

MARQUEST CANADIAN EQUITY INCOME FUND

ANNUAL MANAGEMENT
REPORT OF FUND PERFORMANCE

Year ended December 31, 2015

MARQUEST CANADIAN EQUITY INCOME FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2015

A NOTE ON FORWARD-LOOKING STATEMENTS

This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions. 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.

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Canadian Equity Income 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 1-888-964-3533, 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 or SEDAR at 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.

Management Discussion of Fund Performance

Investment Objectives and Strategies

The investment objective of the Marquest Canadian Equity Income Fund is to invest in a broadly diversified portfolio of securities comprising the S&P/TSX Composite High Dividend Index (Name changed from S&P/TSX Equity Income index) constituents. The Fund's weighting of each holding is approximately the same as the Index. Manager may sell covered call options on the Portfolio Securities from time to time in order to enhance returns and lower the overall volatility of the Portfolio.

Risk

There were no changes in the Fund's investment objective or asset class during the period which materially impacted the overall level of risk in the Fund. The risks associated with investing in the Fund remain as outlined in the Fund's Simplified Prospectus.

Results of Operations

As at December 31, 2015, the Fund's total NAV was \$4,002,982, a decrease of 57.08% since the year end (December 31, 2014: \$9,326,857). This change was due to redemptions of redeemable units, net realized loss on sale of investments and distribution to holders of redeemable units of \$3,109,712, \$1,457,422 and \$825,726 respectively. As at December 31, 2015 the closing market price on the TSX was \$5.51 (December 31, 2014: \$7.02).

The sell-off in the energy markets weighted on Canadian equity returns in 2015. Depressed oil prices dampen growth prospects for Canada as oil remained an important output for the country. During the year, the S&P/TSX Composite High Dividend Index lost 14.6%. Most economic sensitive sectors within the index ended the year in negative territories with Energy and Materials contributed mostly to the Index's losses. Return of the Fund trailed those of the index, with a decline of 17.6% in the same period. The difference in the performance of the Fund relative to the index during the period resulted mainly from the impact of management fees and operating expenses of the Fund.

During the year, the fund experienced large outflows, for which holdings were rebalanced to finance redemptions. Volatility measures in the oil space remained elevated due to ongoing sell-off in the oil markets. Option premiums for sectors outside of energy were low. Covered call strategies tend to be most profitable in sideways markets. In volatile markets, the Manager's strategy has been to engage in trading conservatively thereby not risking losses on covered call transactions. The Manager wrote calls when technical measures on stocks were favorable for option writing; majority of the options written were in the energy space. Calls are generally written with one to two-month term; they are reset with new option positions upon expiry. Approximately 10% of the Fund's holdings on average were covered in call options during the year which generated approximately 1.8% in yield for the Fund.

Distributions

During the year, the Fund paid distributions totalling \$0.35 per unit.

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Recent Developments

Ongoing concerns over slowing global growth and turmoil in the oil market dampened demand for risky assets around the world. While growth has been slowing in recent months, risk of a recession is unlikely. Accommodative monetary policies and low unemployment rates are historically bullish for markets and economies as they fuel confidence and spending among consumers and businesses. Furthermore, the decline in oil prices represents an estimated \$2 trillion tax cut to global consumers and should provide support to economic growth. The impact of low oil prices is less apparent in Canada as the Canadian markets are strongly correlated to the commodity. From a technical perspective, oil prices might have started a bottoming formation pattern. While the ultimate lows cannot be determined, prices have reached levels where high cost producers and projects become uneconomic. We have witnessed significant cut back in capital investments among energy producers in North America over the last two quarters. Production output should taper over time as a result, thereby bringing supply-demand in oil back into balance.

Despite the recent correction, valuation in the broad market remains at the top of its ten-year range. The S&P/TSX composite trades at twenty times trailing price to earnings ratio while the S&P 500 at eighteen times. While further downside adjustments to valuation on broad market may be likely, we suspect not all stocks will follow same trend as various stocks have reached washed out levels.

Related Party Transactions

Marquest Asset Management Inc. is the Manager (“the Manager”) of the Fund. 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 20 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, \$55,484 in management fees and \$35,815 in dealer service fees (including HST) were paid to the Manager.

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FOR THE YEARS ENDED DECEMBER 31,**

Financial Highlights

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

Net assets per unit¹

	2015	2014	2013	2012	2011*
Net assets, beginning of period	\$ 7.62	\$ 8.10	\$ 8.05	\$ 8.50	\$ 10.00
Increase (decrease) from operations					
Total investment income	0.32	0.36	0.40	0.41	0.31
Total expenses	(0.21)	(0.19)	(0.19)	(0.19)	(0.13)
Realized gains (losses)	(1.12)	0.57	0.35	(0.16)	(0.33)
Unrealized gains (losses)	(0.16)	(0.48)	0.16	0.16	(0.22)
Total increase (decrease) from operations²	(1.17)	0.26	0.72	0.22	(0.37)
Distributions					
From income (excluding dividends)	-	-	-	(0.69)	-
From dividends	-	-	-	-	-
From capital gains	-	(0.29)	(0.26)	-	-
Return of capital	(0.70)	(0.41)	(0.44)	-	(0.45)
Total distributions³	(0.70)	(0.70)	(0.70)	(0.69)	(0.45)
Net assets at end of period	\$ 5.66	\$ 7.62	\$ 8.10	\$ 8.03	\$ 8.50

Notes:

* The Fund was established on April 28, 2011

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. Actual distributions may vary slightly due to rounding.

