

MARQUEST MUTUAL FUNDS, INC.
ENERGY SERIES FUND

ANNUAL MANAGEMENT
REPORT OF FUND PERFORMANCE
Year ended December 31, 2017

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

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.

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

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 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 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

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, 2017 the Fund's total NAV was \$261,670, a decrease of 29.32% since the prior year end (December 2016: \$370,225). The change is primarily due to net redemptions, net unrealized depreciation on investments and operating fees of \$35,238, \$43,454 and \$35,222, respectively.

Over the past year the Fund's Series A/Rollover shares returned -20.32%. This compared to the return for the S&P/TSX Capped Energy Index of -10.61%. The Fund's return is after the deduction of fees and expenses, while the benchmarks and board based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The oil and gas significantly underperformed the equity market in 2017 during which the S&P/TSX Composite Index gained 9.08%. The oil and gas sector struggled for most of the year due to excess supplies of oil. Late in the year oil began to rally on the expectation that the supply/demand equation would improve in 2018 due to the improving growth prospects for the global economy.

The portfolio's relatively weak returns were due to an over weighting in oil and gas producers. At year end the sector weightings were 25.19% oil and gas producers, 13.86% oil and gas services and 1.19% short term securities.

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Recent Developments

Global economies are experiencing a coordinated period of accelerating growth. Consumer and business confidence improved dramatically in 2017 lending further support to the improving global economic growth trends. The pro-business economic agenda of the Trump administration played a major role in boosting confidence in the economic outlook. Deregulation is a major part of the Trump agenda and is expected to have a positive impact on the corporate sector and the financial industry in particular. The overhaul of the US Tax plan specifically the lowering of US Corporate taxes should result in a boost to corporate earnings and continued economic strength in the US economy. As a result of the improving economic trends stock markets around the world performed strongly in 2017.

While US 10 year Treasury yields were flat during 2017 they did see a significant uptick from early September into year end. The US Federal Reserve hiked the Federal Funds rate three times in 2017 and we expect the gradual normalization of interest rates worldwide to continue in 2018 including what could be the beginning of this process in Europe and Japan. We expect the rising interest rate environment will be a challenge for bond investors. The strong performance of equity markets worldwide in 2017 was due in major part to a significant shift in asset allocation from bonds to equities. We believe we are now in the late stages of the economic cycle which is characterised by firm labour markets, rising interest rates, strong commodity prices, increases in capital spending and rising inflation. In this market environment cyclical sectors outperform due to their operating leverage to increasing volumes and stronger pricing.

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 shareholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$6,876 in management fees (including HST) was paid to the Manager.

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

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 Mutual Funds Inc. - Energy Series Fund (Series A-Rollover)*					
Net Assets per Share (\$) ⁽¹⁾					
	2017	2016	2015	2014	2013
Net assets, beginning of the year ⁽²⁾	0.23	0.22	0.29	0.35	0.50
Increase (decrease) from operations:					
Total revenue	-	-	-	0.01	0.01
Total expenses (excluding distributions)	(0.03)	(0.03)	(0.03)	(0.03)	(0.02)
Realized gains (losses) for the year	0.01	(0.01)	(0.22)	0.01	(0.27)
Unrealized gains (losses) for the year	(0.03)	0.05	0.19	(0.05)	0.12
Total increase (decrease) from operations ⁽²⁾	(0.05)	0.01	(0.06)	(0.06)	(0.17)
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	0.18	0.23	0.22	0.29	0.35

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.

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

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Financial Highlights (continued)

Marquest Mutual Funds Inc. - Energy Series Fund (Series A-Regular)*					
Net Assets per share (\$) ⁽¹⁾					
	2017	2016	2015	2014	2013
Net assets, beginning of the year ⁽²⁾	0.29	0.28	0.38	0.45	0.64
Increase (decrease) from operations:					
Total revenue	-	-	-	0.01	0.01
Total expenses (excluding distributions)	(0.04)	(0.04)	(0.03)	(0.04)	(0.03)
Realized gains (losses) for the year	0.01	(0.02)	(0.28)	0.04	(0.32)
Unrealized gains (losses) for the year	(0.03)	0.07	0.21	(0.12)	0.15
Total increase (decrease) from operations ⁽²⁾	(0.06)	0.01	(0.10)	(0.11)	(0.19)
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	0.23	0.29	0.28	0.38	0.45

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.

