MARQUEST CANADIAN FIXED INCOME FUND

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Period ended June 30, 2018

MARQUEST ASSET MANAGEMENT INC.

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. 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 CANADIAN FIXED INCOME FUND

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Marquest Canadian Fixed Income Fund (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 toll-free 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

Results of Operations

As at June 30, 2018, the Fund’s total NAV was $2,729,871, a decrease of 7.97 % since the year end (December 31, 2017: $2,966,230).This change was primarily the result of net redemptions of $189,045, distribution to unitholders of redeemable units of $6,190, management fees of $10,827 and operating fees of $25,751.

Although the Canadian economy outgrew the US economy last year, the more recent data is favouring US growth. However, it is the uncertainty of the future that is weighing far more heavily on Canadian bond investors, causing Canadian and US bond yields to diverge during the first half of 2018. US-Canada yield spreads widened by about 35 basis points across the curve during the first 6 months, driven by trade fears and out-of-sync monetary policies. The Fed is determined to make good on its projections to normalise rates by hiking ¼ % per quarter; while the Bank of Canada is determined to sit on the sidelines, worried mostly about trade, but also about the indebted consumer and the housing market.

We don’t typically feel sorry for central bankers – they are deliberately aloof, and the challenges of the job comes at the price of being “rock stars” – but we are sympathetic to Governor Poloz as he tries to navigate the minefield that President Trump and his trade advisors are laying. It is 42 months since the Bank first implemented its “insurance rate decreases” and Canadian economic growth has averaged 2.50% year over year. The Bank has since, raised rates by 75 bps, but the overnight rate sits at 1.25%, well below the average of the last 30 years (4.00%), well below the consensus neutral level (3.00%), and well below current Fed Funds (2.00%). The Bank should be able to raise rates and establish more of a cushion ahead a future downturn, but the uncertainty related to trade, not to mention, the damage already done, is forcing the Governor to equivocate. He has eschewed forward guidance at the expense of misleading investors which has resulted in significant volatility in the short-end of the Canadian yield curve.

There is already reliable evidence that NAFTA negotiations are impacting Canada’s economy – foreign direct investment was down by a disappointing 26.00% in 2017. Furthermore, non-energy exports have continued the (five-year) trend downwards, despite the recent weakness in the Canadian dollar. It is anyone’s guess what will ultimately happen to global trade – the Trump administration appears determined to reduce the US’s massive trade deficit, and no trading partner appears safe. The emerging trade battle with China could become a protracted trade war, with weaker economic growth a real possibility.

The world is increasingly on tenterhooks, waiting for the next trade moves by the Trump administration and their foes; however, you wish to call it, we see it as the early stages of a trade war. US economic growth has been strong – somewhere near 3.40% for Q2 (Bloomberg) – providing cover for the administrations foray into trade conflicts. Let’s hope for Trump, and us all, that the US economy does not decide to dive south. But the Fed is determined to normalise interest rates and its balance sheets, leaving us only somewhere in the middle of their tightening cycle. The S&P 500 finished up by 2.65% for the first half, but has essentially been flat-lining since mid-January, as investors have gotten nervous from the combination of higher rates and tariffs.

Results of Operations (continued)

The Canadian bond market returned 0.61% in the first half of the year (FTSE TMX Canada Universe Bond Index) vastly outperforming the US bond market which returned -1.62% (Bloomberg Barclays US Aggregate Bond Index). Canadian yields were up: 23, 20 and 13 bps for 2, 5 and 10-years, whereas 30-year yields were down by 6 bps. Treasury yields were up substantially across the curve: 2, 5, 10 and 30-years rose by 65, 53, 46 and 25 bps respectively. While the overall Treasury curve has tended to flatten following Fed moves, a lot of the flattening has been captured by the long-end. In the first half of 2018, the 2-10 Treasury curve flattened by 19 bps, while the 10-30's curve flattened by 21 bps. Despite less aggressive Canadian monetary policy, the Canada curve flattened by a surprising 29 bps during the first half, with 19 bps coming from the long end. Excess demand for long Treasury bonds (the ECB and BoJ are still in QE mode) continues to spill over into long Canadas.

