



MARQUEST MONTHLY PAY FUND

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2017

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## **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 interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Marquest Monthly Pay Fund (the "Fund"). You can get a copy of the interim financial statements at your request, and at no cost, from 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](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.

### ***Management Discussion of Fund Performance***

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

As at June 30, 2017, the Fund's total NAV was \$31,000,783, a decrease of 36.37% since the prior year end (December 2016: \$48,723,603). The change is primarily due to distribution to unit holders, net redemptions, net unrealized depreciation on investments, and management fees of \$1,918,827, \$14,145,257, \$3,425,973, and \$421,829 respectively. These were partially offset by net realized gain on sale of investments of \$2,076,147.

Over the past six months, the Fund's Class A units lost 4.23%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other class, which may vary because of differences in management fees and expenses.

There was a big divergence in performance in Canada versus the US. S&P/TSX Composite Index posted a total return of +0.73% which significantly lagged the S&P/500 Index of +9.34%. There were notable sectors which contributed to the underperformance. In Canada, Energy returned -13.3% and Materials returned -0.7% which represent a combined index weighting of 35%-40%. This compares to only a less than 10% weight in the S&P500 Index. On the flip side, Technology and Healthcare sectors comprise almost 40% weighting in the S&P500 Index and had outsized returns of +17.2% and +16.1%, respectively, and represent less than 10% of the Canadian market. Investors flocked to Technology securities as this was one sector with growth opportunities that did not hinge on the expectation of "re-flation" policies that the Trump Presidency promised.

As at the beginning of the period the Fund's largest sector exposure was in Energy (31%), Financials (23%), Consumer Discretionary (11%), and Materials (8%). In the Consumer Discretionary space, the Fund owned Restaurant Brands International and Sleep Country Canada, both securities performed extremely well (+44% and +28%, respectively) and helped offset some of the losses from its Energy exposure. The Bank of Canada surprised investors by hinting at a rate hike end of June which caused the 10-year Government of Canada bond yield to jump from 1.5% to 1.8%. Having said that, Financials were mostly flat over the first half of the year as there was low expectation of a near term rate hike and therefore did not materially add or subtract from the performance of the Fund.

The surprise rate hike also caused the Canadian dollar to rally materially against the US greenback by over 3.5% as at June 30. The Fund held less than 10% exposure in US securities as a result the decline in the USD/CAD did not significantly impact performance.

#### ***Change of Distribution Rate***

Effective January 2017 the monthly distribution amount for the Class A and Class F units changed to \$0.02 per unit from \$0.075 per unit.

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## ***Recent Developments***

As of July 1, 2017 the Portfolio Manager has begun shifting the portfolio to incorporate some more yield-oriented securities such as REITs and utilities while cognizant of the current interest rate environment. Since these securities are more interest rate sensitive, the emphasis will be on those that offer an attractive yield and growth opportunities.

As at writing, the Fund largest sector exposure is Financials (25.5%), Industrials (16.8%), Energy (16.8%), and Consumer Discretionary (9.7%). Some new names introduced into or topped up in the portfolio include Chorus Aviation, Park Lawn, Cardinal Energy, Spin Master, and Dream Global REIT.

## ***Related Party Transactions***

Marquest Asset Management Inc. is the Manager ("the Manager") of the Fund. The Manager of the Fund has engaged Front Street Capital as the portfolio sub-advisor for the Fund, at its own cost.

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 period, \$421,859 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 \$213,653.

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 \$57,986 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 and the most recent interim period. The information is derived from the Fund's unaudited interim and audited annual financial statements.

Marquest Monthly Pay Fund (Class A)**						
Net Assets per Unit (\$) <sup>(1)</sup>						
	2017*	2016	2015	2014	2013	2012
Net assets, beginning of the year <sup>(2)</sup>	2.41	3.31	4.61	5.43	5.63	6.17
<b>Increase (decrease) from operations:</b>						
Total revenue	0.02	0.06	0.12	0.20	0.25	0.27
Total expenses (excluding distributions)	(0.05)	(0.11)	(0.14)	(0.18)	(0.18)	(0.20)
Realized gains (losses) for the year	0.13	0.17	0.27	(0.13)	0.20	(0.13)
Unrealized gains (losses) for the year	(0.20)	(0.15)	(0.63)	0.15	0.44	0.40
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.10)</b>	<b>(0.03)</b>	<b>(0.38)</b>	<b>0.04</b>	<b>0.71</b>	<b>0.34</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.12)	-	-	-	(0.03)	(0.04)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	(0.03)	-
Return of capital	-	(0.90)	(0.90)	(0.90)	(0.84)	(0.86)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>2.19</b>	<b>2.41</b>	<b>3.31</b>	<b>4.61</b>	<b>5.43</b>	<b>5.62</b>

Notes:

<sup>(1)</sup> This information is derived from the Fund's audited annual and unaudited interim 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were paid in cash or re-invested in additional units of the Fund, or both.

