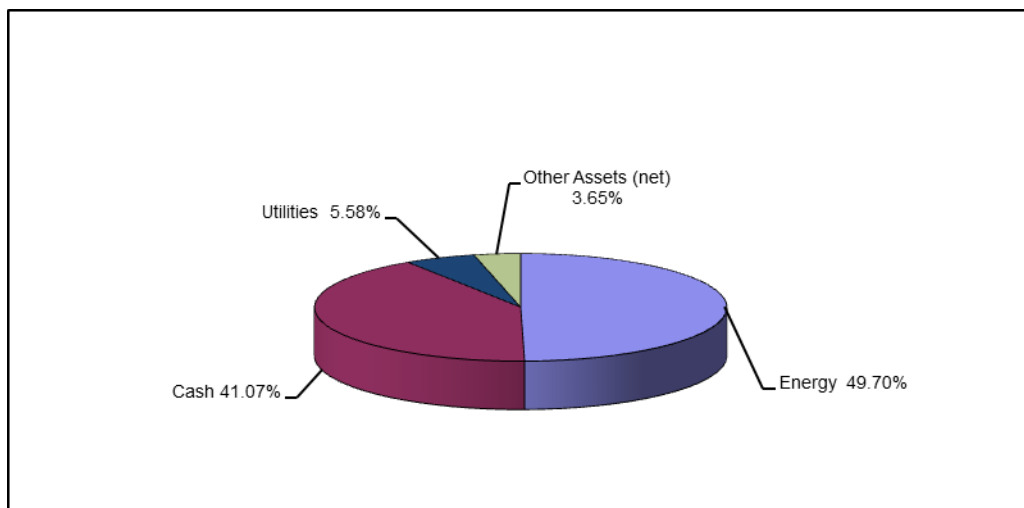
As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP. Unlike the index, the Fund must report performance net of all accrued fees and expenses, which dilute the actual Fund performance in relative comparison to the benchmarks, which does not incur any types of fees/expenses. Generally, the Fund has underperformed the index.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
Series A-Rollover	-17.3%	-25.8%	-26.6%	-	-28.1%
S&P/TSX Capped Energy Index	-16.4%	-3.4%	-3.0%	-	-2.8%
Series A-Regular	-16.1%	-17.3%	-26.6%	-	-28.1%
S&P/TSX Capped Energy Index	-16.4%	-3.4%	-3.0%	-	-2.8%

## Summary of Investment Portfolio (as at December 31, 2014)

The pie chart and table below provide information about the investment portfolio of the Fund, including a breakdown of the Fund's portfolio into subgroups and the Top 25 positions held by the Fund as a percentage of NAV.

### Asset Mix



### Top 25 Holdings

1	Cash	41.07%	11	Painted Pony Petroleum Ltd.	2.95%
2	Enbridge Inc.	7.43%	12	Pason Systems Inc.	2.92%
3	TransCanada Corp.	5.58%	13	Traverse Energy Ltd.	2.88%
4	Suncor Energy Inc.	4.02%	14	DeeThree Exploration Ltd.	2.66%
5	Canyon Services Group Inc.	3.56%	15	RMP Energy Inc.	2.37%
6	Fission Uranium Corp.	3.47%	16	Tamarack Valley Energy Ltd.	2.31%
7	Keyera Corp.	3.41%	17	Yangarra Resources Ltd.	1.32%
8	Trinidad Drilling Ltd.	3.34%	18	Birch Lake Energy Inc.	0.48%
9	Spartan Energy Corp.	3.31%	19	Golden Coast Energy Corp.	0.19%
10	ShawCor Ltd.	3.08%		<b>TOTAL % OF NAV</b>	<b>96.35%</b>

*This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.marquest.ca](http://www.marquest.ca). The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2014. The Fund does not hold short positions. The prospectus and other information of Marquest Mutual Fund Inc.- Energy Series Fund are available on the internet [www.sedar.com](http://www.sedar.com).*

**TORONTO**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**MONTREAL**

1155 Robert-Bourassa Boulevard  
Suite 905  
Montreal, QC H3B 3A7  
Phone 514.227.0666  
Toll Free 1.866.687.9363

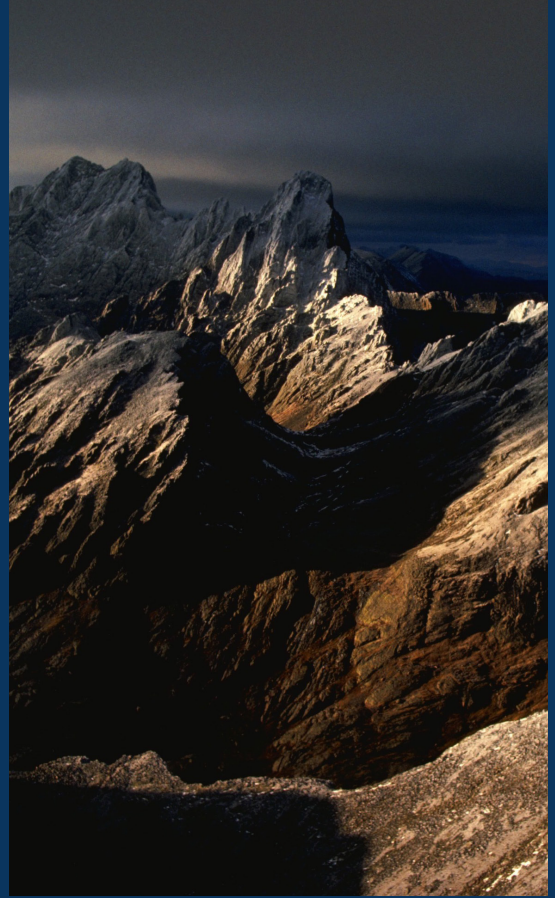
**VANCOUVER**

1055 West Hastings  
Suite 300  
Vancouver, BC V6E 2E9  
Phone 604.895.7281

**CLIENT SERVICES**

Phone 416.365.4077  
Toll free 1.888.964.3533  
[clientservices@marquest.ca](mailto:clientservices@marquest.ca)

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)



**MARQUEST MUTUAL FUNDS, INC.**  
CANADIAN FLEX™ SERIES FUND

MANAGEMENT REPORT OF  
FUND PERFORMANCE

Year ended December 31, 2014

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc., Canadian Flex™ Series Fund (the “Fund”). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the “Manager”) by calling 1-877-777-1541, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

*This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions, and the adoption of International Financial Reporting Standards. Such information has been included to assist readers with assessing recent developments in the Fund’s operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management’s current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management’s beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund’s investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. As a result, these forward looking statements would typically include words such as “anticipates, believes, intended or estimated”. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund’s prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **Management Discussion of Fund Performance**

### ***Investment Objectives and Strategies***

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#### *Investment Objectives*

The Fund seeks optimal capital growth through capital gains, dividends and interest from a wide variety of securities within reasonable volatility parameters.

#### *Investment Strategies*

- Actively managed asset mix allocations between equity, fixed income and cash.
- Overweight favoured sectors and individual securities while reducing or eliminating unfavourable investment exposure.
- Leverage opportunities through a diversified mix of securities including domestic, foreign, large, and small-cap, equity, and fixed income.
- Identify greatest opportunities through fluid and active asset allocation as well as focused industry and security selection.

### ***Risks***

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There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund’s prospectus available through our website at [www.marquest.ca](http://www.marquest.ca) or at SEDAR’s website [www.sedar.com](http://www.sedar.com).

### ***Results of Operations***

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#### *Net Asset Value (NAV)*

As at December 31, 2014 the Fund’s total NAV was \$1,018,718, a decrease of 28.99% since the prior year end (December 2013: \$1,434,589). This change was primarily the result of net share redemption of \$354,857 and net unrealized depreciation on investments of \$171,167 partially offset by net realized gain on sale of investments of \$190,273.

During the year, sales and redemptions were as follows: Series A \$7,800 and \$303,221 respectively (December 2013: \$33,161 and \$483,388); Series F \$0 and \$44,563 respectively (December 2013: \$69,392 and \$39,238); Series Low Load DSC: \$0 and \$14,873 respectively (December 2013: \$0 and \$47,485) and Series I \$0 and \$0 respectively (December 2013: \$0 and \$0).



## **Results of Operations (continued)**

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### *Investment Portfolio*

The S&P/TSX composite index performed well in 2014. Gains were tilted towards non-cyclical sectors with Consumer Staples garnering the largest return followed by Info tech and Health Care. Energy was the weakest sector in the TSX index. Excess supply in the oil market and competitive pricing environment brought forth by Saudi Arabia caused collapses in oil prices and the energy sector.

Of the sectors that were held by the Fund, Information Technology, Financials and Industrials were the strongest performers. Materials and Utilities also contributed positively to returns. Returns were negatively impacted by energy and energy related stocks. See "Summary of Investment Portfolio – Asset Mix" for a breakdown of the Fund's portfolio investments by sector.

During the period, the Fund's Series A, F, Low Load DSC and I units generated returns of -6.86%, -6.26%, -5.78% and -4.68% respectively.

Low oil prices benefit energy consuming economies and have positive impacts on economic growth globally. The Fund's sector weightings were reviewed during the year; sector weighting changes were made in light of downward adjustment in Canada's economic outlook due to drop in oil prices and our bullish global view. Weightings in the Energy, Financial and Utilities sectors were trimmed. Positions in cash, Consumer Discretionary, Industrial, Information Technology and US equities were boosted.

### *Fees and Expenses*

The main expenses for each Series of the Fund consists of management fees, operating costs and other fund costs, as applicable, for each Class. Operating costs include audit, custodian, legal, reporting and independent review committee fees and other expenses. The management expense ratio (MER) is the Fund's total expenses expressed as a percentage of the average NAV of the Fund. MER will change with the increase or decrease of average NAV. The MER for the Fund's Series A, F, Low Load/DSC and I shares were 6.90% (December 2013: 4.98%); 5.57% (December 2013: 5.87%); 6.34% (December 2013: 4.15%) and 4.68% (December 2013:3.46%) respectively. Total expenses during the year excluding management fees were \$76,294 (December 2013: \$73,670), with the increase being the result of an increase in operating expenses and legal fees of \$17,879 and \$3,350 respectively. These were partially offset by a decrease in transaction costs and audit fees of \$11,419 and \$5,946 respectively. During the year the total expenses actually paid by the Fund were \$101,270.

### **Recent Developments**

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Global economic growth in 2014 was relatively slow and highly uneven reflecting the divergent monetary policies throughout the world. The US had the strongest economy while Europe remained mired in slow growth. Emerging markets growth rates slowed particularly China where they tightened monetary policy early in the year. Later in the year Europe and China eased their monetary policies which gave hope for a reacceleration and broadening of global growth.

In the second half of the year investors migrated to US dollar investments attracted by relatively strong economic growth and high interest rates relative to other countries. As a result the US dollar rallied strongly. Declining interest rates particularly in Europe set the stage for competitive devaluation of currencies as a tool to accelerate economic growth. As the year drew to a close there were signs that global growth was beginning improve, particularly in Europe. As the year advanced the US economy showed good progress in employment gains and capital spending indicating that their economy was entering the later stages of the economic cycle. By year end the strong US dollar was showing signs that it was beginning to negatively impact US export markets and corporate earnings. The US dollar strength may be the transmission mechanism for a broadening of global growth in 2015.

The decline in commodity markets, particularly weak oil prices was challenging for the Canadian economy in 2014. The strong US dollar was a significant contributor to the weakness in commodities. As a result the S&P/TSX Index significantly underperformed the S&P 500 Index in 2014.

With the improving prospects for global growth and the US economy entering the latter stages of its economic cycle the outlook for the cyclical sectors may improve in 2015. This would be a positive for the Canadian economy and capital markets.

## ***Recent Developments (continued)***

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### *International Financial Reporting Standards*

The changes that impact the Financial Statements and Management Report of Fund Performance for the period ended December 31, 2014 are as follows:

#### Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

#### Exceptions that are mandated by IFRS 1 First-time adoption of International Reporting Standards

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

#### Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities on transition to IFRS.

#### Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For a detailed reconciliation of the line item changes as a result of the adoption of IFRS as at January 1, 2013 and December 31, 2013 please refer to Note 10 of the financial statements.

## ***Related Party Transactions***

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The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$24,976 in management fees (including HST) was paid to the Manager.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

<b>Marquest Mutual Funds Inc. - Canadian Flex Series Fund (Series A)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>8.62</b>	<b>7.64</b>	<b>7.53</b>	<b>8.84</b>	<b>7.65</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.15	0.19	0.18	0.21	0.17
Total expenses	(0.74)	(0.37)	(0.37)	(0.23)	(0.24)
Realized gains (losses) for the year	1.35	(0.03)	0.26	0.71	0.50
Unrealized gains (losses) for the year	(1.21)	1.12	0.01	(2.77)	0.57
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.45)</b>	<b>0.91</b>	<b>0.15</b>	<b>(1.28)</b>	<b>1.00</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>8.04</b>	<b>8.62</b>	<b>7.62</b>	<b>7.53</b>	<b>8.84</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class A units were first issued on December 24, 2007.

**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Canadian Flex Series Fund (Class Low load)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>8.94</b>	<b>7.87</b>	<b>7.71</b>	<b>9.01</b>	<b>11.92</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.18	0.37	0.20	0.21
Total expenses	(0.71)	(0.35)	(0.76)	(0.23)	(0.29)
Realized gains (losses) for the year	1.36	(0.03)	0.53	0.43	0.63
Unrealized gains (losses) for the year	(1.39)	1.05	0.03	(1.67)	0.71
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.58)</b>	<b>0.85</b>	<b>0.30</b>	<b>(1.27)</b>	<b>1.24</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>8.39</b>	<b>8.94</b>	<b>7.86</b>	<b>7.71</b>	<b>9.01</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class Low load units were first issued on January 8, 2008.

<b>Marquest Mutual Funds Inc. - Canadian Flex Series Fund (Class F)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>8.57</b>	<b>7.51</b>	<b>7.32</b>	<b>8.50</b>	<b>7.32</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.33	0.09	0.18	0.17
Total expenses	(0.77)	(0.65)	(0.20)	(0.21)	(0.24)
Realized gains (losses) for the year	2.77	(0.05)	0.14	0.38	0.52
Unrealized gains (losses) for the year	(1.61)	2.00	0.01	(1.50)	0.59
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.55</b>	<b>1.63</b>	<b>0.08</b>	<b>(1.14)</b>	<b>1.04</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>8.09</b>	<b>8.57</b>	<b>7.50</b>	<b>7.32</b>	<b>8.50</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Series F units were first issued on June 20, 2008.

**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Canadian Flex Series Fund (Class I)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>9.71</b>	<b>8.41</b>	<b>8.10</b>	<b>9.31</b>	<b>7.78</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.17	0.27	0.35	0.19	0.19
Total expenses	(0.60)	(0.54)	(0.73)	(0.22)	(0.27)
Realized gains (losses) for the year	1.31	(0.04)	0.51	0.40	0.58
Unrealized gains (losses) for the year	(1.33)	1.61	0.02	(1.58)	0.65
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.45)</b>	<b>1.30</b>	<b>0.29</b>	<b>(1.20)</b>	<b>1.15</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>9.26</b>	<b>9.71</b>	<b>8.40</b>	<b>8.10</b>	<b>9.31</b>

Notes:

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Series I units were first issued on August 22, 2007.

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>					
<b>Class A*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 878	\$ 1,228	\$ 1,521	\$ 2,153	\$ 4,415
Number of units outstanding <sup>(1)</sup>	109,277	142,471	199,222	285,460	497,972
Management expense ratio <sup>(2)</sup>	6.90%	4.98%	4.70%	2.50%	2.40%
Management expense ratio before waivers or absorption <sup>(5)</sup>	6.90%	4.98%	5.55%	2.50%	2.40%
Trading expense ratio <sup>(3)</sup>	1.54%	1.89%	0.50%	0.40%	0.70%
Portfolio turnover rate <sup>(4)</sup>	243.89%	214.69%	57.90%	26.10%	94.30%
Net asset value per unit <sup>(1)</sup>	\$8.04	\$ 8.62	\$7.64	\$7.54	\$8.87
<b>Class Low load**</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 34	\$ 51	\$ 91	\$ 111	\$ 180
Number of units outstanding <sup>(1)</sup>	4,019	5,711	11,513	14,387	19,982
Management expense ratio <sup>(2)</sup>	6.34%	4.15%	5.70%	1.90%	1.90%
Management expense ratio before waivers or absorption <sup>(5)</sup>	6.34%	4.15%	7.27%	1.90%	1.90%
Trading expense ratio <sup>(3)</sup>	1.54%	1.73%	0.90%	0.40%	0.90%
Portfolio turnover rate <sup>(4)</sup>	243.89%	214.69%	57.90%	26.10%	94.30%
Net asset value per unit <sup>(1)</sup>	\$8.39	\$ 8.94	\$7.87	\$7.73	\$9.03
<b>Class F***</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 5	\$ 48	\$ 13	\$ 54	\$ 88
Number of units outstanding <sup>(1)</sup>	587	5,595	1,781	7,305	10,365
Management expense ratio <sup>(2)</sup>	5.57%	5.87%	2.20%	1.40%	1.80%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.57%	5.87%	2.62%	1.40%	1.80%
Trading expense ratio <sup>(3)</sup>	1.54%	3.37%	0.20%	0.30%	0.80%
Portfolio turnover rate <sup>(4)</sup>	243.89%	214.69%	57.90%	26.10%	94.30%
Net asset value per unit <sup>(1)</sup>	\$8.09	\$ 8.57	\$7.51	\$7.34	\$8.53
<b>Class I****</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 102	\$ 107	\$ 93	\$ 90	\$ 103
Number of units outstanding <sup>(1)</sup>	11,023	11,023	11,023	11,023	11,023
Management expense ratio <sup>(2)</sup>	4.68%	3.46%	3.90%	0.20%	0.20%
Management expense ratio before waivers or absorption <sup>(5)</sup>	4.68%	3.46%	5.36%	0.20%	0.20%
Trading expense ratio <sup>(3)</sup>	1.54%	2.45%	0.90%	0.30%	0.80%
Portfolio turnover rate <sup>(4)</sup>	243.89%	214.69%	57.90%	26.10%	94.30%
Net asset value per unit <sup>(1)</sup>	\$9.26	\$ 9.71	\$8.41	\$8.12	\$9.33

**Notes:**

(1) The information is provided as at December 31st of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

\*Class A units were first issued on December 24, 2007.

\*\*Class Low load units were first issued on January 8, 2008.

\*\*\*Class F units were first issued on June 20, 2008.

\*\*\*\*Class I units were first issued on August 22, 2007.

## Management and Performance Fees

The Fund pays an annual management fee equal to 2.00% of the average total NAV of Series A Regular, 1.50% of the average total NAV of Series Low load DSC and 1.00% of the average total NAV of Series F shares to the Manager. Management fees for Series I shares will be negotiated directly with each investor. This fee is calculated daily and is based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis.

Of the management fees paid by the Fund to the Managers approximately 39.43% was used to pay for sales and trailer commissions and 60.57% was for investment advisory and portfolio management services.

The Fund will incur a performance fee equal to  $20\% \times (\text{Class \% gain minus Benchmark \% gain}) \times (\text{Class Average NAV})$ . The benchmark is S&P/TSX Composite Index. A high water mark approach is used. See Simplified Prospectus for details. No performance fees were paid during the year ended December 31, 2014.

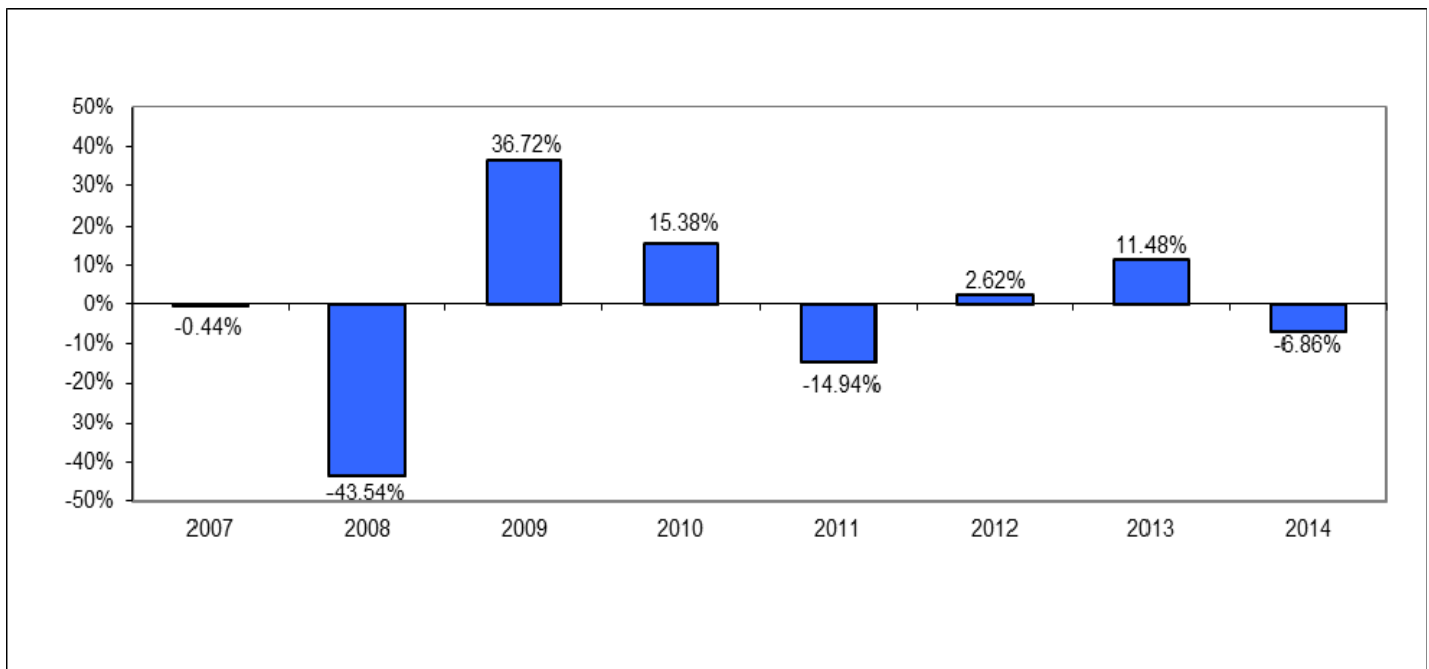
## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between series of shares are mainly attributable to management fees charged to each class.

