



MARQUEST SMALL COMPANIES FUND

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

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 Small Companies 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

Investment Objectives

The Fund seeks to provide maximum long-term capital growth by investing primarily inequity securities of Canadian companies, with an emphasis on small and micro capitalization companies. Investor approval is required for any change to the investment objective.

Investment Strategies

In order to achieve the Fund's objective, investments will be made by identifying undervalued companies with high potential for price appreciation. The Fund tends to significantly overweight exposure to industry sectors that demonstrate the strongest growth potential without exposing the Fund to unreasonable levels of risk. The Fund will engage in active trading with higher portfolio turnover rates and may invest in unlisted securities. The Fund may also invest up to 49% of the Fund's net assets in foreign securities and may purchase derivatives, invest in other mutual funds and enter into securities lending transactions.

Risks

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 or at SEDAR's website www.sedar.com.

Results of Operations

As at December 31, 2016, the Fund's total NAV was \$1,837,529, a decrease of 5.98% since the prior year end (December 2015: \$1,954,406). The change is primarily due to net redemptions of \$373,786, net realized loss on sale of investments of \$7,863,405, management fees of \$52,167 and transaction costs of \$31,506. These were partially offset by net unrealized appreciation on investments of \$8,211,046.

The Marquest Small Companies Fund Class A had a gain of 14.2% for the year ended December 31, 2016. The net returns for the other class of this Fund are similar to those of Class A, except for differences attributable to the management fee expense which is charged individually per class. The S&P/TSX Completion TR CAD Index was up 20.5% in 2016 and the S&P/TSX Smallcap Index gained 35.2% for the year ended December 31, 2016. The Fund's underperformance was due to the Fund's underweighting in the resource sectors which strongly outperformed in 2016.

As at year end the Fund held 16.9% in short term securities due to profit taking in individual holdings that have performed strongly. Our portfolio strategy is to trim holdings once they become greater than 8% of the portfolio. The Fund has been focused on the technology sector which has strong growth driven by adoption of technologies that enhance the customer experience or create more efficient manufacturing processes.

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Results of Operations (continued)

During the second half of the year we have been rebuilding a presence in the healthcare sector where the market correction in the industry has created much improved valuation levels. As a result the valuation relative to the growth opportunities has greatly improved.

The strategy for the Fund is to invest in small capitalization companies that have exceptional growth opportunities and reasonable valuations relative to the growth prospects. The current investment environment is ideal for finding successful small cap growth opportunities.

Recent Developments

2016 was a turning point for the economy as global growth reaccelerated in mid- year. This improvement in economic growth has had a significant impact on the capital markets. Interest rates turned up in the second half of the year as witnessed by the 84 bp increase in US 10 Year Treasury yields in the fourth quarter closing the year at 2.27%. The improved economic outlook and the strong employment conditions have given a green light to monetary authorities to finally begin normalizing monetary policy by increasing interest rates. We expect to see a series of rate hikes over the next year. The rising interest rate environment will be a challenge for bond investors.

The stronger economy will cause a significant shift in relative corporate earnings performance. The cyclical sectors which have been under pressure over the past few years due to slow growth and weak pricing will now have the benefit of stronger pricing and increasing volumes. Given the rising rate environment equity markets will be more challenging from a valuation standpoint as rising interest rates will put pressure on valuations. Therefore, superior performance in equities will depend on an improving earnings outlook. The cyclical sectors have outperformed the overall market in 2016 reflecting both the improved earnings outlook for cyclical stocks and their depressed relative valuations. We expect the cyclical sectors to continue to outperform over the next year.

The shift in the investment environment from slow growth/low interest rates to rising rates and stronger cyclical earnings will cause a significant shift in asset allocation from bonds to equities. In addition, within the equity market investors are expected to focus on the sectors with the strongest earnings outlook. We are now in the late stages of the economic cycle where interest rates rise, employment is strong, commodity prices are firm and cyclical sectors outperform. Stock selection will be a key to performance in the next year as well as smaller cap stocks tend to outperform in late cycle environments.