Ratios and Supplemental Data

	2015	2014	2013	2012	2011*
Net asset value (000's) ¹	\$ 4,003	\$ 9,327	\$ 14,049	\$ 16,405	\$ 19,645
Number of units outstanding (000's) ¹	707	1,223	1,734	2,037	2,305
Management expense ratio ²	2.99%	2.36%	2.42%	2.36%	4.01%
Management expense ratio (excluding issuance costs) ²	2.99%	2.36%	2.42%	2.36%	2.29%
Portfolio turnover rate ³	98.98%	115.38%	203.80%	209.61%	112.98%
Trading expense ratio ⁴	0.29%	0.29%	0.50%	0.53%	0.64%
Net asset value per unit ¹	\$ 5.66	\$ 7.62	\$ 8.10	\$ 8.05	\$ 8.52
Closing market price	\$ 5.51	\$ 7.02	\$ 7.72	\$ 7.77	\$ 7.96

Notes:

* The Fund was established on April 28, 2011

1. This information is provided as at December 31, 2015, 2014, 2013, 2012 and 2011.
2. Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented before and after the cost of issuance of Units of the Fund.
3. The Fund's portfolio turnover rate indicates how actively the Fund's investment manager 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 portfolio's 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 the Fund.
4. 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.

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Management Fees

The Fund pays an annual management fee equal to 0.60% of the NAV of the Fund, calculated daily and paid monthly in arrears.

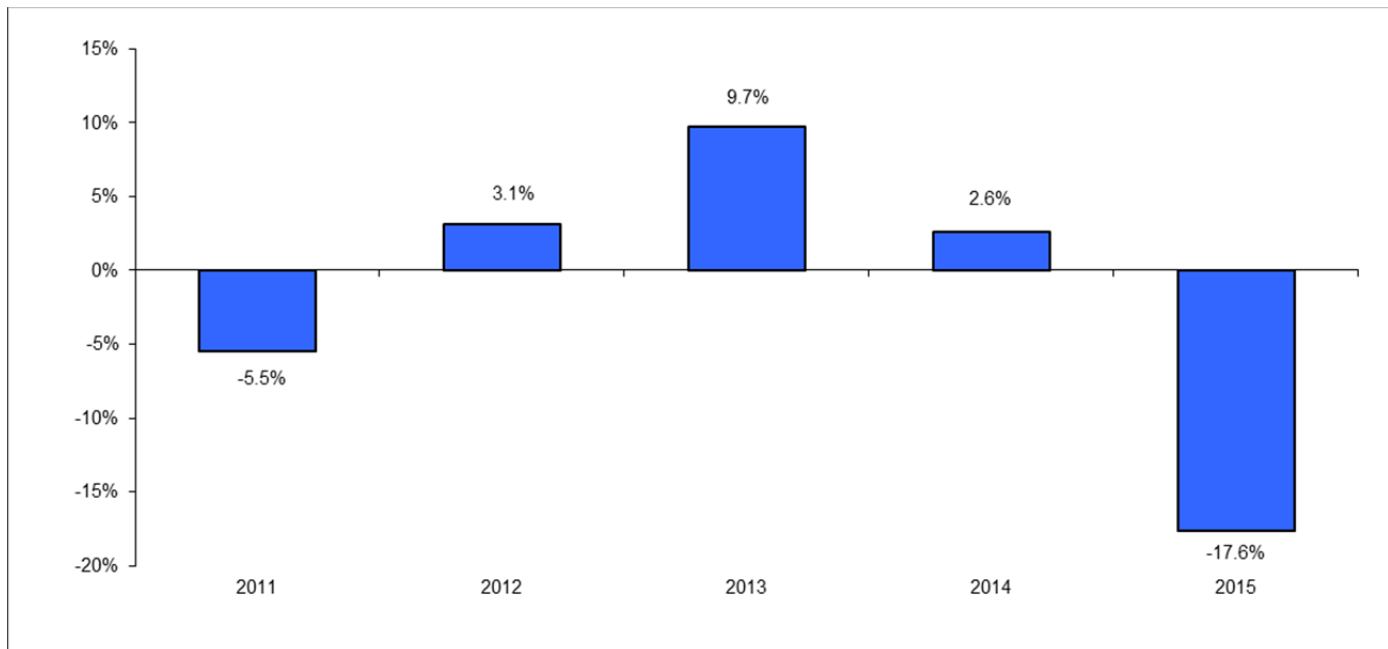
Of the management fees paid by the Fund to the Manager, 100% was for investment advisory and portfolio management services.