### Year-by-Year Returns

The following bar charts show the Fund's annual Series A, Series Low Load DSC, Series F and Series I shares performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

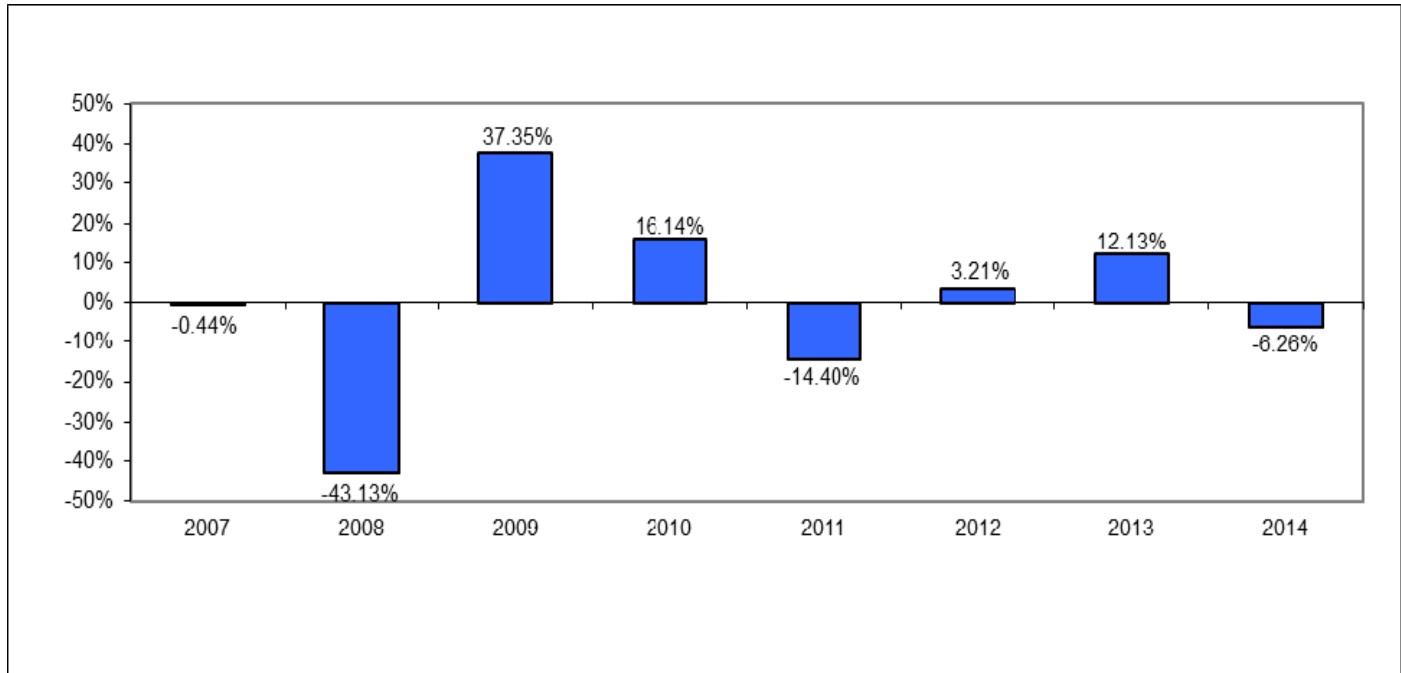
#### Series A Regular



\*Inception date for Series A Regular shares was November 27, 2007.

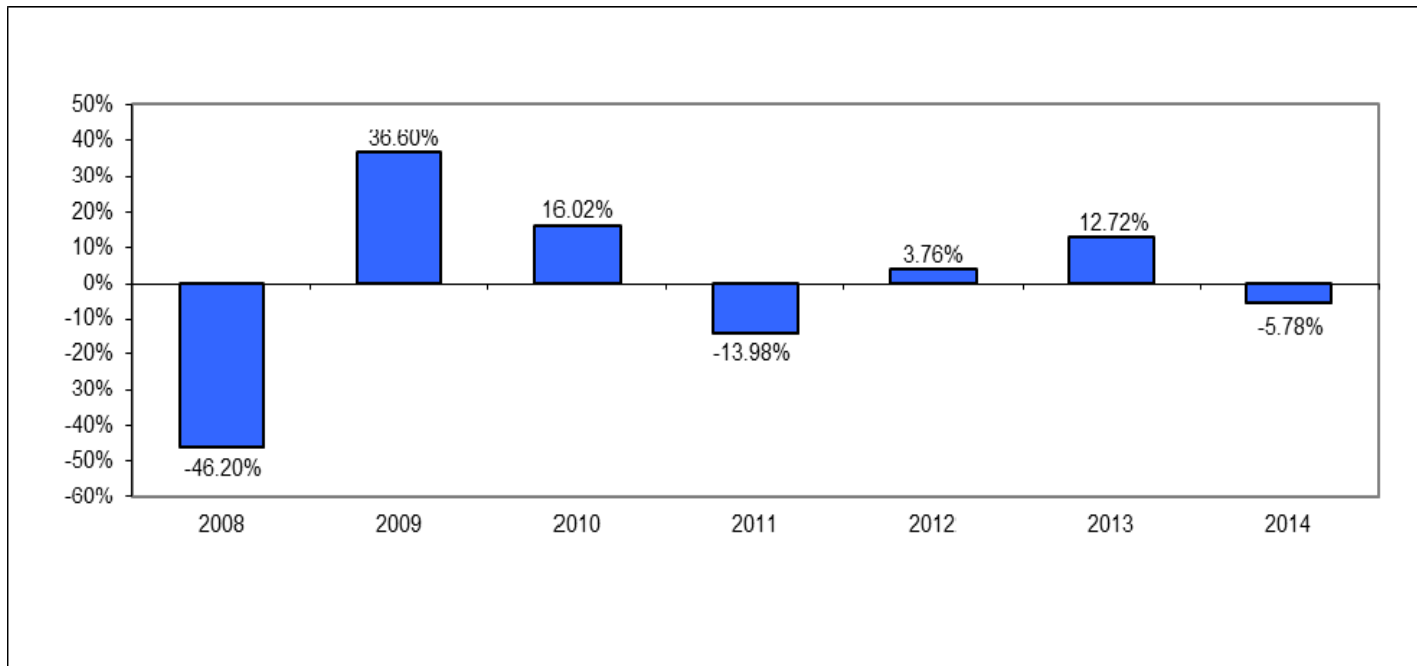
Past Performance (continued)

Series Low Load/DSC



\*Inception date for Series Low Load/DSC shares was November 27, 2007.

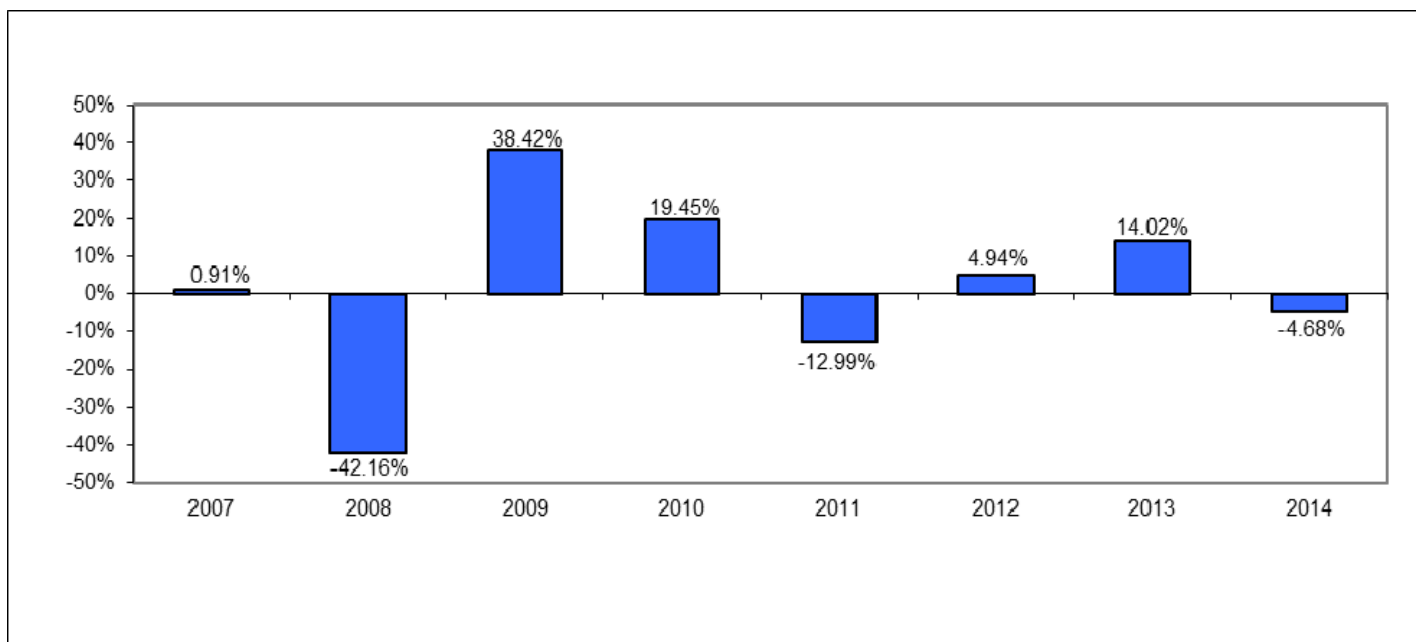
Series F



\*Inception date for Series F shares was November 27, 2007.



Series I



\*Inception date for Series I shares was November 27, 2007

Annual Compound Returns

The table below compares the annual compounded return of the Series A, Series Low Load DSC, Series F and Series I shares of the Fund against the S&P/TSX Composite Index. The S&P/TSX Composite Index is a capitalization weighted index designed to measure market activity of stocks listed on the TSX.

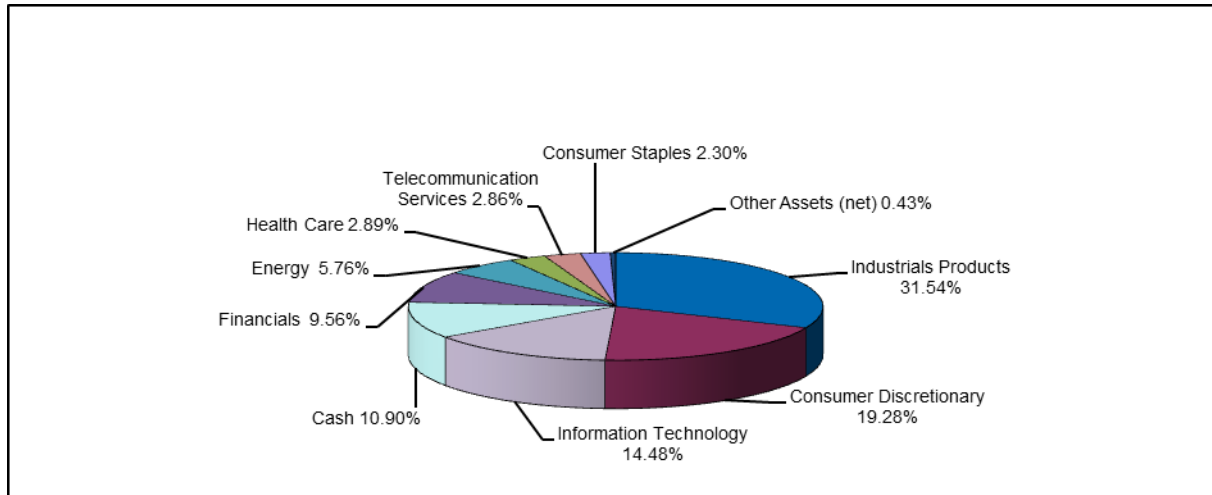
As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP. Unlike the index, the Fund must report performance net of all accrued fees and expenses, which dilute the actual Fund performance in relative comparison to the benchmarks, which does not incur any types of fees/expenses. Generally, the Fund underperformed the index.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
Series A-Rollover	-6.9%	2.1%	0.9%	-	-3.0%
S&P/TSX Composite TR	10.6%	10.2%	7.5%	7.6%	4.4%
Series Low Load DSC	-6.3%	2.8%	1.5%	-	-2.5%
S&P/TSX Composite TR	10.6%	10.2%	7.5%	7.6%	4.4%
Series F	-5.8%	3.3%	1.9%	-	-3.0%
S&P/TSX Composite TR	10.6%	10.2%	7.5%	7.6%	4.4%
Series I	-4.7%	4.5%	3.5%	-	-0.6%
S&P/TSX Composite TR	10.6%	10.2%	7.5%	7.6%	4.4%

## Summary of Investment Portfolio (as at December 31, 2014)

The pie chart and table below provide information about the investment portfolio of the Fund, including a breakdown of the Fund's portfolio into subgroups and the Top 25 positions held by the Fund as a percentage of NAV.

### Asset Mix



### Top 25 Holdings

1	Air Canada	5.49%	14	ProMetic Life Sciences Inc.	2.89%
2	AGT Food and Ingredients Inc.	5.17%	15	BCE Inc.	2.86%
3	Performance Sports Group Ltd.	3.74%	16	CAE Inc.	2.78%
4	Vogogo Inc.	3.66%	17	Home Capital Group Inc.	2.66%
5	Amaya Gaming Group Inc.	3.61%	18	Aimia Inc.	2.60%
6	AirBoss of America Corp.	3.49%	19	Slyce Inc.	2.59%
7	Parkland Fuel Corp.	3.41%	20	Gildan Activewear Inc.	2.45%
8	Bank of America Corp.	3.24%	21	Conifex Timber Inc.	2.39%
9	Stella-Jones Inc.	3.21%	22	Martinrea International Inc.	2.33%
10	TransForce Inc.	3.20%	23	Loblaw Cos Ltd.	2.30%
11	Sandvine Corp.	3.05%	24	WestJet Airlines Ltd.	2.29%
12	Uni-Select Inc.	2.97%	25	Newalta Inc.	2.24%
13	UrtheCast Corp.	2.90%		<b>TOTAL % OF NAV</b>	<b>77.52%</b>

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.marquest.ca](http://www.marquest.ca). The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2014. The Fund does not hold short positions. The prospectus and other information of Marquest Mutual Fund Inc. - Canadian Flex Series Fund are available on the internet [www.sedar.com](http://www.sedar.com).