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 is subject to automatic renewal for additional one year terms. The Management Agreement may be terminated during its term if the Manager defaults in its performance of any of its duties or obligations thereunder and if the holders pass a resolution at a meeting of holders terminating the Management Agreement as a result of such default. Further, the holders of a Fund may, by resolution passed at a meeting of holders at least 180 days before the end of the initial term or each anniversary thereof, elect not to renew the Management Agreement, whereupon the Management Agreement will not be renewed beyond its existing term. The Manager must give the holders and the Trustee at least 180 days’ notice of its intention not to renew a Management Agreement. Management fees are paid by each class at the rates set out under “Management Fees” below.

During the year, \$52,167 in management fees (including HST) was paid to the Manager. The Manager is also the trustee of the Fund and is responsible for certain aspects of the day-to-day administration. The Fund reimbursed the Manager for operating costs (including HST) incurred in administering the Fund of approximately \$15,759.

As disclosed in the Fund’s prospectus, the Manager may voluntarily waive, absorb or pay a portion of the Fund’s fees and expenses, at its discretion. During the year the Manager absorbed \$50,435 in expenses of the Fund.

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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. The information is derived from the Fund's audited annual financial statements.

Marquest Small Companies Fund (Class A)*					
Net Assets per Unit (\$) ⁽¹⁾					
	2016	2015	2014	2013	2012
Net assets, beginning of the year ⁽²⁾	9.49	11.30	10.67	11.56	14.27
Increase (decrease) from operations:					
Total revenue	0.05	0.05	0.06	0.09	0.06
Total expenses (excluding distributions)	(0.53)	(0.54)	(0.63)	(0.58)	(0.56)
Realized gains (losses) for the year	(41.46)	(0.66)	0.57	(6.17)	(2.39)
Unrealized gains (losses) for the year	43.29	(0.49)	0.61	5.73	0.22
Total increase (decrease) from operations ⁽²⁾	1.35	(1.64)	0.61	(0.93)	(2.67)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-
Net assets at December 31st of year shown	10.84	9.49	11.30	10.67	11.23

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. Periods beginning on or after January 1, 2013 follow International Financial Reporting Standards (IFRS) and prior to January 1, 2013 follow Canadian Generally Accepted Accounting Principles (Canadian GAAP). The net assets attributable to holders of redeemable units per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to financial statements, if applicable.

⁽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, or both.

*Class A units were first issued on September 27, 2004.

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Financial Highlights (continued)

Marquest Small Companies Fund (Class F)*					
Net Assets per Unit (\$) ⁽¹⁾					
	2016	2015	2014	2013	2012
Net assets, beginning of the year ⁽²⁾	10.86	12.74	11.89	12.71	15.48
Increase (decrease) from operations:					
Total revenue	0.05	0.07	0.06	0.09	0.06
Total expenses (excluding distributions)	(0.38)	(0.36)	(0.45)	(0.40)	(0.38)
Realized gains (losses) for the year	(50.62)	(1.59)	(0.85)	(6.88)	(2.37)
Unrealized gains (losses) for the year	52.58	0.15	3.06	6.08	(0.15)
Total increase (decrease) from operations ⁽²⁾	1.63	(1.73)	1.82	(1.11)	(2.84)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-
Net assets at December 31st of year shown	12.58	10.86	12.74	11.89	12.34

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. Periods beginning on or after January 1, 2013 follow International Financial Reporting Standards (IFRS) and prior to January 1, 2013 follow Canadian Generally Accepted Accounting Principles (Canadian GAAP). The net assets attributable to holders of redeemable units per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to financial statements, if applicable.

⁽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, or both.

*Class F units were first issued on February 7, 2006.

