



## **MARQUEST CORPORATE CLASS FUNDS LTD.**

MARQUEST AMERICAN DIVIDEND  
GROWTH FUND (CORPORATE CLASS)

SEMI-ANNUAL MANAGEMENT  
REPORT OF FUND PERFORMANCE

Period ended June 30, 2018

**MARQUEST CORPORATE CLASS FUNDS LTD.  
MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

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**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018**

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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.*

# MARQUEST CORPORATE CLASS FUNDS LTD.

## MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)

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### INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018

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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 Corporate Class Funds Ltd. - Marquest American Dividend Growth Fund (Corporate Class) (the "Fund"). You can get a copy of the interim 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](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, 2018, the Fund's total NAV was \$3,907,873, a decrease of 20.62% since the year end (December 31, 2017: \$4,923,055). The change is due to net redemptions and management fees of \$962,603 and \$42,701, respectively.

Stronger equity markets in the second quarter allowed the S&P 500 Index to record a 1.67% advance (in USD) by mid-year. Growth names have continued their market leadership, as evidenced by the Russell 1000 growth index outpacing the Russell 1000 value index. The Fund's mandate favours a dividend and value tilt, which resulted in the Marquest American Dividend Growth Fund Corporate Class returning 0.21% for series A and 0.46% for series F during the quarter, bringing the year to date return to -1.53% and -1.01% respectively. Currency played a positive role in the Fund's returns. For the first half of 2018, the Canadian dollar fell by 4.73% versus its U.S. counterpart. During the first half, the Fund gradually increased its currency hedge from about 20.00% at the first of the year to just over 50.00% by June 30. Some hedging is prudent for Canadian investors that want to protect asset values in the event of a rise in the Canadian dollar.

For the first half of the year, the U.S. market continued to be driven by a handful of the largest companies, not unlike the experience of 2017. That said, following its correction in February, the market has experienced a broader participation, with more industry groups taking part in the recovery. In the second quarter, the energy and consumer discretionary sectors were the strongest performers within the benchmark, with information technology slipping to third place. The fund's best performers in the first half were Cisco Systems, Flowers Foods, and Stryker.

During the first quarter we took advantage of the market's correction to spend cash that had accumulated to 6.72% as at year end. By mid year, cash had been reduced to 0.04%. New companies purchased during a correction in their share prices include Anheuser Busch, UPS and Walmart. Smaller positions were established in Mosaic Company (potash and phosphate fertilizer), Nielsen Holdings (ratings measurement) and Albemarle Corp (specialty chemicals/lithium).

At June 30, Financials comprised 16.74% of the portfolio. This industry subgroup underperformed in the first half, but prospects are stronger for the balance of the year. Banks have easily passed their annual stress tests, with most subsequently announcing dividend increases and share buy-backs that will proceed in the second half. Loan growth has shown some life, and the banks will continue to benefit from higher net income margins as interest rates continue to tick upward. A solid exposure to financials offers the conservative investor an attractive risk/reward scenario.

Over the course of the year the currency hedge has been gradually increased in the portfolio, from just over 20.00% at the first day of the year, to approximately 44.00% by March 31, and to just over 50.00% at mid year. The increases were each in junction with a falling Canadian dollar. Should the CAD continue to falter, the portfolio's hedge will be increased further. At mid-year the portfolio held no option positions.

# MARQUEST CORPORATE CLASS FUNDS LTD. MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018

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## ***Recent Developments***

At mid-year, the U.S. economy continues to look strong, with unemployment at its lowest level since 2002 and an orderly interest rate normalization underway. Corporate earnings are being buoyed by lower tax rates and the consumer continues to spend. Many U.S. multinationals are repatriating profits that had been stranded offshore to reinvest stateside. It is ironic that President Trump would choose this particular time to turn insular, and protectionist even, with U.S. trade policies. A full-out trade war could derail the economy that is the envy of the world.

## ***Proposed Change of Manager***

On June 22, 2018, the manager Marquest Asset Management Inc. and Stone Investment Group Limited announced that the Firms have entered into a binding agreement for Stone to acquire the management contract of the Fund.

The shareholders and/or unitholders of the Funds have passed the resolution to change the Manager to Stone Investment Group Limited on August 27, 2018, however the transaction is still waiting on regulatory approval.

## ***Related Party Transactions***

Marquest Asset Management Inc. is the Manager (“the Manager”) of the Fund. The Manager of the Fund has engaged SEAMARK Asset Management Ltd. 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 at least 180 days’ notice of its intention not to renew a Management Agreement. Management fees are paid by each series at the rates set out under “Management Fees” below.