**TORONTO**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**MONTREAL**

1155 Robert-Bourassa Boulevard  
Suite 905  
Montreal, QC H3B 3A7  
Phone 514.227.0666  
Toll Free 1.866.687.9363

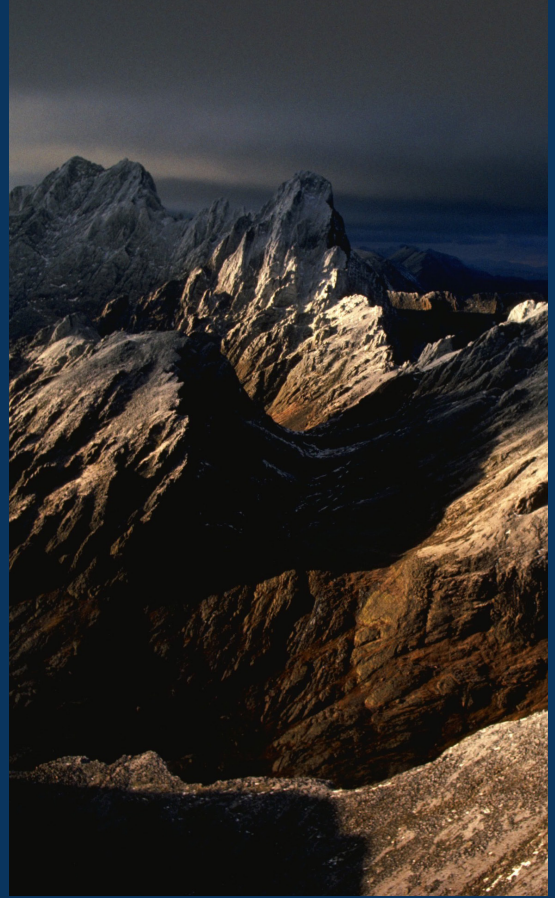
**VANCOUVER**

1055 West Hastings  
Suite 300  
Vancouver, BC V6E 2E9  
Phone 604.895.7281

**CLIENT SERVICES**

Phone 416.365.4077  
Toll free 1.888.964.3533  
[clientservices@marquest.ca](mailto:clientservices@marquest.ca)

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)



**MARQUEST MUTUAL FUNDS, INC.**  
RESOURCE FLEX™ SERIES FUND

MANAGEMENT REPORT OF  
FUND PERFORMANCE

Year ended December 31, 2014

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc., Resource Flex™ Series Fund (the “Fund”). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the “Manager”) by calling 1-877-777-1541, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

*This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions, and the adoption of International Financial Reporting Standards. Such information has been included to assist readers with assessing recent developments in the Fund’s operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management’s current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management’s beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund’s investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. As a result, these forward looking statements would typically include words such as “anticipates, believes, intended or estimated”. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund’s prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **Management Discussion of Fund Performance**

### **Investment Objectives and Strategies**

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#### *Investment Objectives*

Seek optimal capital growth through capital gains, dividends and interest from a wide variety of resource based securities within reasonable volatility parameters.

#### *Investment Strategies*

- Actively manage asset mix allocations between equity, fixed income and cash.
- Overweight favoured resource sectors and individual securities and reduce or eliminate unfavourable investment exposure. Leverage opportunities through a diversified mix of securities including domestic, foreign, large, and small-cap, equity, and fixed income.

### **Risks**

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There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund’s prospectus available through our website at [www.marquest.ca](http://www.marquest.ca) or at SEDAR’s website [www.sedar.com](http://www.sedar.com).

### **Results of Operations**

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#### *Net Asset Value (NAV)*

As at December 31, 2014 the Fund’s total NAV was \$324,832, a decrease of 48.26% since the prior year end (December 2013: \$627,851). This change was the result of net share redemption of \$140,104 and net change in unrealized depreciation of investments of \$122,483.

During the year, sales and redemptions were as follows: Series A \$128,183 and \$172,665 respectively (December 2013: \$62,284 and \$403,511); Series F \$0 and \$0 respectively (December 2013: \$0 and \$0); Series Low Load DSC \$0 and \$0 respectively (December 2013: \$0 and \$1,227) and Series I \$0 and \$95,622 respectively (December 2013: \$0 and \$0).

## ***Results of Operations (continued)***

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### *Investment Portfolio*

2014 was a challenging year for the Canadian resource sector, particularly the oil and gas area. Slow growth in the global economy combined with a strong US dollar put considerable pressure on commodity prices. The decline in oil prices put considerable pressure on Canadian oil and gas stocks. The resource indexes significantly underperformed the S&P/TSX Composite Index during the year, especially in the second half of the year.

During the period the Fund's Series A, Series F and Series I shares generated returns of -27.45%, -25.81% and 0% respectively.

Major sectors held in the Fund during the year was Energy representing 73.74% of the Fund at year end. During the year the Manager raised significant cash positions as part of our strategy to manage the challenging environment for resource investing. At year end the Fund held 14.17% in short term securities awaiting timely deployment in selective opportunities in the resource sector.

### *Fees and Expenses*

The main expenses for each Series of the Fund consists of management fees, operating costs and other fund costs, as applicable, for each Series. Operating costs include audit, custodian, legal, reporting and independent review committee fees and other expenses. The management expense ratio (MER) is the Fund's total expenses expressed as a percentage of the average NAV of the Fund. MER will change with the increase or decrease of average NAV. The MER for the Fund's Series A, F, and I shares were 7.14% (December 2013: 5.55%); 5.84% (December 2013: 4.47%) and 4.22% (December 2013: 4.18%) respectively. Total expenses during the year excluding management fees were \$32,914 (December 2013: \$31,897). During the year the total expenses actually paid by the Fund were \$44,174.

### ***Recent Developments***

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Global economic growth in 2014 was relatively slow and highly uneven reflecting the divergent monetary policies throughout the world. The US had the strongest economy while Europe remained mired in slow growth. Emerging markets growth rates slowed particularly China where they tightened monetary policy early in the year. Later in the year Europe and China eased their monetary policies which gave hope for a reacceleration and broadening of global growth.

In the second half of the year investors migrated to US dollar investments attracted by relatively strong economic growth and high interest rates relative to other countries. As a result the US dollar rallied strongly. Declining interest rates particularly in Europe set the stage for competitive devaluation of currencies as a tool to accelerate economic growth. As the year drew to a close there were signs that global growth was beginning improve, particularly in Europe. As the year advanced the US economy showed good progress in employment gains and capital spending indicating that their economy was entering the later stages of the economic cycle. By year end the strong US dollar was showing signs that it was beginning to negatively impact US export markets and corporate earnings. The US dollar strength may be the transmission mechanism for a broadening of global growth in 2015.

The decline in commodity markets, particularly weak oil prices was challenging for the Canadian economy in 2014. The strong US dollar was a significant contributor to the weakness in commodities. As a result the S&P/TSX Index significantly underperformed the S&P 500 Index in 2014.

With the improving prospects for global growth and the US economy entering the latter stages of its economic cycle the outlook for the cyclical sectors may improve in 2015. This would be a positive for the Canadian economy and capital markets.

## ***Recent Developments (continued)***

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### *International Financial Reporting Standards*

The changes that impact the Financial Statements and Management Report of Fund Performance for the period ended December 31, 2014 are as follows:

#### Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

#### Exceptions that are mandated by IFRS 1 First-time adoption of International Reporting Standards

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

#### Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities on transition to IFRS.

#### Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For a detailed reconciliation of the line item changes as a result of the adoption of IFRS as at January 1, 2013 and December 31, 2013 please refer to Note 10 of the financial statements.

## ***Related Party Transactions***

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The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$11,260 in management fees (including HST) was paid to the Manager.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

<b>Marquest Mutual Funds Inc. - Resource Flex Series Fund (Class A)*</b>					
<i>Net Assets per Unit (\$) <sup>(1)</sup></i>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>5.39</b>	<b>5.13</b>	<b>5.89</b>	<b>8.16</b>	<b>6.79</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.14	0.10	0.10	0.11	0.10
Total expenses	(0.41)	(0.27)	(0.38)	(0.21)	(0.21)
Realized gains (losses) for the year	(0.11)	0.00	(1.17)	0.25	0.43
Unrealized gains (losses) for the year	(1.04)	0.47	0.67	(2.37)	0.96
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.42)</b>	<b>0.30</b>	<b>(0.74)</b>	<b>(2.22)</b>	<b>1.28</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>3.92</b>	<b>5.39</b>	<b>5.11</b>	<b>5.89</b>	<b>8.16</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflect the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class A units were first issued on December 24, 2007.



**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Resource Flex Series Fund (Class Low load)*</b>				
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>5.34</b>	<b>6.10</b>	<b>8.41</b>	<b>6.97</b>
<b>Increase (decrease) from operations:</b>				
Total revenue	0.07	(0.03)	0.11	0.11
Total expenses	(0.18)	0.12	(0.22)	(0.24)
Realized gains (losses) for the year	0.00	0.36	0.25	0.48
Unrealized gains (losses) for the year	0.30	(0.21)	(2.40)	1.07
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.19</b>	<b>0.23</b>	<b>(2.25)</b>	<b>1.42</b>
Distributions:				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>-</b>	<b>5.32</b>	<b>6.10</b>	<b>8.41</b>

**Notes:**

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflect the adjusted figure in accordance with IFRS. (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class Low load units were first issued on January 8, 2008.

<b>Marquest Mutual Funds Inc. - Resource Flex Series Fund (Series F)**</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>5.50</b>	<b>5.15</b>	<b>5.85</b>	<b>8.02</b>	<b>6.65</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.15	0.12	0.11	0.11	0.19
Total expenses	(0.36)	(0.31)	(0.44)	(0.21)	(0.41)
Realized gains (losses) for the year	(0.12)	-	(1.34)	0.25	0.82
Unrealized gains (losses) for the year	(1.09)	0.54	0.76	(2.32)	1.83
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.42)</b>	<b>0.35</b>	<b>(0.84)</b>	<b>(2.17)</b>	<b>2.43</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>4.08</b>	<b>5.50</b>	<b>5.13</b>	<b>5.85</b>	<b>8.02</b>

**Notes:**

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflect the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*\*Class F units were first issued on June 20, 2008.

**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Resource Flex Series Fund (Class I)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>5.93</b>	<b>5.52</b>	<b>6.19</b>	<b>8.39</b>	<b>6.85</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.14	0.09	0.11	0.09
Total expenses	(0.28)	(0.37)	(0.36)	(0.21)	(0.19)
Realized gains (losses) for the year	(0.15)	0.00	(1.11)	0.25	0.38
Unrealized gains (losses) for the year	(1.17)	0.65	0.63	(2.35)	0.85
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.44)</b>	<b>0.42</b>	<b>(0.70)</b>	<b>(2.20)</b>	<b>1.13</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>-</b>	<b>5.93</b>	<b>5.50</b>	<b>6.19</b>	<b>8.39</b>

Notes:

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflect the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class I units were first issued on August 22, 2007.