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Financial Highlights (continued)

Ratios and Supplemental Data					
Class A*	2016	2015	2014	2013	2012
Total net asset value (000's) ⁽¹⁾	\$ 1,808	\$ 1,932	\$ 3,004	\$ 4,658	\$ 8,144
Number of units outstanding ⁽¹⁾	166,817	203,636	265,894	436,470	704,563
Management expense ratio ⁽²⁾	3.52%	3.52%	3.54%	4.09%	3.56%
Management expense ratio before waivers or absorption ⁽⁵⁾	6.12%	5.45%	4.87%	4.70%	4.14%
Trading expense ratio ⁽³⁾	1.62%	1.30%	2.16%	1.03%	3.13%
Portfolio turnover rate ⁽⁴⁾	101.63%	120.45%	156.19%	61.08%	16.57%
Net asset value per unit ⁽¹⁾	\$ 10.84	\$ 9.49	\$ 11.30	\$ 10.67	\$ 11.56
Class F**	2016	2015	2014	2013	2012
Total net asset value (000's) ⁽¹⁾	\$ 29	\$ 22	\$ 14	\$ 48	\$ 147
Number of units outstanding ⁽¹⁾	2,331	2,044	1,125	4,078	11,553
Management expense ratio ⁽²⁾	2.13%	2.13%	2.23%	2.60%	2.22%
Management expense ratio before waivers or absorption ⁽⁵⁾	3.70%	3.31%	3.06%	2.98%	2.58%
Trading expense ratio ⁽³⁾	1.62%	1.30%	2.16%	1.03%	3.13%
Portfolio turnover rate ⁽⁴⁾	101.63%	120.45%	156.19%	61.08%	16.57%
Net asset value per unit ⁽¹⁾	\$ 12.58	\$ 10.86	\$ 12.74	\$ 11.89	\$ 12.71

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 September 27, 2004.

**Class F units were first issued on February 7, 2006.

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Management Fees

The Management fees for each applicable class are calculated daily and are based on the Fund's ending total NAV per class; cumulative daily totals are then paid on a weekly basis. The Manager uses these management fees to pay sales and trailing commissions to registered dealers on the distribution of the Fund units, as well as for the general investment management expenses.

	Maximum Annual Management Fee Rate (%)	As a percentage of Management fees	
		Sales & Trailer Commissions (%)	Investment Advisory and Portfolio Management Services (%)
Class A Units	2.50%	35.24%	64.76%
Class F Units	1.25%	0.00%	100.00%

