MARQUEST ASSET MANAGEMENT INC.

Fourth Quarter 2015 Review

Market Commentary

In the fourth quarter of 2015, the U.S. Federal Reserve finally raised interest rates in recognition of a stronger U.S. economy. Initial jobless claims are relatively low and the U.S. consumer may be beginning to think about spending the cash left over from filling up the gas tank as prices at the pump remain low. The MSCI World Index was up 8.5% and the Merrill Lynch High Yield Index was up 1.4% in C$ in the quarter. A good portion of that move was due to weakness in the Canadian dollar, which declined 3.6% over the quarter to about US$0.72. Otherwise, we have remarked before at the narrowness of breadth in the markets. The "FANG" stocks (Facebook, Amazon, Netflix and Google/Alphabet) dominated returns in the U.S.. The Fund's investment strategy of buying dividend paying stocks was one reason that prevented us from investing in Facebook, Amazon or Netflix. Their breathtaking valuation was another reason. We did purchase Google/Alphabet; it trades at a relatively modest 27 times earnings

Portfolio Commentary

For the year 2015, the Marquest Global Balanced Fund Class F units posted a 6.8% return and the Class A units posted a 5.6% return. In the context of the Canadian market, as measured by the S&P/TSX Index which declined by 11.1%, we are pleased with the Fund's performance. Home Depot, United Health, Walt Disney and General Electric were significant positive contributors to performance. Our focus on owning businesses with specific competitive advantages such as brand names, scale and market growth continues to be rewarded. These companies have withstood substantial market volatility.

In the fourth quarter of 2015, the Marquest Global Balanced Fund Class F units returned 3.3% and the Class A units returned 3.0%. Information technology and healthcare were the strongest performing sectors in the MSCI World Index. The Fund has an underweight Information Technology allocation, but Alphabet/Google's 11.5% appreciation over the quarter contributed to performance. Healthcare has been a core sector for the Fund. Johnson & Johnson (up 15.0%), Pfizer (up 7.7%) and Novo Nordisk (up 11.1%) contributed to performance. The weakness in the Canadian dollar was another positive contributor for the Fund, although our US$ exposure was about 1/3 hedged. Energy and utilities were the weakest sectors over the quarter. The Fund had virtually no exposure to the utilities sector and a significantly underweight exposure to the energy sector.

Feature Holding - General Electric

General Electric, up 28.1% in the quarter, is a global industrial company. It operates in the transportation and energy generation industries and manufactures consumer appliances, industrial and medical equipment. In some ways, GE is a proxy for the U.S. economy. GE's finance operations, GE Capital, went through tough times during and after the financial crisis of 2008. We waited until 2015 to add it to the Fund, after GE announced the divestment of GE Capital. It's currently a 3.0% weighting in the portfolio. Both GE and the U.S. economy have been showing signs of improvement; both have had to clean up their financial services. GE's industrial business is forecast to have double digit earnings growth over the next few years.

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