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>					
<b>Class A*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 324	\$ 501	\$ 806	\$ 865	\$ 1,835
Number of units outstanding <sup>(1)</sup>	82,863	92,835	157,210	146,371	224,409
Management expense ratio <sup>(2)</sup>	7.14%	5.55%	6.30%	2.70%	2.50%
Management expense ratio before waivers or absorption <sup>(5)</sup>	7.14%	5.55%	7.30%	2.70%	2.50%
Trading expense ratio <sup>(3)</sup>	0.55%	0.79%	0.90%	0.50%	0.80%
Portfolio turnover rate <sup>(4)</sup>	111.55%	46.50%	87.20%	37.30%	79.20%
Net asset value per unit <sup>(1)</sup>	\$3.92	\$ 5.39	\$5.13	\$5.91	\$8.17
<b>Class DSC**</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ -	\$ -	\$ 1	\$ 18	\$ 67
Number of units outstanding <sup>(1)</sup>	-	-	222	3,018	7,991
Management expense ratio <sup>(2)</sup>	-	2.41%	0.80%	2.10%	2.00%
Management expense ratio before waivers or absorption <sup>(5)</sup>	-	2.41%	0.50%	2.10%	2.00%
Trading expense ratio <sup>(3)</sup>	-	0.49%	0.20%	0.50%	0.80%
Portfolio turnover rate <sup>(4)</sup>	-	46.50%	87.20%	37.30%	79.20%
Net asset value per unit <sup>(1)</sup>	\$ -	\$ -	\$5.34	\$6.12	\$8.42
<b>Class F***</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ -	\$ 1	\$ 1	\$ 14	\$ 20
Number of units outstanding <sup>(1)</sup>	100	100	100	2,458	2,458
Management expense ratio <sup>(2)</sup>	5.84%	4.47%	6.70%	1.60%	2.20%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.84%	4.47%	8.10%	1.60%	2.20%
Trading expense ratio <sup>(3)</sup>	0.55%	0.92%	1.20%	0.50%	1.50%
Portfolio turnover rate <sup>(4)</sup>	-	46.50%	87.20%	37.30%	79.20%
Net asset value per unit <sup>(1)</sup>	\$4.08	\$ 5.50	\$5.15	\$5.87	\$8.03
<b>Class I****</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ -	\$ 127	\$ 118	\$ 133	\$ 179
Number of units outstanding <sup>(1)</sup>	-	21,331	21,331	21,331	21,331
Management expense ratio <sup>(2)</sup>	4.22%	4.18%	3.60%	0.50%	0.30%
Management expense ratio before waivers or absorption <sup>(5)</sup>	4.22%	4.18%	4.50%	0.50%	0.30%
Trading expense ratio <sup>(3)</sup>	0.55%	1.02%	0.80%	0.50%	0.70%
Portfolio turnover rate <sup>(4)</sup>	-	46.50%	87.20%	37.30%	79.20%
Net asset value per unit <sup>(1)</sup>	\$ -	\$ 5.93	\$5.52	\$6.21	\$8.40

**Notes:**

(1) The information is provided as at December 31st of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rates in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

\*Class A units were first issued on December 24, 2007.

\*\*Class Low load units were first issued on January 8, 2008.

\*\*\*Class F units were first issued on June 20, 2008.

\*\*\*\*Class I units were first issued on August 22, 2007.

## Management and Performance Fees

The Fund pays an annual management fee equal to 2.00% of the average total NAV of Series A Regular, 1.50% of the average total NAV of Series Low Load DSC and 1.00% of the average total NAV of Series F shares to the Manager. Management fees for Series I shares will be negotiated directly with each investor. This fee is calculated daily and is based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis.

Of the management fees paid by the Fund to the Managers approximately 38.06% was used to pay for sales and trailer commissions and 61.94% was for investment advisory and portfolio management services.

The Fund will incur a performance fee equal to  $20\% \times (\text{Series \% gain} - \text{Benchmark \% gain}) \times (\text{Series Average NAV})$ . The benchmark is 50% S&P/TSX Capped Energy Index & 50% S&P/TSX Capped Materials Index. A high water mark approach is used. See Simplified Prospectus for details. No performance fees were paid during the year ended December 31, 2014.

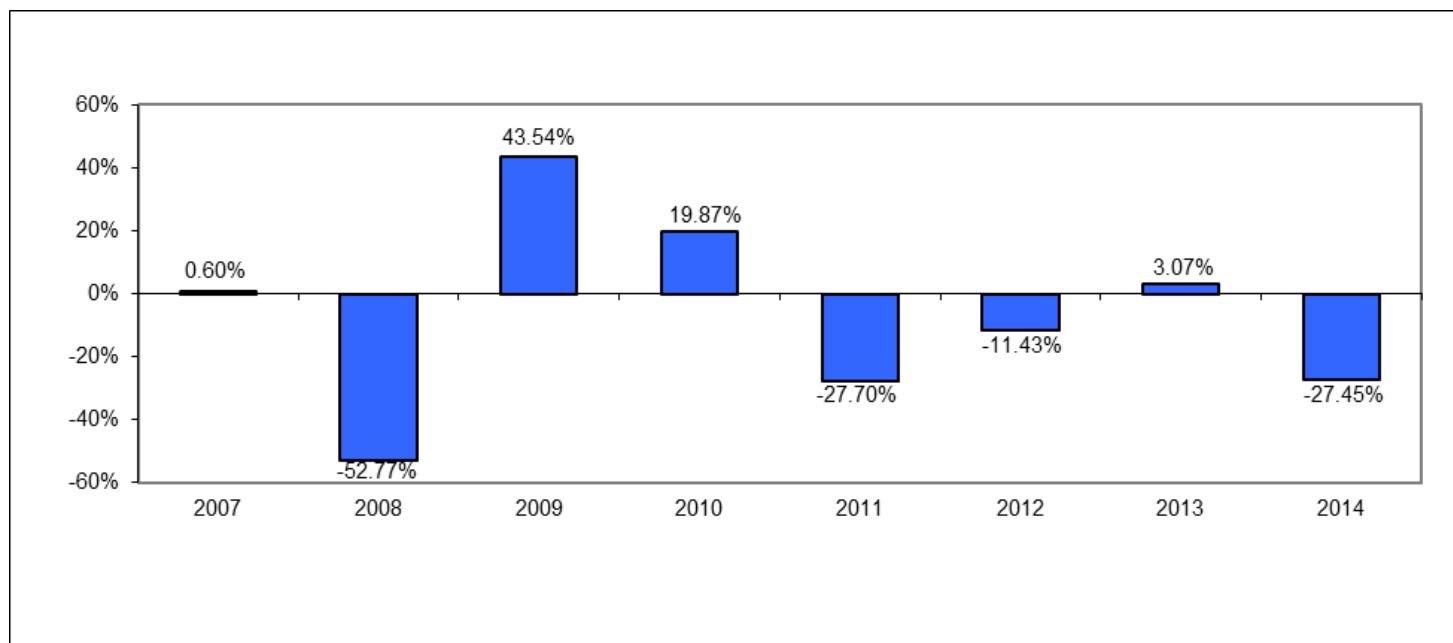
## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between series of units are mainly attributable to management fees charged to each series.

### Year-by-Year Returns

The following bar charts show the Fund's annual Series A, Series Low Load DSC, Series F and Series I units performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

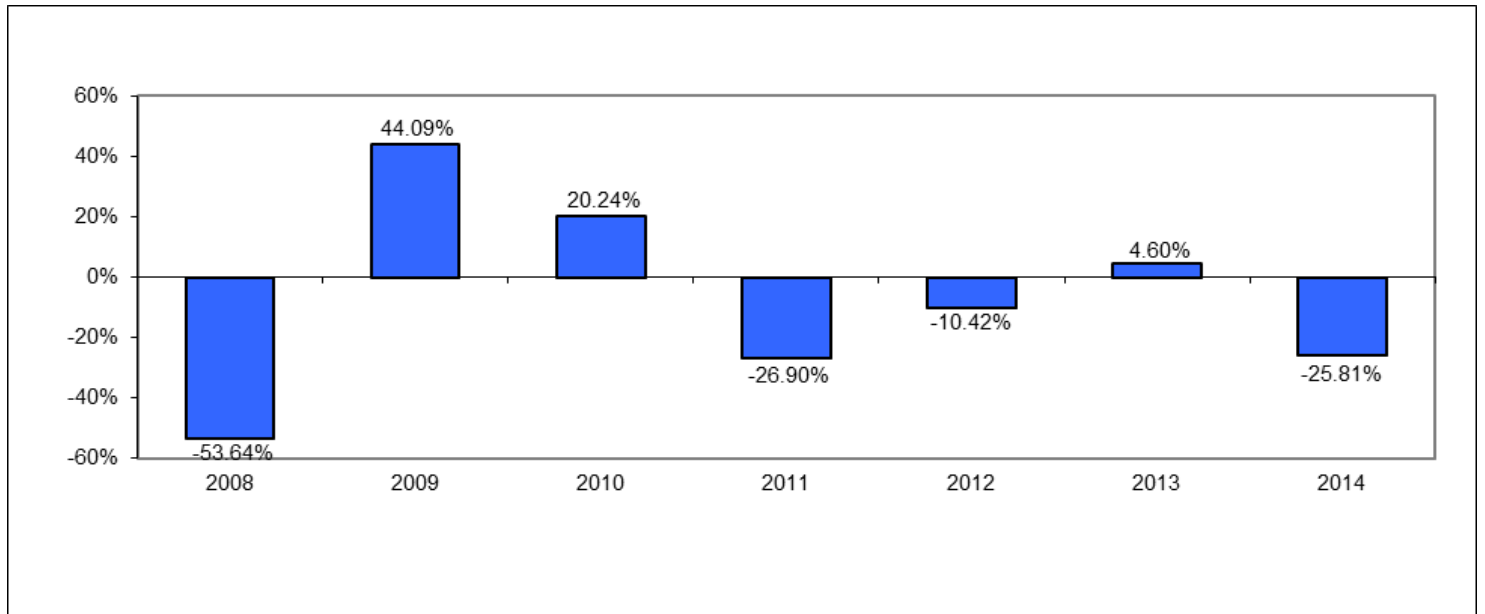
### Series A Regular



\*Inception date for Series A Regular shares was November 27, 2007.

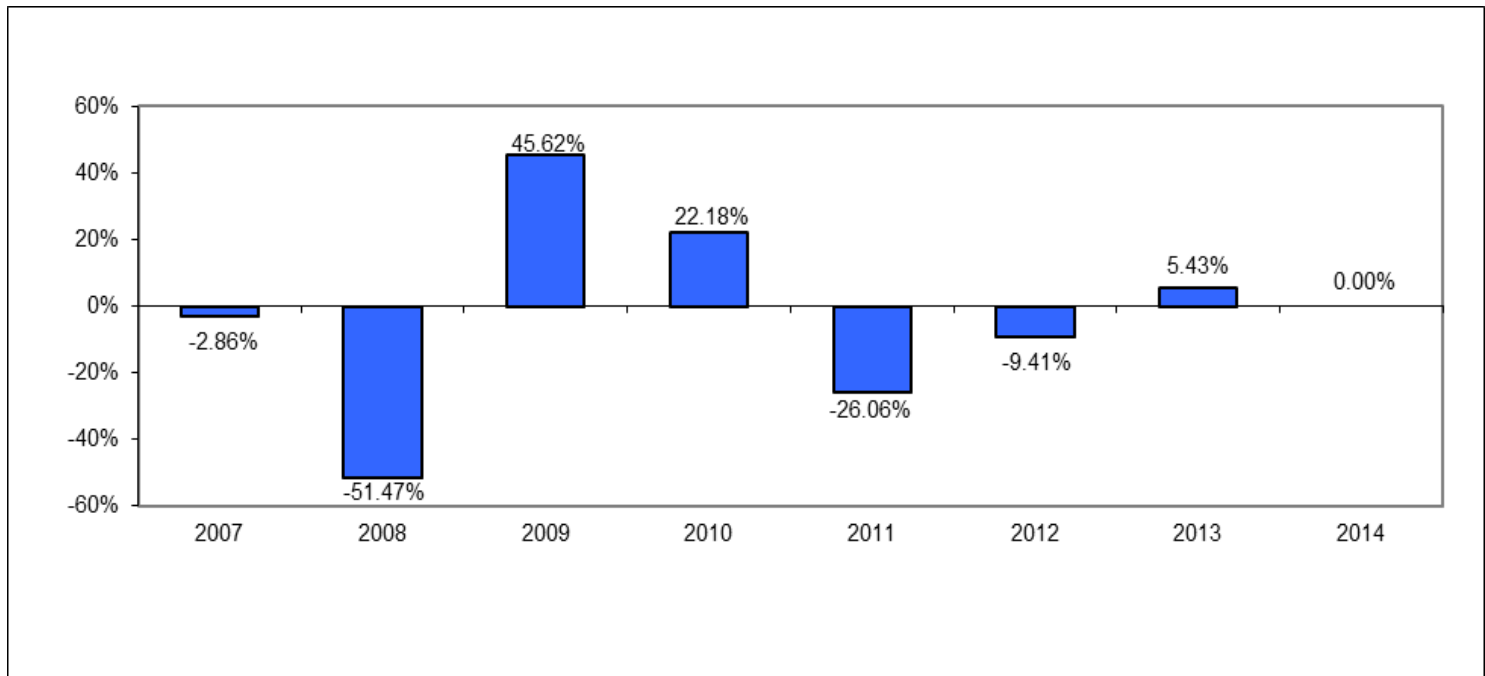
**Past Performance (continued)**

**Series F**



\*Inception date for Series F shares was November 27, 2007.