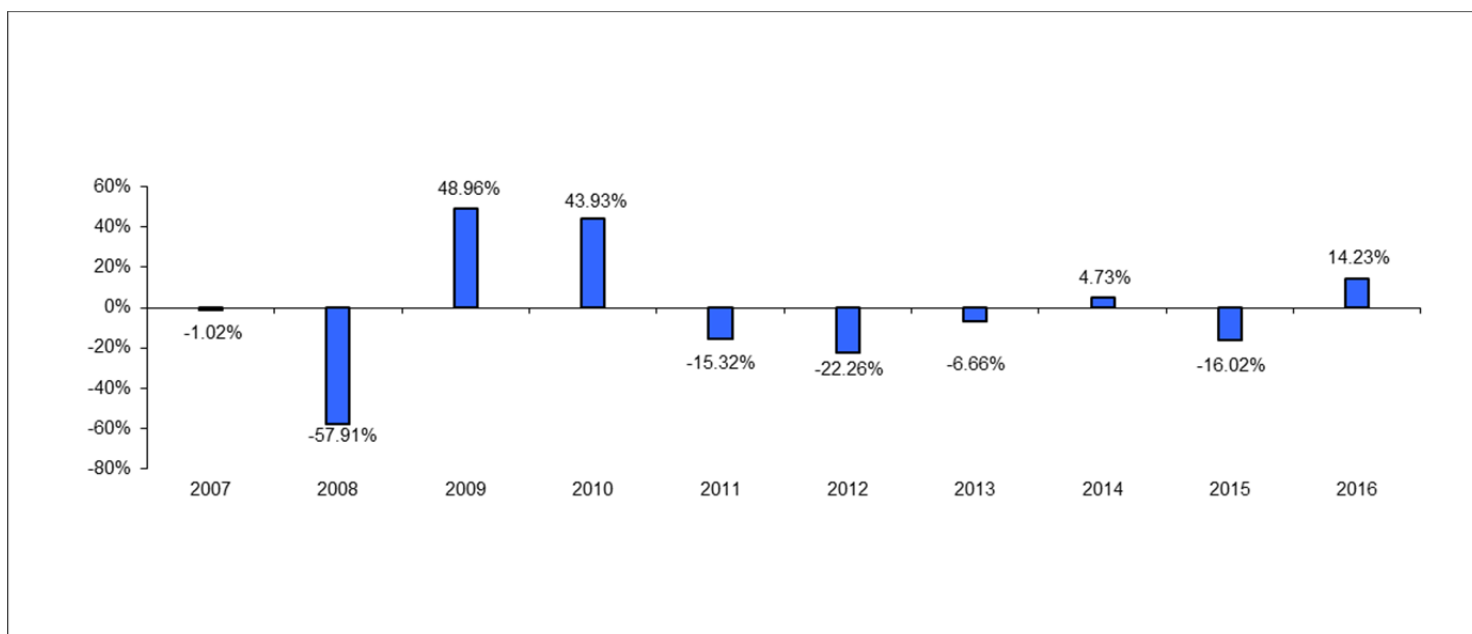
Past Performance

The performance information shown assumes that all distributions made by the Fund in the years 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 Class A and Class F unit's performance for each of the years shown, and illustrate 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.

Class A



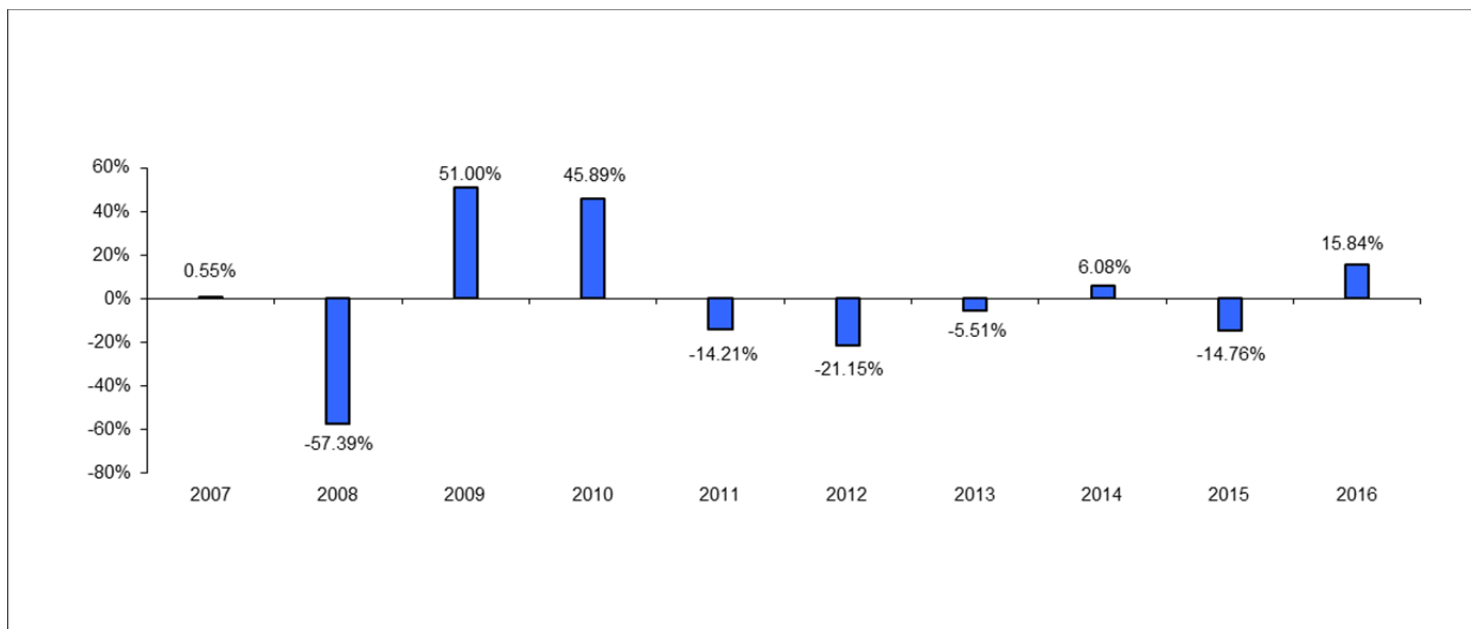
* Inception date for Class A units was September 27, 2004.