During the period, \$42,701 in management fees (including HST) was paid to the Manager. The Fund reimbursed the Manager for operating costs (including HST) incurred in administering the Fund of approximately \$16,049.

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 period the Manager absorbed \$4,973 in expenses of the Fund.

**MARQUEST CORPORATE CLASS FUNDS LTD.**  
**MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018**

**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 American Dividend Growth Fund - Corporate Class (Series A)**						
Net Assets per Share (\$) <sup>(1)</sup>						
	2018*	2017	2016	2015	2014	2013
Net assets, beginning of the year <sup>(2)</sup>	18.98	19.49	18.75	16.69	14.32	11.59
<b>Increase (decrease) from operations:</b>						
Total revenue	0.30	0.52	0.52	0.54	0.44	0.28
Total expenses (excluding distributions)	(0.49)	(0.64)	(0.60)	(0.57)	(0.48)	(0.59)
Realized gains (losses) for the year	1.62	1.24	1.26	1.60	1.21	0.19
Unrealized gains (losses) for the year	(1.68)	(0.34)	0.68	0.56	1.20	2.42
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.25)</b>	<b>0.78</b>	<b>1.86</b>	<b>2.13</b>	<b>2.37</b>	<b>2.30</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	(0.01)	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(1.25)	(1.09)	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>(1.25)</b>	<b>(1.09)</b>	<b>(0.01)</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>18.69</b>	<b>18.98</b>	<b>19.49</b>	<b>18.75</b>	<b>16.69</b>	<b>14.32</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 shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

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

\*The financial information is for the six-month period ending June 30, 2018.

\*\*Series A shares were first issued on July 22, 2010.

**MARQUEST CORPORATE CLASS FUNDS LTD.**  
**MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018**

*Financial Highlights (continued)*

Marquest American Dividend Growth Fund - Corporate Class Series F**						
Net Assets per Share (\$) <sup>(1)</sup>						
	2018*	2017	2016	2015	2014	2013
Net assets, beginning of the year <sup>(2)</sup>	19.78	20.21	19.39	17.15	14.55	11.65
<b>Increase (decrease) from operations:</b>						
Total revenue	0.32	0.54	0.54	0.55	0.44	0.29
Total expenses (excluding distributions)	(0.39)	(0.42)	(0.37)	(0.35)	(0.29)	(0.49)
Realized gains (losses) for the year	1.67	1.20	1.29	1.74	1.20	0.16
Unrealized gains (losses) for the year	(1.73)	(0.47)	0.86	0.49	1.15	2.25
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.13)</b>	<b>0.85</b>	<b>2.32</b>	<b>2.43</b>	<b>2.50</b>	<b>2.21</b>
Distributions:						
From net investment income (excluding dividends)	(0.02)	-	-	(0.10)	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(1.42)	(1.28)	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.02)</b>	<b>(1.42)</b>	<b>(1.28)</b>	<b>(0.10)</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>19.56</b>	<b>19.78</b>	<b>20.21</b>	<b>19.39</b>	<b>17.15</b>	<b>14.55</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 shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

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

\*The financial information is for the six-month period ending June 30, 2018.

\*\*Series F shares were first issued on January 26, 2011 at \$10.00.

**MARQUEST CORPORATE CLASS FUNDS LTD.**  
**MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018

*Financial Highlights (continued)*

<b>Ratios and Supplemental Data</b>						
<b>Series A**</b>	<b>2018*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 2,569	\$ 3,107	\$ 4,193	\$ 3,951	\$ 3,189	\$ 2,918
Number of shares outstanding <sup>(1)</sup>	137,477	163,677	215,145	210,656	191,044	203,761
Management expense ratio <sup>(2)</sup>	4.75%	2.86%	2.73%	2.69%	2.71%	4.34%
Management expense ratio before waivers or absorption <sup>(5)</sup>	4.98%	4.50%	3.89%	3.97%	4.21%	5.61%
Trading expense ratio <sup>(3)</sup>	0.06%	0.03%	0.03%	0.04%	0.03%	0.03%
Portfolio turnover rate <sup>(4)</sup>	17.45%	16.20%	24.65%	30.68%	16.51%	13.21%
Net asset value per share <sup>(1)</sup>	\$ 18.69	\$ 18.98	\$ 19.49	\$ 18.75	\$ 16.69	\$ 14.32
<b>Series F***</b>	<b>2018*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 1,339	\$ 1,816	\$ 1,673	\$ 1,066	\$ 584	\$ 648
Number of units outstanding <sup>(1)</sup>	68,470	91,834	82,818	54,965	34,035	44,502
Management expense ratio <sup>(2)</sup>	3.63%	1.79%	1.62%	1.62%	1.60%	3.58%
Management expense ratio before waivers or absorption <sup>(5)</sup>	3.81%	2.81%	2.32%	2.39%	2.49%	4.62%
Trading expense ratio <sup>(3)</sup>	0.06%	0.03%	0.03%	0.04%	0.03%	0.03%
Portfolio turnover rate <sup>(4)</sup>	17.45%	16.20%	24.65%	30.68%	16.51%	13.21%
Net asset value per share <sup>(1)</sup>	\$ 19.56	\$ 19.78	\$ 20.21	\$ 19.39	\$ 17.15	\$ 14.55

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, 2018.