**Series I**



\*Inception date for Series I shares was November 27, 2007.

## Annual Compound Returns

The table below compares the annual compounded return of the Series A and Series F shares of the Fund against the a blended index which is comprised of 50% S&P/TSX Capped Energy Index and 50% S&P/TSX Capped Materials index.

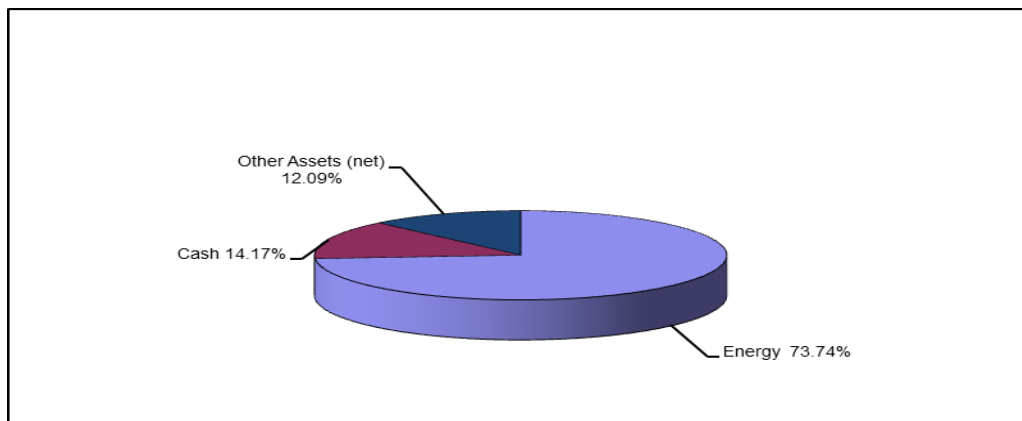
As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP. Unlike the index, the Fund must report performance net of all accrued fees and expenses, which dilute the actual Fund performance in relative comparison to the benchmarks, which does not incur any types of fees/expenses. Generally, the Fund underperformed the indices.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
<b>Series A-Rollover</b>					
S&P/TSX Capped Energy Index	-27.5%	-12.8%	-10.5%	-	-12.4%
S&P/TSX Capped Materials Index	-16.4%	-3.4%	-3.0%	-	-2.8%
	-2.6%	-13.3%	-6.9%	-	-3.9%
<b>Series F</b>					
S&P/TSX Capped Energy Index	-25.8%	-11.4%	-9.4%	-	-11.9%
S&P/TSX Capped Materials Index	-16.4%	-3.4%	-3.0%	-	-2.8%
	-2.6%	-13.3%	-6.9%	-	-3.9%

## Summary of Investment Portfolio (as at December 31, 2014)

The pie chart and table below provide information about the investment portfolio of the Fund, including a breakdown of the Fund's portfolio into subgroups and the Top 25 positions held by the Fund as a percentage of NAV.

### Asset Mix



### Top 25 Holdings

1	Cash	14.17%	11	Painted Pony Petroleum Ltd.	4.14%
2	Trinidad Drilling Ltd.	6.24%	12	Pason Systems Inc.	4.10%
3	Enbridge Inc.	5.87%	13	Traverse Energy Ltd.	3.93%
4	TransCanada Corp.	5.13%	14	DeeThree Exploration Ltd.	3.72%
5	Parkland Fuel Corp.	4.95%	15	Fission Uranium Corp.	3.55%
6	Keyera Corp.	4.79%	16	RMP Energy Inc.	3.23%
7	Suncor Energy Inc.	4.77%	17	Tamarack Valley Energy Ltd.	3.11%
8	Canyon Services Group Inc.	4.74%	18	Yangarra Resources Ltd.	2.61%
9	Spartan Energy Corp.	4.49%			0.00%
10	ShawCor Ltd.	4.37%		<b>TOTAL % OF NAV</b>	<b>87.91%</b>

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.marquest.ca](http://www.marquest.ca). The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2014. The Fund does not hold short positions. The prospectus and other information of Marquest Mutual Fund Inc. - Resource Flex™ Series Fund are available on the internet [www.sedar.com](http://www.sedar.com).

**TORONTO**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**MONTREAL**

1155 Robert-Bourassa Boulevard  
Suite 905  
Montreal, QC H3B 3A7  
Phone 514.227.0666  
Toll Free 1.866.687.9363

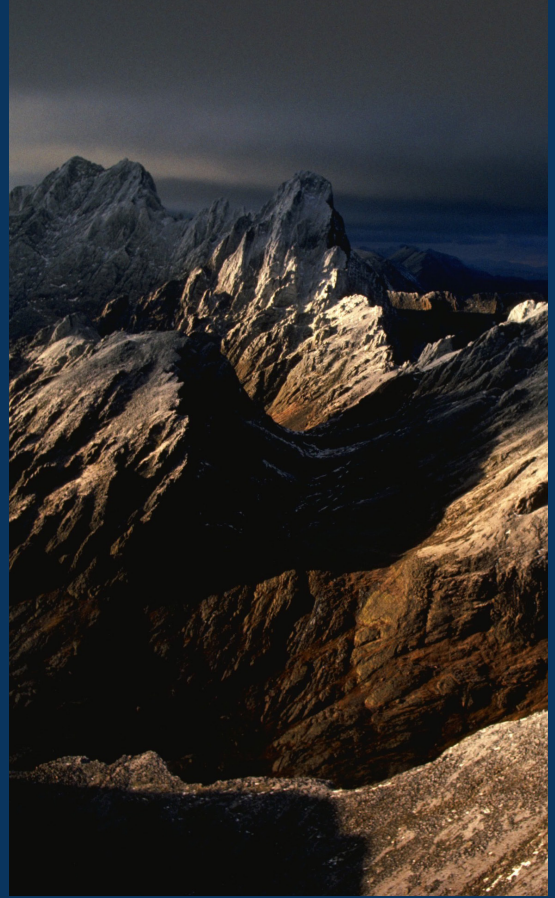
**VANCOUVER**

1055 West Hastings  
Suite 300  
Vancouver, BC V6E 2E9  
Phone 604.895.7281

**CLIENT SERVICES**

Phone 416.365.4077  
Toll free 1.888.964.3533  
[clientservices@marquest.ca](mailto:clientservices@marquest.ca)

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)



**MARQUEST MUTUAL FUNDS, INC.**  
FLEX DIVIDEND AND INCOME  
GROWTH™ SERIES FUND

MANAGEMENT REPORT OF  
FUND PERFORMANCE

Year ended December 31, 2014



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc. Flex Dividend and Income Growth™ Series Fund (the “Fund”). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the “Manager”) by calling toll-free 1-877-777-1541, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

*This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions, and the adoption of International Financial Reporting Standards. Such information has been included to assist readers with assessing recent developments in the Fund's operating climate and possible future developments that may affect Fund performance. All forward looking statements are based on management's current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management's beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund's investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund's prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.*

## **Management Discussion of Fund Performance**

### **Investment Objectives and Strategies**

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#### *Investment Objectives*

The fundamental investment objective is to seek long-term capital appreciation by investing primarily in large-cap, and secondarily in small- and mid-cap, high yield securities. It is expected that 75% of the Fund's portfolio will be invested in a combination of dividend-paying and income bearing investments.

#### *Investment Strategies*

The primary method of selection for securities applies the value approach to high yield investments. This involves some and/or all of the following:

- Selecting organizations that offer superior long-term earnings and cash flow per share growth.
- Selecting organizations that have a consistently proven strong position in the market, quality management and balance sheet strength.
- Actively managing asset mix allocations between equity, fixed income and cash.
- Overweight favoured sectors and individual securities and reduce or eliminate unfavourable investment exposure. Choose to focus on areas of best probability through fluid and active asset allocation as well as focused industry and security selection.

### **Risks**

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There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund's prospectus available through our website at [www.marquest.ca](http://www.marquest.ca) or at SEDAR's website [www.sedar.com](http://www.sedar.com).

## ***Results of Operations***

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### *Net Asset Value (NAV)*

As at December 31, 2014 the Fund's total NAV was \$9,649,357 a decrease of 1.70% since the prior year end (December 2013: \$9,816,641). This change was the result of net realized gain on investments of \$1,280,645 partially offset by net change in unrealized depreciation in the value of investments \$1,027,949.

During the year, sales and redemptions were as follows: Series A \$1,860,646 and \$2,148,423 respectively (December 2013: \$684,652 and \$4,444,996); Series F \$336,267 and \$77,663 respectively (December 2013: \$1,817,086 and \$13,000) and Series I \$0 and \$0 respectively (December 2013: \$0 and \$14,468).

### *Investment Portfolio*

The S&P/TSX composite index performed well in 2014. Gains were tilted towards non-cyclical sectors with Consumer Staples garnering the strongest return followed by Info tech and Health Care. Energy was the weakest sector in the TSX index. Excess supply in the oil market and competitive pricing environment brought forth by Saudi Arabia caused collapses in oil prices and the energy sector.

Of all the sectors held by the fund, Information Technology, Financials and Consumer Staples were the strongest performers. Returns were negatively impacted by losses in energy and energy related stocks. See "Summary of Investment Portfolio – Asset Mix" for a breakdown of the Fund's portfolio investments by sector.

During the period, the Fund's Series A, F and I shares generated returns of -1.63%, -0.52% and 0.61% respectively.

Low oil prices benefit energy consuming economies and have positive impacts on economic growth globally. The Fund's sector weightings were reviewed during the year; sector weighting changes were made in light of downward adjustment in Canada's economic outlook due to drop in energy prices and our bullish global view. Weightings in the Energy, Financial and the Industrial sectors were trimmed. Positions in cash, Consumer Discretionary, Consumer Staples and Utilities were boosted. The Manager also initiated positions in US equities and the Information Tech sector given its positive view on global markets.

### *Fees and Expenses*

The main expenses for each Series of the Fund consists of management fees, operating costs and other fund costs, as applicable, for each Series. Operating costs include audit, custodian, legal, reporting and independent review committee fees and other expenses. The management expense ratio (MER) is the Fund's total expenses expressed as a percentage of the average NAV of the Fund. MER will change with the increase or decrease of average NAV. The MER for the Fund's Series A, F and I shares were 6.30% (December 2013: 4.32%); 5.19% (December 2013: 4.66%) and 4.06% (December 2013: 2.55%) respectively. Total expenses during the year excluding management fees were \$480, 184 (December 2013: \$345, 925), with the increase being the result of an increase in operating expense of \$166, 420. During the year the total expenses paid by the Fund were \$687, 274.

## ***Recent Developments***

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Global economic growth in 2014 was relatively slow and highly uneven reflecting the divergent monetary policies throughout the world. The US had the strongest economy while Europe remained mired in slow growth. Emerging markets growth rates slowed particularly China where they tightened monetary policy early in the year. Later in the year Europe and China eased their monetary policies which gave hope for a reacceleration and broadening of global growth.