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Past Performance (continued)

Class F



* Inception date for Class F units was February 7, 2006.

Annual Compound Returns

The table below compares the annual compounded return of the Class A and F units of the Fund against the S&P/TSX Completion TR CAD index. This is a market capitalization weighted, total return index comprising of all stocks within the S&P/TSX Composite Index. It is calculated in Canadian dollars and is comprised of stock (equity) prices of small and mid-sized capitalized companies. It encompasses a broad spectrum of economic sectors and is a benchmark that is designed to measure equity market performance in Canadian markets. For performance purposes, the index assumes the reinvestment of all dividends.

As the index is made up of a group of securities from various asset classes and market capitalizations, it does 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.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
Class A	14.2%	0.2%	-6.1%	-5.2%	1.7%
S&P/TSX Completion TR CAD	20.5%	4.7%	6.2%	4.5%	7.4%
Class F	15.8%	1.6%	-4.8%	-4.5%	-3.1%
S&P/TSX Completion TR CAD	20.5%	4.7%	6.2%	4.5%	4.9%

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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: \$ 1,837,529

Portfolio Allocation

	% of Fund's Net Asset Value
Information Technology	23.35%
Cash	19.03%
Materials	16.73%
Healthcare	15.35%
Energy	14.25%
Industrials	6.94%
Financials	3.37%
Consumer Staples	3.09%
Net Other Assets (Liabilities)	-2.11%
	<hr/> 100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
1 Cash	19.03%
2 Mettrum Health Corp.	8.12%
3 AcuityAds Holding Inc.	5.59%
4 Cordillera Gold Ltd.	4.08%
5 NexGen Energy Ltd.	3.82%
6 People Corporation	3.74%
7 Athabasca Oil Corp.	3.71%
8 Ceapro Inc.	3.59%
9 TIO Networks Corporation	3.48%
10 Mullen Group Ltd.	3.43%
11 Distinct Infrastructure Group Inc.	3.37%
12 Shore Gold Inc.	3.26%
13 Savanna Energy Services Corp.	3.22%
14 Memex Inc.	3.14%
15 KP Tissue Inc.	3.09%
16 Wajax Corporation	3.00%
17 DealNet Capital Corp.	2.90%
18 Opsens Inc.	2.84%
19 Aequus Pharmaceuticals Inc.	2.61%
20 Trigon Metals Inc.	2.56%
21 Enablence Technologies Inc.	2.48%
22 Avivagen Inc.	2.20%
23 ICC International Cannabis Corp.	2.12%
24 Wallbridge Mining Company Ltd.	1.60%
25 Echoworx Corporation	1.57%
	<hr/> 98.55%

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.com. The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2016. The Fund does not hold short positions. The prospectus and other information of Marquest Small Companies Fund are available on the internet 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

WWW.MARQUEST.CA