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

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Financial Highlights (continued)

Ratios and Supplemental Data					
	2017	2016	2015	2014	2013
Series A-Rollover*					
Total net asset value (000's) ⁽¹⁾	\$ 260	\$ 368	\$ 495	\$ 858	\$ 1,151
Number of shares outstanding ⁽¹⁾	1,429,066	1,612,324	2,240,329	2,981,909	3,309,521
Management expense ratio ⁽²⁾	16.87%	14.61%	9.61%	6.11%	5.63%
Management expense ratio before waivers or absorption ⁽⁵⁾	16.87%	14.61%	9.61%	6.11%	5.63%
Trading expense ratio ⁽³⁾	0.17%	0.29%	0.10%	0.96%	1.57%
Portfolio turnover rate ⁽⁴⁾	31.51%	60.06%	41.92%	148.29%	86.50%
Net asset value per share ⁽¹⁾	\$0.18	\$0.23	\$0.22	\$ 0.29	\$0.35
Series A-Regular**					
Total net asset value (000's) ⁽¹⁾	\$ 2	\$ 2	\$ 2	\$ 3	\$ 2
Number of shares outstanding ⁽¹⁾	7,524	7,524	7,524	7,524	5,267
Management expense ratio ⁽²⁾	16.84%	14.37%	10.13%	5.96%	5.32%
Management expense ratio before waivers or absorption ⁽⁵⁾	16.84%	14.37%	10.13%	5.96%	5.32%
Trading expense ratio ⁽³⁾	0.17%	0.29%	0.10%	0.96%	1.40%
Portfolio turnover rate ⁽⁴⁾	31.51%	60.06%	41.92%	148.29%	86.50%
Net asset value per share ⁽¹⁾	\$0.23	\$0.29	\$0.28	\$ 0.38	\$0.45

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 shares were first issued on May 1, 2006.

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

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Management and Performance Fees

The Management fees for each applicable series are calculated daily and are based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis. The Manager uses these management fees to pay sales and trailing commissions to registered dealers on the distribution of the Fund shares, 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 (%)
Series A /Rollover Shares	2.00%	20.50%	79.50%
Series A/Regular Shares	2.00%	22.64%	77.36%

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

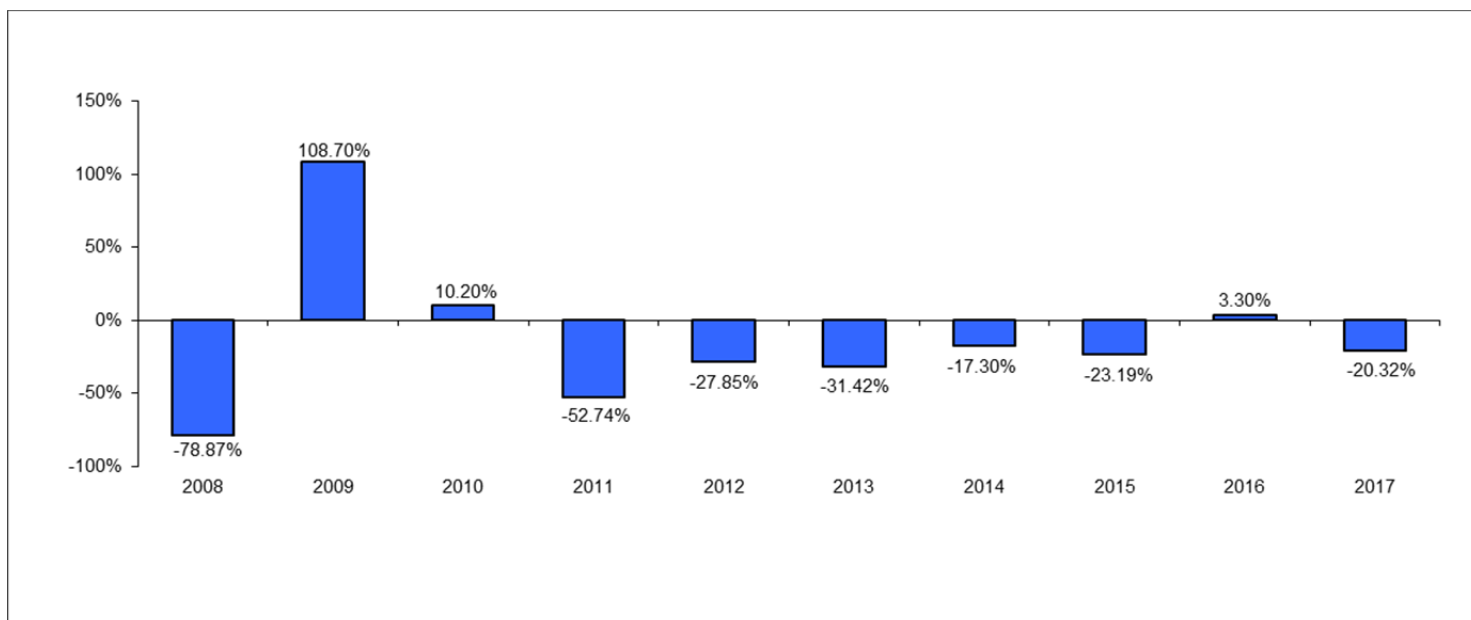
Past Performance

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 series.