In the second half of the year investors migrated to US dollar investments attracted by relatively strong economic growth and high interest rates relative to other countries. As a result the US dollar rallied strongly. Declining interest rates particularly in Europe set the stage for competitive devaluation of currencies as a tool to accelerate economic growth. As the year drew to a close there were signs that global growth was beginning improve, particularly in Europe. As the year advanced the US economy showed good progress in employment gains and capital spending indicating that their economy was entering the later stages of the economic cycle. By year end the strong US dollar was showing signs that it was beginning to negatively impact US export markets and corporate earnings. The US dollar strength may be the transmission mechanism for a broadening of global growth in 2015.

The decline in commodity markets, particularly weak oil prices was challenging for the Canadian economy in 2014. The strong US dollar was a significant contributor to the weakness in commodities. As a result the S&P/TSX Index significantly underperformed the S&P 500 Index in 2014.

With the improving prospects for global growth and the US economy entering the latter stages of its economic cycle the outlook for the cyclical sectors may improve in 2015. This would be a positive for the Canadian economy and capital markets.

### ***International Financial Reporting Standards***

The changes that impact the Financial Statements and Management Report of Fund Performance for the year ended December 31, 2014 are as follows:

#### **Statement of cash flows**

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

#### **Exceptions that are mandated by IFRS 1 First-time adoption of International Reporting Standards**

Estimates – IFRS 1 prohibits use of hindsight to create or revise previous estimates. The estimates the Company previously made under Canadian GAAP have not been revised for application of IFRS.

#### **Classification of Redeemable Units Issued by the Fund**

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities on transition to IFRS.

#### **Revaluation of investments at FVTPL**

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. For a detailed reconciliation of the line item changes as a result of the adoption of IFRS as at January 1, 2013 and December 31, 2013 please refer to Note 10 of the financial statements.

## Related Party Transactions

The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$207,090 in management fees (including HST) was paid to the Manager.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

<b>Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series A)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>14.08</b>	<b>12.82</b>	<b>12.57</b>	<b>13.23</b>	<b>11.92</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.41	0.47	0.47	0.55	0.62
Total expenses	(1.00)	(0.53)	(0.55)	(0.36)	(0.38)
Realized gains (losses) for the year	1.80	0.30	(0.22)	(0.42)	0.29
Unrealized gains (losses) for the year	(1.41)	0.93	0.44	(0.49)	0.81
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.20)</b>	<b>1.17</b>	<b>0.26</b>	<b>(0.72)</b>	<b>1.35</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>13.85</b>	<b>14.08</b>	<b>12.80</b>	<b>12.57</b>	<b>13.23</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Series A units were first issued on May 19, 2009.

**Financial Highlights (continued)**

<b>Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Class F)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>\$2,012.00</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>12.89</b>	<b>11.61</b>	<b>11.28</b>	<b>11.73</b>	<b>10.50</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.38	0.75	0.69	0.29	0.59
Total expenses	(0.77)	(0.84)	(0.81)	(0.19)	0.36
Realized gains (losses) for the year	1.60	0.47	(0.32)	(0.22)	0.27
Unrealized gains (losses) for the year	(1.39)	1.50	0.66	(0.25)	0.77
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.18)</b>	<b>1.88</b>	<b>0.39</b>	<b>(0.37)</b>	<b>1.27</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>12.83</b>	<b>12.89</b>	<b>11.60</b>	<b>11.28</b>	<b>11.73</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class F units were first issued on November 13, 2009.

<b>Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Class I)*</b>					
<b>Net Assets per Unit (\$) <sup>(1)</sup></b>					
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net assets, beginning of the year <sup>(2)</sup>	<b>15.49</b>	<b>13.80</b>	<b>13.25</b>	<b>13.65</b>	<b>11.88</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.46	0.64	0.95	0.29	0.65
Total expenses	(0.75)	(0.72)	(1.11)	(0.19)	(0.39)
Realized gains (losses) for the year	1.98	0.40	(0.44)	(0.22)	0.30
Unrealized gains (losses) for the year	(1.59)	1.27	0.90	(0.26)	0.85
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.10</b>	<b>1.59</b>	<b>0.53</b>	<b>(0.38)</b>	<b>1.41</b>
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>15.59</b>	<b>15.49</b>	<b>13.78</b>	<b>13.25</b>	<b>13.65</b>

**Notes:**

(1) This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014 and restated the year ended December 31, 2013 under IFRS. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which allows the fund to use the closing price for its investments. Accordingly, the opening net assets as at January 1, 2013 reflects the adjusted figure in accordance with IFRS.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

\*Class I units were first issued on October 28, 2008.

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>					
<b>Class A*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 7,200	\$ 7,595	\$ 10,897	\$ 11,881	\$ 10,758
Number of units outstanding <sup>(1)</sup>	519,896	539,535	849,931	942,996	812,135
Management expense ratio <sup>(2)</sup>	6.30%	4.32%	3.80%	2.40%	2.40%
Management expense ratio before waivers or absorption <sup>(5)</sup>	6.30%	4.32%	4.78%	2.40%	2.40%
Trading expense ratio <sup>(3)</sup>	0.56%	1.12%	0.50%	0.40%	0.70%
Portfolio turnover rate <sup>(4)</sup>	163.24%	168.56%	66.10%	42.10%	41.80%
Net asset value per unit <sup>(1)</sup>	\$13.85	\$ 14.07	\$12.82	\$12.60	\$13.25
<b>Class F**</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 2,371	\$ 2,144	\$ 184	\$ 214	\$ 297
Number of units outstanding <sup>(1)</sup>	184,864	166,301	15,804	18,972	25,270
Management expense ratio <sup>(2)</sup>	5.19%	4.66%	3.50%	1.30%	1.80%
Management expense ratio before waivers or absorption <sup>(5)</sup>	5.19%	4.66%	4.93%	1.30%	1.80%
Trading expense ratio <sup>(3)</sup>	0.56%	1.96%	0.80%	0.20%	0.70%
Portfolio turnover rate <sup>(4)</sup>	163.24%	168.56%	66.10%	42.10%	41.80%
Net asset value per unit <sup>(1)</sup>	\$12.83	\$ 12.88	\$11.61	\$11.29	\$11.75
<b>Class I***</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 78	\$ 77	\$ 83	\$ 80	\$ 82
Number of units outstanding <sup>(1)</sup>	5,000	5,000	6,000	6,000	6,000
Management expense ratio <sup>(2)</sup>	4.06%	2.55%	2.70%	0.10%	0.90%
Management expense ratio before waivers or absorption <sup>(5)</sup>	4.06%	2.55%	4.36%	0.10%	0.90%
Trading expense ratio <sup>(3)</sup>	0.56%	1.40%	0.90%	0.20%	0.70%
Portfolio turnover rate <sup>(4)</sup>	163.24%	168.56%	66.10%	42.10%	41.80%
Net asset value per unit <sup>(1)</sup>	\$15.59	\$ 15.48	\$13.80	\$13.27	\$13.65

**Notes:**

(1) The information is provided as at December 31st of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

\*Class A units were first issued on May 19, 2009.

\*\*Class F units were first issued on November 13, 2009.

\*\*\*Class I units were first issued on October 28, 2008.

## Management and Performance Fees

The Fund pays an annual management fee equal to 2.00% of the average total NAV of Series A Regular, 2.00% of the average total NAV of Series Low Load DSC and 1.00% of the average total NAV of Series F shares to the Manager. Management fees for Series I shares will be negotiated directly with each investor. This fee is calculated daily and is based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis.

Of the management fees paid by the Fund to the Managers approximately 36.96% was used to pay for sales and trailer commissions and 63.04% was for investment advisory and portfolio management services.

The Fund will incur a performance fee equal to  $20\% \times (\text{Series \% gain} - \text{Benchmark \% gain}) \times (\text{Series Average NAV})$ . The benchmark is 5% 60 day Canadian treasury bill rate, 10% BMO Nesbitt Burns Preferred Share index, 10% S&P TSX Utilities Index, 15% S&P TSX Income Trust Index, 20% S&P TSX Capped Financials Index and 40% S&P TSX 60 Index. See Simplified Prospectus for details. No performance fees were paid during the year ended December 31, 2014.

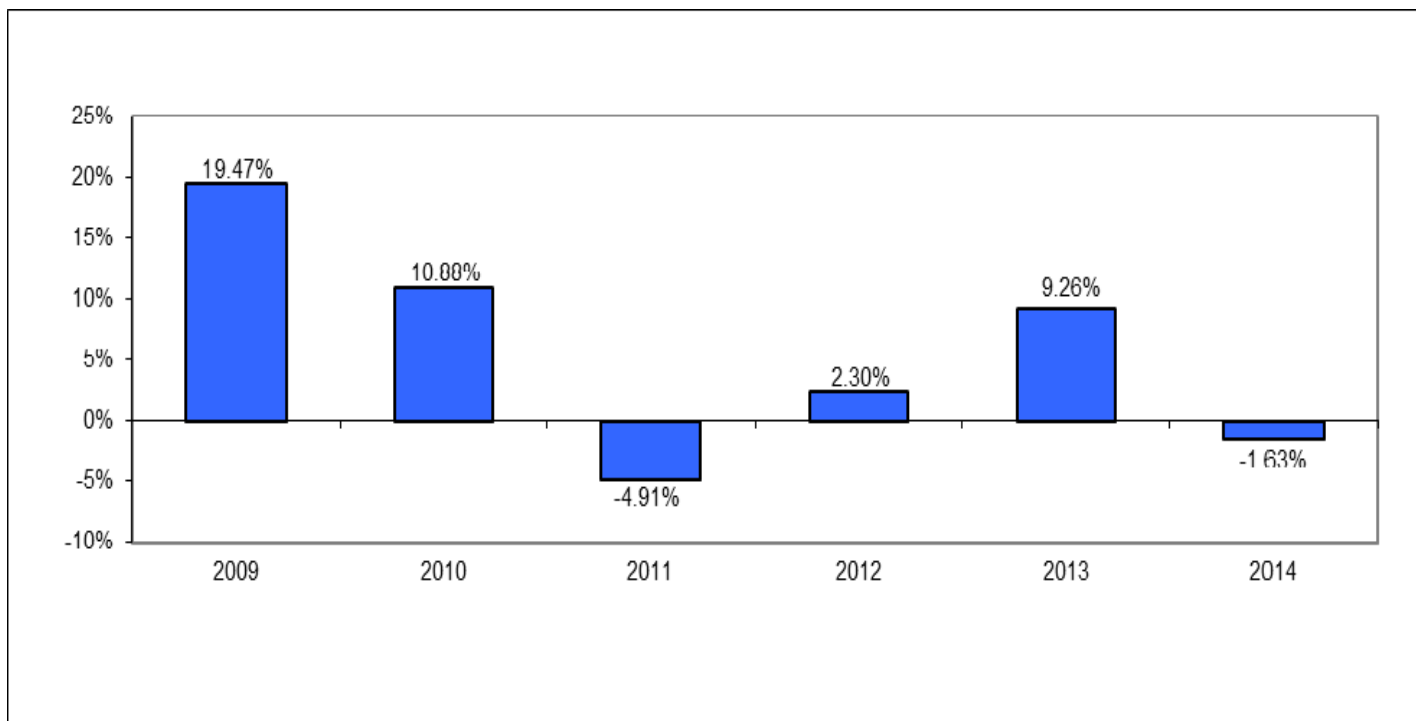
## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between series of units are mainly attributable to management fees charged to each series.