\*The financial information is for the six-month period ending June 30, 2017.

\*\*Class A units were first issued on June 24, 2003.

# MARQUEST MONTHLY PAY FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2017

## Financial Highlights (continued)

Marquest Monthly Pay Fund (Class F)**						
Net Assets per Unit (\$) <sup>(1)</sup>						
	2017*	2016	2015	2014	2013	2012
Net assets, beginning of the year <sup>(2)</sup>	3.35	4.18	5.50	6.24	6.25	6.66
<b>Increase (decrease) from operations:</b>						
Total revenue	0.03	0.08	0.14	0.23	0.28	0.29
Total expenses (excluding distributions)	(0.04)	(0.09)	(0.11)	(0.12)	(0.12)	(0.13)
Realized gains (losses) for the year	0.18	0.29	0.28	(0.15)	0.23	(0.14)
Unrealized gains (losses) for the year	(0.29)	(0.26)	(0.70)	0.17	0.44	0.44
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.12)</b>	<b>0.02</b>	<b>(0.39)</b>	<b>0.13</b>	<b>0.83</b>	<b>0.46</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	(0.12)	-	-	-	(0.08)	(0.06)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.90)	(0.90)	(0.90)	(0.82)	(0.84)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>	<b>(0.90)</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>3.11</b>	<b>3.35</b>	<b>4.18</b>	<b>5.50</b>	<b>6.24</b>	<b>6.24</b>

Notes:

<sup>(1)</sup> This information is derived from the Fund's audited annual and unaudited interim 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were paid in cash or re-invested in additional units of the Fund, or both.

\*The financial information is for the six-month period ending June 30, 2017.

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

# MARQUEST MONTHLY PAY FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2017

## Financial Highlights (continued)

<b>Ratios and Supplemental Data</b>						
<b>Class A**</b>	<b>2017*</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 30,309	\$ 45,038	\$ 123,660	\$ 189,240	\$ 197,361	\$ 196,815
Number of units outstanding <sup>(1)</sup>	13,814,035	18,654,529	37,311,038	41,087,920	36,314,171	34,979,740
Management expense ratio <sup>(2)</sup>	3.35%	3.40%	3.30%	3.31%	3.29%	3.30%
Management expense ratio before waivers or absorption <sup>(5)</sup>	3.66%	3.43%	3.30%	3.31%	3.43%	3.38%
Trading expense ratio <sup>(3)</sup>	0.87%	0.56%	0.21%	0.13%	-	-
Portfolio turnover rate <sup>(4)</sup>	150.17%	269.77%	86.80%	45.30%	24.50%	30.64%
Net asset value per unit <sup>(1)</sup>	\$ 2.19	\$ 2.41	\$ 3.31	\$ 4.61	\$ 5.43	\$ 5.63
<b>Class F***</b>	<b>2017*</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 692	\$ 972	\$ 1,665	\$ 4,694	\$ 7,521	\$ 9,770
Number of units outstanding <sup>(1)</sup>	222,624	290,384	397,829	853,220	1,204,643	1,561,908
Management expense ratio <sup>(2)</sup>	1.97%	2.07%	1.96%	1.95%	1.93%	1.92%
Management expense ratio before waivers or absorption <sup>(5)</sup>	2.14%	2.08%	1.96%	1.95%	2.02%	1.97%
Trading expense ratio <sup>(3)</sup>	0.87%	0.56%	0.21%	0.13%	-	-
Portfolio turnover rate <sup>(4)</sup>	150.17%	269.77%	86.80%	45.30%	24.50%	30.64%
Net asset value per unit <sup>(1)</sup>	\$ 3.11	\$ 3.35	\$ 4.18	\$ 5.50	\$ 6.24	\$ 6.25

Notes:

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

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

\*The financial information is for the six-month period ending June 30, 2017.