\*\*Series A shares were first issued on July 22, 2010.

\*\*\*Series F shares were first issued on January 26, 2011.

# MARQUEST CORPORATE CLASS FUNDS LTD.

## MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018

### Management 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 weekly 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 Shares	2.00%	44.87%	55.13%
Series F Shares	1.00%	0.00%	100.00%

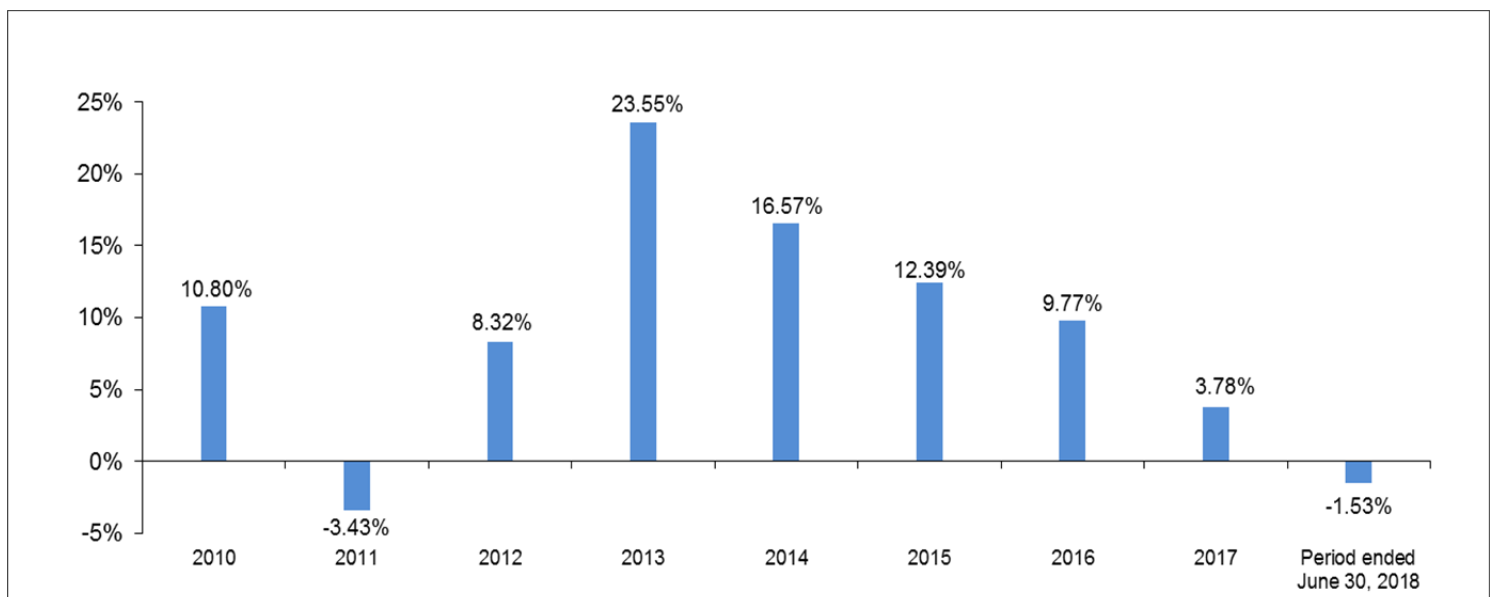
### Past Performance

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 and F performance for each of the periods 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.

#### Series A



\*Inception date for Series A shares was July 22, 2010.