### Year-by-Year Returns

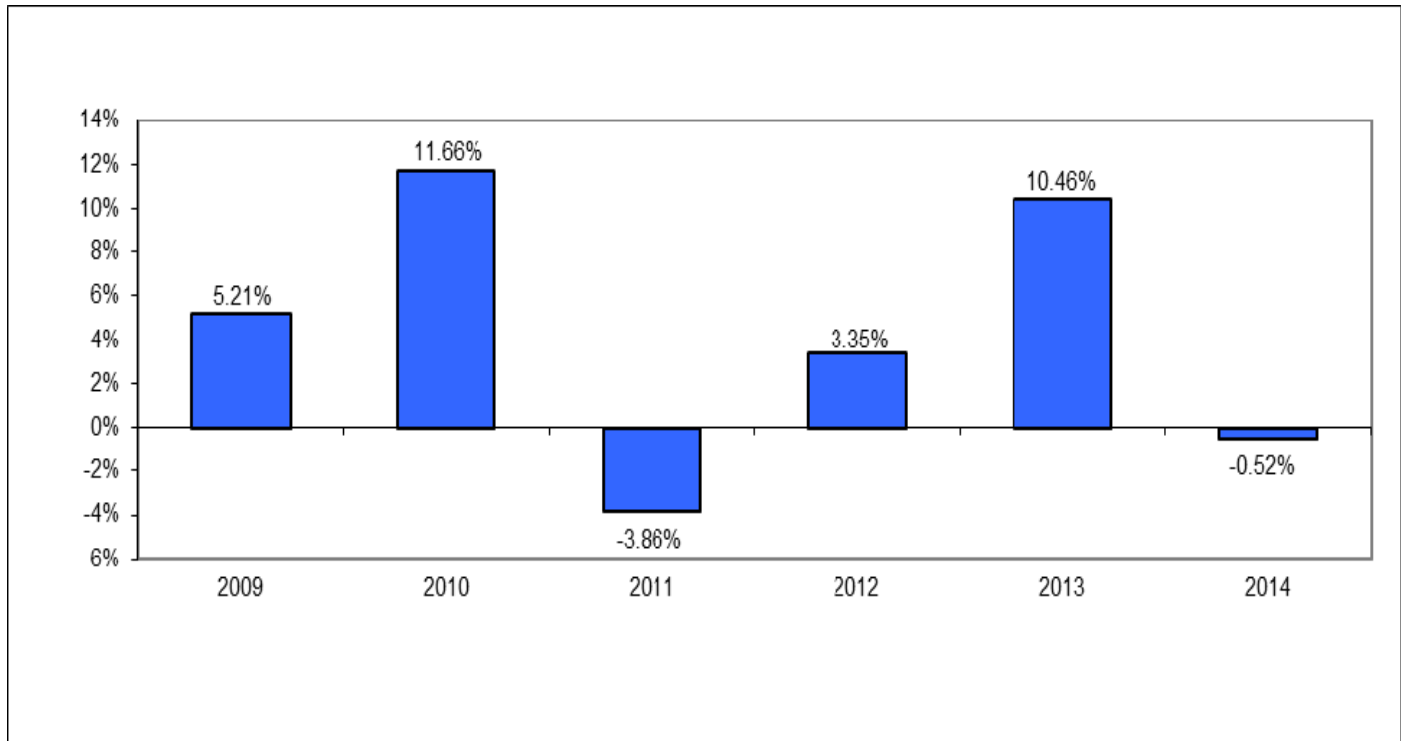
The following bar charts show the Fund's annual Series A, Class Low Load DSC, Series F and Series I units performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

#### Series A Regular



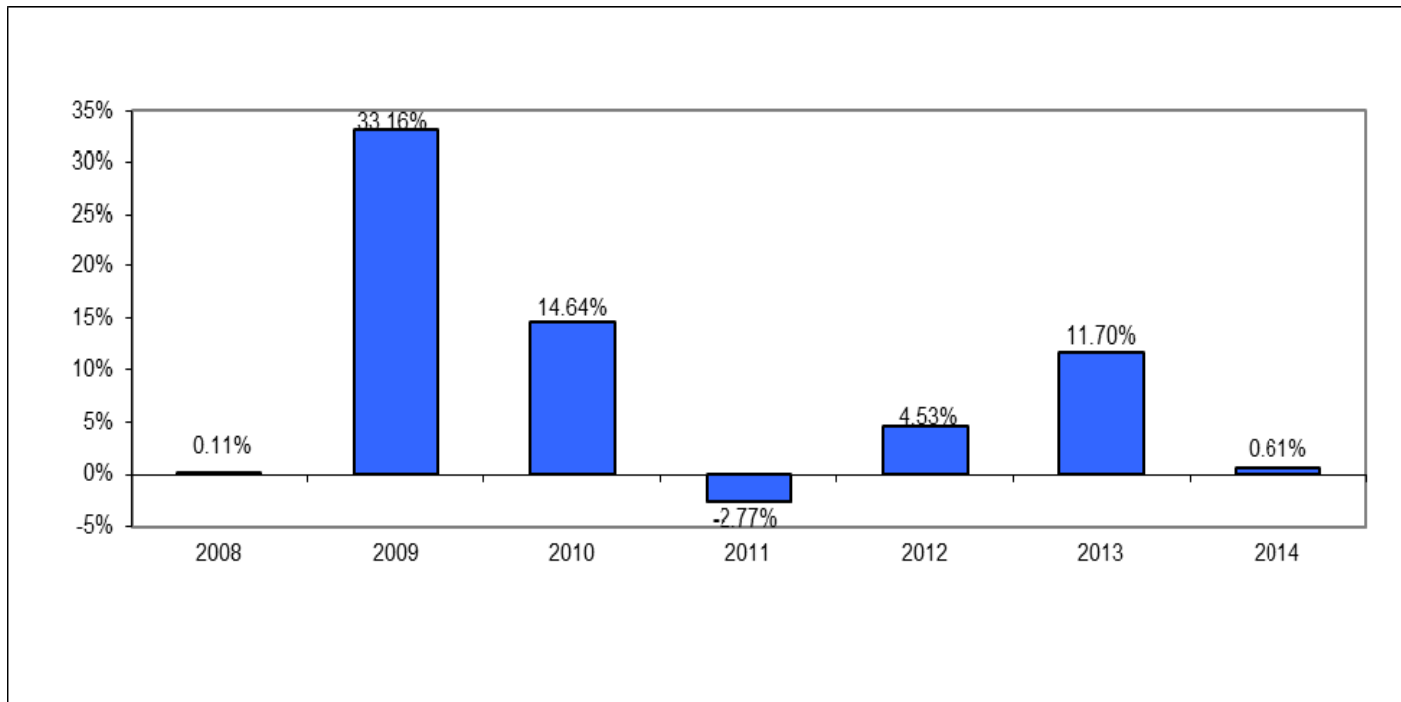
\*Inception date for Series A Regular shares was December 1, 2008.

Series F



\*Inception date for Series F shares was December 1, 2008.

Series I



\*Inception date for Series I shares was December 1, 2008.



## Annual Compound Returns

The table below compares the annual compounded return of the Series A, Series F and Series I shares of the Fund against a blended index which is comprised: 5% 60 day Canadian treasury bill rate, 10% BMO Nesbitt Burns Preferred Share index, 10% S&P TSX Utilities Index, 15% S&P TSX Income Trust Index, 20% S&P TSX Capped Financials Index and 40% S&P TSX 60 Index.

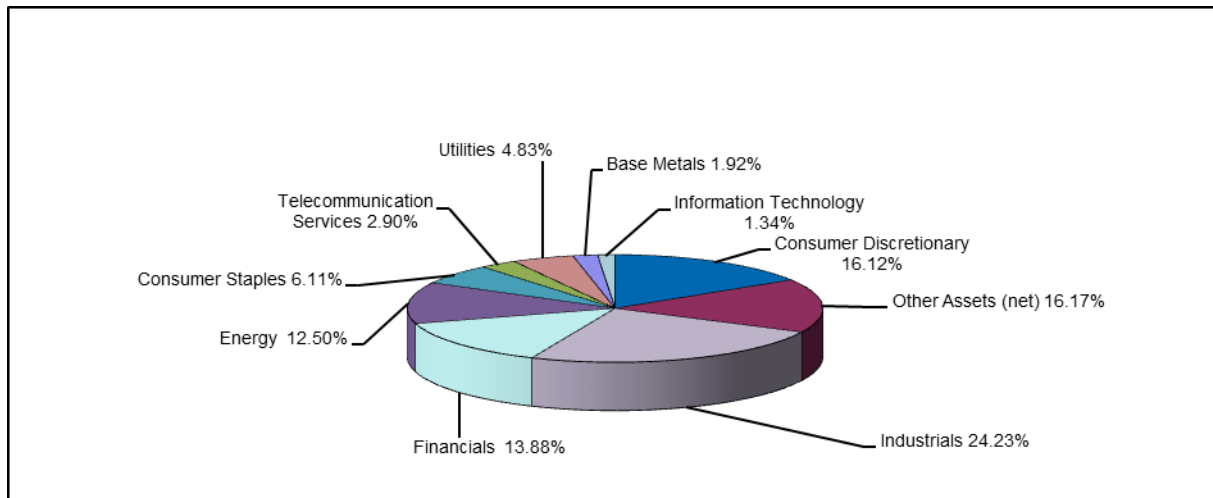
As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP. Unlike the index, the Fund must report performance net of all accrued fees and expenses, which dilute the actual Fund performance in relative comparison to the benchmarks, which does not incur any types of fees/expenses. Generally, the Fund underperformed the indices.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
<b>Series A-Rollover</b>	-1.6%	3.2%	3.0%	-	5.5%
<b>S&amp;P/TSX Capped Financials Index</b>	12.6%	18.7%	11.8%	-	14.7%
<b>S&amp;P/TSX Income Trust Index</b>	13.3%	9.0%	15.2%	-	17.2%
<b>Series F</b>	-0.5%	4.3%	4.0%	-	4.2%
<b>S&amp;P/TSX Capped Financials Index</b>	12.6%	18.7%	11.8%	-	14.7%
<b>S&amp;P/TSX Income Trust Index</b>	13.3%	9.0%	15.2%	-	17.2%
<b>Series I</b>	0.6%	5.5%	5.5%	-	9.6%
<b>S&amp;P/TSX Capped Financials Index</b>	12.6%	18.7%	11.8%	-	14.7%
<b>S&amp;P/TSX Income Trust Index</b>	13.3%	9.0%	15.2%	-	17.2%

## Summary of Investment Portfolio (as at December 31, 2014)

The pie chart and table below provide information about the investment portfolio of the Fund, including a breakdown of the Fund's portfolio into subgroups and the Top 25 positions held by the Fund as a percentage of NAV.

### Asset Mix



**Summary of Investment Portfolio (as at December 31, 2014) (continued)****Top 25 Holdings**

1	AirBoss of America Corp.	3.98%	14	BCE Inc.	2.90%
2	Alimentation Couche-Tard Inc.	3.81%	15	CI Financial Corp.	2.68%
3	AGT Food and Ingredients Inc.	3.67%	16	Aimia Inc.	2.61%
4	WestJet Airlines Ltd.	3.56%	17	Stella-Jones Inc.	2.55%
5	Parkland Fuel Corp.	3.56%	18	Superior Plus Corp.	2.44%
6	Canadian Tire Corp. Ltd.	3.25%	19	Gildan Activewear Inc.	2.40%
7	Bank of America Corp.	3.16%	20	Boralex Inc.	2.39%
8	TransForce Inc.	3.15%	21	Vermilion Energy Inc.	2.36%
9	AutoCanada Inc.	3.00%	22	Martinrea International Inc.	2.36%
10	Uni-Select Inc.	2.99%	23	Loblaw Cos. Ltd.	2.30%
11	Royal Bank of Canada	2.93%	24	Home Capital Group Inc.	2.21%
12	Valero Energy Corp.	2.93%	25	Newalta Corp.	2.21%
13	Edgefront REIT	2.91%		<b>TOTAL % OF NAV</b>	<b>72.31%</b>

*This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.marquest.ca](http://www.marquest.ca). The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2014. The Fund does not hold short positions. The prospectus and other information of Marquest Mutual Fund Inc. - Flex Dividend and Income Growth <sup>TM</sup> Fund are available on the internet [www.sedar.com](http://www.sedar.com).*

**TORONTO**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**MONTREAL**

1155 Robert-Bourassa Boulevard  
Suite 905  
Montreal, QC H3B 3A7  
Phone 514.227.0666  
Toll Free 1.866.687.9363

**VANCOUVER**

1055 West Hastings  
Suite 300  
Vancouver, BC V6E 2E9  
Phone 604.895.7281

**CLIENT SERVICES**

Phone 416.365.4077  
Toll free 1.888.964.3533  
[clientservices@marquest.ca](mailto:clientservices@marquest.ca)

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)