Past Performance

Please note that the performance information shown in the section assumes that all distributions made by the Fund in the period shown were reinvested in additional securities of the Fund. Also note that performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's performance for each of the periods shown, and illustrates how the Fund's performance has varied from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



Note:

Returns are based on Net Asset Value per Unit plus distributions to date.

2015 Returns are for the period January 1, 2015 to December 31, 2015

2014 Returns are for the period January 1, 2014 to December 31, 2014

2013 Returns are for the period from January 1, 2013 to December 31, 2013

2012 Returns are for the period from January 1, 2012 to December 31, 2012

2011 Returns are for the period from May 9, 2011 (first day of trading to December 31, 2011)

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Annual Compound Returns

The table below compares the annual compounded performance of the Fund against the S&P/TSX Composite High Dividend Index. The S&P/TSX Equity Income Index is a strategy index focused on dividend income. The index is made up of 50 to 75 stocks selected from the S&P/TSX Composite, the headline index and principal broad market measure for the Canadian equity market. For performance purposes, the index assumes the reinvestment of all dividends.

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. The Fund has underperformed the index.

	1	3	5	10	Since
Percentage Return	Year	Years	Years	Years	Commencement of operations ¹
Marquest Canadian Equity Income Fund	-17.6%	-2.5%	-	-	-2.2%
S&P/TSX Composite High Dividend Index	-14.6%	4.3%	-	-	10.5%

1. The fund commenced operations on May 9, 2011.

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Summary of Investment portfolio

The tables 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.

Total Net Asset Value: \$ 4,002,982

Asset Mix

	% of Fund's Net Asset Value
Energy	29.25%
Financials	24.54%
Utilities	13.38%
Consumer Discretionary	8.73%
Materials	7.88%
Real Estate Investment Trusts	7.51%
Telecommunication Services	6.72%
Cash and Cash Equivalents	1.76%
Industrials	1.02%
Health Care	0.69%
Net other assets (liabilities)	-1.31%
Call options	-0.17%
	100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
Long Positions	
1 TransCanada Corporation	5.25%
2 Shaw Communications Inc. Cl. B Non-Voting	4.97%
3 Bank of Montreal	4.94%
4 Potash Corporation of Saskatchewan Inc.	4.91%
5 Canadian Imperial Bank of Commerce	4.90%
6 The Bank of Nova Scotia	4.88%
7 BCE Inc.	4.85%
8 Pembina Pipeline Corporation	4.07%
9 Crescent Point Energy Corp.	3.00%
10 Brookfield Renewable Energy Partners LP	2.98%
11 National Bank of Canada	2.70%
12 Inter Pipeline Ltd.	2.69%
13 ARC Resources Ltd.	2.04%
14 Manitoba Telecom Services Inc.	1.87%
15 Algonquin Power & Utilities Corp.	1.83%
16 Chartwell Retirement Residences	1.81%
17 Cash and Cash Equivalents	1.76%
18 Northland Power Inc.	1.69%
19 AltaGas Ltd.	1.63%
20 Power Financial Corporation	1.53%
21 RioCan Real Estate Investment Trust	1.50%
22 Vermilion Energy, Inc.	1.50%
23 PEYTO Exploration & Development Corp.	1.34%
24 Brookfield Property Partners LP	1.33%
25 PrairieSky Royalty Ltd.	1.29%
Long Positions as a Percentage of Total Net Asset Value	71.26%

Short Positions

Crescent Point Energy Corp. - Jan 2016 @ CAD \$17	-0.02%
ARC Resources Ltd. - Jan 2016 @ CAD \$17	-0.02%
TransCanada Corporation - Jan 2016 @ CAD \$46	-0.02%
PEYTO Exploration & Development Corp. - Jan 2016 @ CAD \$25	-0.02%
Vermilion Energy, Inc. - Jan 2016 @ CAD \$38	-0.02%
Dominion Diamond Corporation - Jan 2016 @ CAD \$14	-0.01%
Bank of Montreal - Jan 2016 @ CAD \$79	-0.01%
National Bank of Canada - Jan 2016 @ CAD \$41	-0.01%
Just Energy Group, Inc. - Jan 2016 @ CAD \$10	-0.01%
The Bank of Nova Scotia - Jan 2016 @ CAD \$58	-0.01%
PrairieSky Royalty Ltd. - Jan 2016 @ CAD \$23	-0.01%
Canadian Imperial Bank of Commerce - Jan 2016 @ CAD \$94	-0.01%
AltaGas Ltd. - Jan 2016 @ CAD \$32	0.00%
North West Company, Inc. - Jan 2016 @ CAD \$29	0.00%
Short Positions as a Percentage of Total Net Asset Value	-0.17%

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and a monthly update is available at www.marquest.ca. The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2015. The prospectus and other information of Marquest Canadian Equity Income Fund are available on the internet www.sedar.com.

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