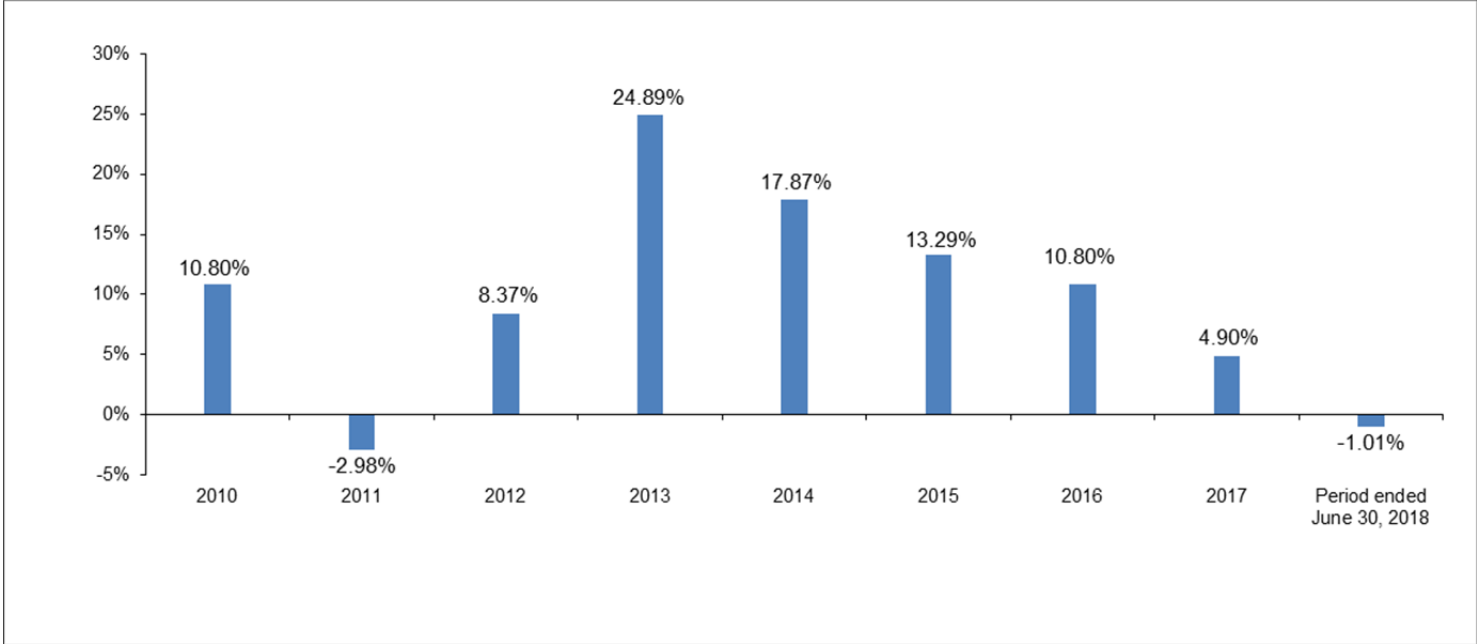


**MARQUEST CORPORATE CLASS FUNDS LTD.  
MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018**

*Past Performance (continued)*

Series F



\*Inception date for Series F shares was July 22, 2010.

**MARQUEST CORPORATE CLASS FUNDS LTD.  
MARQUEST AMERICAN DIVIDEND GROWTH FUND (CORPORATE CLASS)**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2018**

**Summary of Investment portfolio as at June 30, 2018**

**Total Net Asset Value:** **\$ 3,907,873**

**Portfolio Allocation**

	<b>% of Fund's Net Asset Value</b>
Financials	16.74%
Consumer Staples	12.11%
Healthcare	11.59%
Industrials	10.24%
Energy	10.21%
Consumer Discretionary	9.37%
Information Technology	9.21%
Materials	8.94%
Telecommunication Services	6.96%
Futures Contracts	4.26%
Net Other Assets (Liabilities)	0.33%
Cash	0.04%
	<hr/> 100.00%

**Top 25 Holdings**

	<b>% of Fund's Net Asset Value</b>
1 Newmont Mining Corp.	3.17%
2 JPMorgan Chase & Co.	2.98%
3 HSBC Holdings PLC	2.86%
4 Bank of America Corp.	2.85%
5 State Street Corp.	2.82%
6 Schlumberger Ltd.	2.71%
7 MetLife Inc.	2.64%
8 Nestle SA	2.61%
9 Northern Trust Corp.	2.60%
10 Chevron Corp.	2.55%
11 Novartis AG	2.54%
12 Exxon Mobil Corp.	2.51%
13 ABB Ltd.	2.49%
14 The Walt Disney Co.	2.47%
15 Merck & Co., Inc.	2.45%
16 Walmart Inc.	2.45%
17 Royal Dutch Shell PLC	2.45%
18 DowDuPont Inc.	2.44%
19 Honeywell International Inc.	2.42%
20 Walgreens Boots Alliance Inc.	2.42%
21 The Kroger Co.	2.39%
22 AT&T Inc.	2.38%
23 Anheuser-Busch InBev	2.37%
24 McDonalds Corp.	2.37%
25 Verizon Communications Inc.	2.37%
	<hr/> 64.31%

*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, 2018. 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**

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