\*\*Class A units were first issued on June 24, 2003.

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

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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2017

### 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 Commission (%)	Investment Advisory and Portfolio Management Services (%)
Class A Units	2.00%	89.58%	10.42%
Class F Units	0.75%	0.00%	100.00%

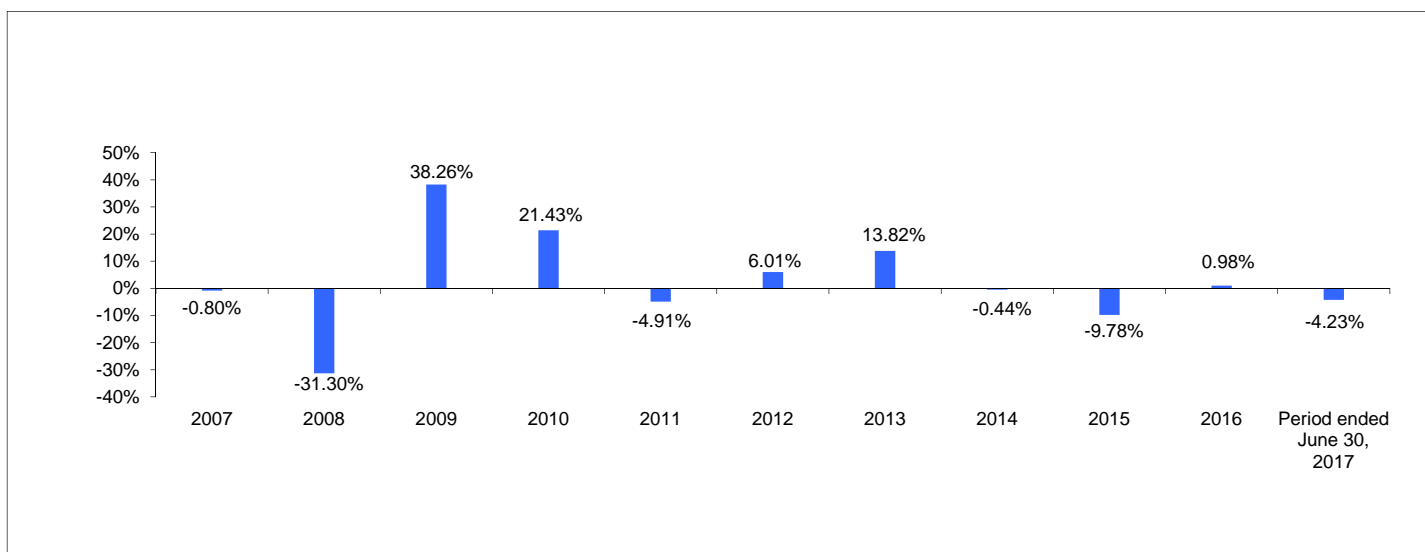
### Past Performance

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, F, AA and Class F-AA units performance for each of the years 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.

#### Class A



\* Inception date for Class A units was June 24, 2003.