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



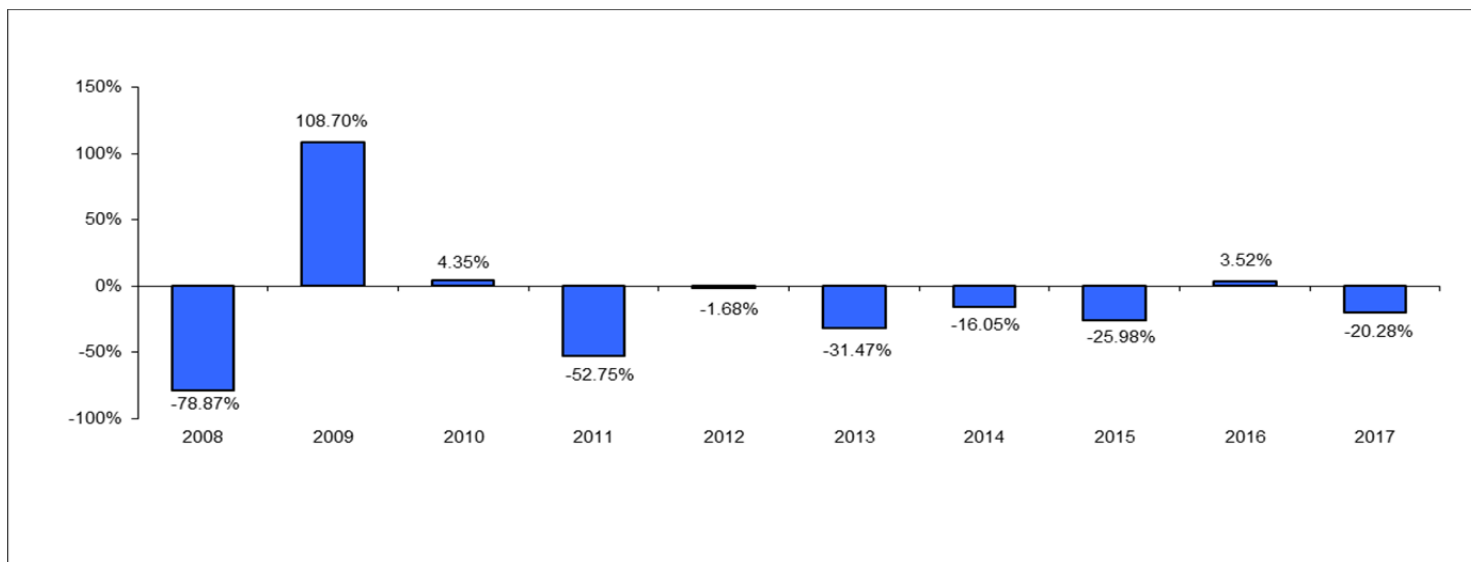
*Inception date for Series A Rollover shares was November 27, 2007

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Past Performance (continued)

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's constituents 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.

	1 Year %	3 Years %	5 Years %	10 Years %	Since Inception %
Series A-Rollover	-20.3%	-14.2%	-18.6%	-	-24.2%
S&P/TSX Capped Energy Index	-10.6%	-1.8%	-2.1%	-	-2.3%
Series A-Regular	-20.3%	-15.2%	-18.9%	-	-22.4%
S&P/TSX Capped Energy Index	-10.6%	-1.8%	-2.1%	-	-2.3%

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2017

Summary of Investment portfolio as at December 31, 2017

Total Net Asset Value: \$ 261,670

Portfolio Allocation

	% of Fund's Net Asset Value
Net Other Assets (Liabilities)	59.76%
Oil & Gas	25.19%
Oil & Gas Services	13.86%
Cash	1.19%
	<hr/> 100.00%

Top Holdings*

	% of Fund's Net Asset Value
1 Whitecap Resources Inc.	2.52%
2 Parkland Fuel Corp.	2.44%
3 Spartan Energy Corp.	2.42%
4 Yangarra Resources Ltd.	2.36%
5 Calfrac Well Services Ltd.	2.35%
6 CES Energy Solutions Corp.	2.34%
7 Total Energy Services Inc.	2.33%
8 Keyera Corp.	2.33%
9 Suncor Energy Inc.	2.33%
10 Vermilion Energy Inc.	2.32%
11 TransCanada Corp.	2.31%
12 Paramount Resources Ltd.	2.31%
13 Inter Pipeline Ltd.	2.29%
14 Seven Generations Energy Ltd.	2.28%
15 Ensign Energy Services Inc.	2.23%
16 Bonterra Energy Corp.	1.99%
17 Athabasca Oil Corp.	1.90%
18 Cash	1.19%
19 Birch Lake Energy Inc.	0.00%
20 Golden Coast Energy Corp.	0.00%
	<hr/> 40.24%

* Represents entire portfolio.

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 December 31, 2017. The Fund does not hold short positions. 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 or SEDAR at www.sedar.com.

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