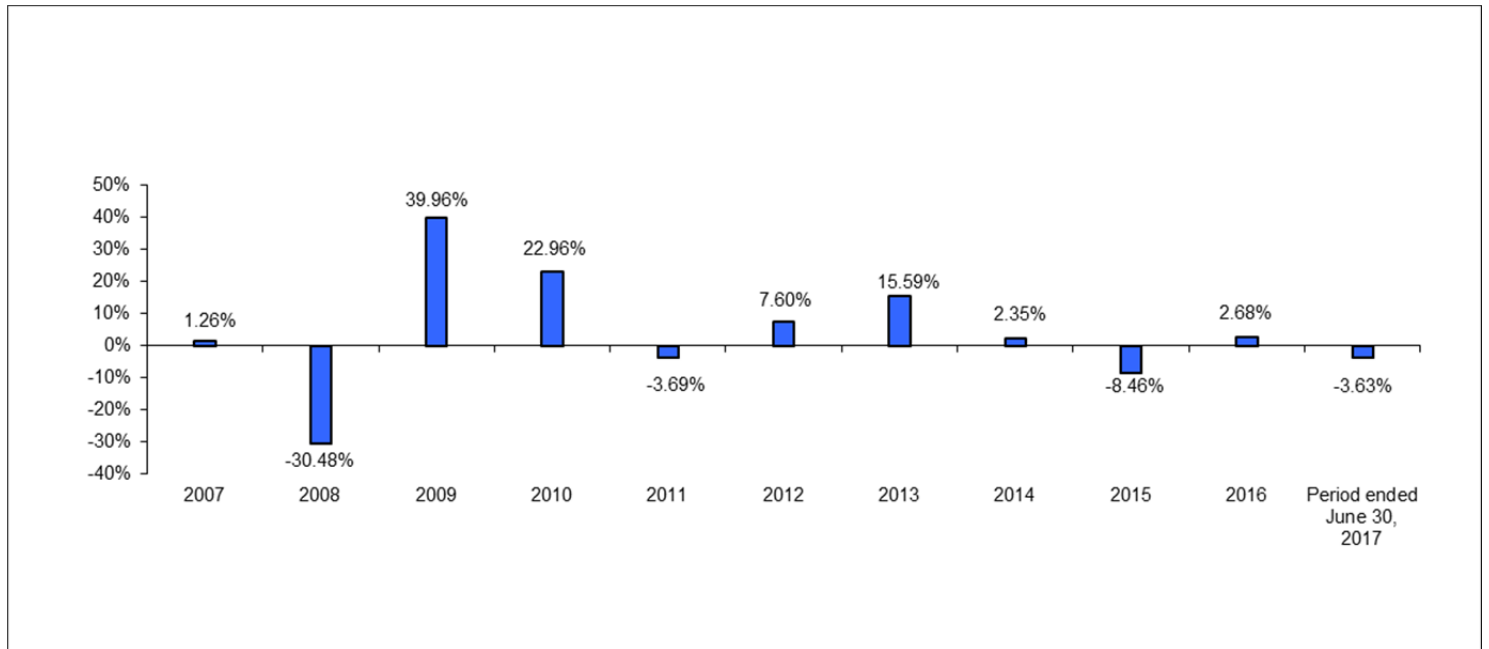


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## Past Performance (continued)

### Class F



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

# MARQUEST MONTHLY PAY FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2017

## Summary of Investment portfolio as at June 30, 2017

Total Net Asset Value: \$ 31,000,783

### Portfolio Allocation

	% of Fund's Net Asset Value
Financials	31.68%
Energy	18.02%
Industrials	17.02%
Consumer Discretionary	7.79%
Utilities	7.77%
Cash	5.55%
Information Technology	4.37%
Materials	3.92%
Real Estate	3.35%
Fixed Income	0.48%
Healthcare	0.11%
Telecommunication Services	0.08%
Net Other Assets (Liabilities)	-0.14%
	<hr/> 100.00%

### Top 25 Holdings

	% of Fund's Net Asset Value
1 Canadian Pacific Railway Ltd.	6.73%
2 Cash	5.55%
3 The Toronto-Dominion Bank	5.27%
4 TransCanada Corp.	4.99%
5 Royal Bank of Canada	4.92%
6 Brookfield Infrastructure Partners LP	4.28%
7 Restaurant Brands International Inc.	3.93%
8 Manulife Financial Corp.	3.92%
9 The Bank of Nova Scotia	3.77%
10 SNC-Lavalin Group Inc.	3.62%
11 Intertape Polymer Group Inc.	3.58%
12 Pattern Energy Group Inc.	3.50%
13 CGI Group Inc.	3.42%
14 Altus Group Ltd.	3.35%
15 Enbridge Inc.	3.33%
16 Brookfield Asset Management Inc.	3.28%
17 Bank of Montreal	3.07%
18 Waste Connections Inc.	3.03%
19 Canadian Natural Resources Ltd.	3.02%
20 Sun Life Financial Inc.	2.99%
21 AG Growth International Inc.	2.79%
22 Whitecap Resources Inc.	2.62%
23 Bank of America Corp.	2.55%
24 Sleep Country Canada Holdings Inc.	1.99%
25 Kew Media Group Inc.	1.89%
	<hr/> 91.39%

The investments and percentages shown may change from time to time due to the ongoing portfolio transactions of the Fund. The weightings of the positions are calculated based on the total net asset value of the Fund as at June 30, 2017. To obtain a copy of the most recent annual report, semi-annual report, quarterly report or simplified prospectus of the Fund, please contact a member of our client services team or visit our website at [www.marquest.ca](http://www.marquest.ca) or SEDAR at [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)