The corporate bond market was volatile during the first half, echoing movement in the stock markets. Worries over trade policy and valuations were enough to shake investor confidence and correct equity valuations that have been kept aloft by overall positive economic data and supportive fiscal policies. Canadian corporate bonds slightly underperformed Canada's: 0.70% versus 0.77% for the Corporate and Canada components of the Universe Index with spreads widening an average of 9 bps across the curve.

Portfolio Changes

Provincials spreads were pressured as a heavy supply calendar and unfavourable swap levels deterred foreign issuance in lieu of domestic issuance. The provincial exposure was reduced at the onset of the year to be significantly underweight provincials relative to the index on a duration weighted basis.

Ontario bonds lagged due to rating agencies reacting adversely to proposed deficits forecast and election uncertainty. The opportunity was taken to increase the relative provincial and Ontario underweight versus the benchmark, on a duration and market value weighted basis.

From a sector perspective, on the back of new issue supply pressures, we opportunistically increased exposure to insurance, telecom and autos via a reduction to bank and Enbridge debt, which had outperformed. The portfolio's duration, yield curve and high credit quality bias were maintained. The portfolio also participated in a number of new issues which came to market with attractive spread concessions and other short□term trading opportunities.

Factors affecting performance

The portfolio was underweight provincials on a duration weighted basis relative to the benchmark, with no long-term provincial bonds held. The short, mid and long-term provincial credit spreads widened by 4, 4 and 8 basis points respectively over the first half.

The portfolio's credit exposure was overweight short and mid-term, higher yielding issues in top performing sectors and issuers: insurance, telecom, media and Nova Scotia debt. The portfolio had no exposure to long-term airport and Hydro One debt which underperformed.

Relative to the index, the portfolio was more conservatively structured with a shorter-duration and an overweight in the short and mid-term area of the yield curve in lieu of long bonds. For the half, the 2-30's yield curve flattened by 29 bps

Recent Developments

The modified duration of the core portfolio (Marquest CF) was 4.54 years, about 3 years less than the benchmark (FTSE TMX Canada Universe Bond Index) duration, as at June 30, 2018. The portfolio is overweight short-term corporate and mid-term provincial bonds and underweight 10-years and long bonds, with no exposure to Government of Canada. The portfolio continues to be positioned for higher yields with a steepening bias.

Investor expectations for a July rate hike from the Bank of Canada have been extremely volatile, currently sitting at an 85.00% probability (at quarter-end according to the overnight indexed swap market). The Bank has deliberately eschewed forward guidance, so as to keep its policy options wide open, but has left itself exposed to sending mixed signals. Governor Poloz has affirmed that the Canadian economy warrants tighter monetary policy but has also highlighted that there are many uncertainties ahead. The most recent strong economic data has caused investors to increase the probability of a hike in July, but we are unconvinced. NAFTA has already had an impact on Canadian trade and investment, and we feel that, with the current level of antagonism, the Bank will opt out, preferring to err on caution.

US-Canada spreads have widened by roughly 35 bps across the yield curve since the beginning of the year. Real yields and inflation expectations represent close to 90.00% and 10.00% of the widening, respectively. Since the beginning of the year, Canadian real yields have been basically stable, falling by a couple of basis points, in contrast to US real yields which have risen. The divergence of Canadian and US real yields reflects divergent growth expectations and monetary policies, and NAFTA fears. The Fed appears to have regained market confidence with consistent hikes, while the BoC has been deliberately non-committal. Nonetheless, Canadian real yields remain exceedingly low, and we would argue, inconsistent with the current Bank of Canada growth profile.

We think a pre-emptive hike by the BoC, or a surprise resolution to NAFTA negotiations (with an implicit green-light to the Bank) would both lead to higher Canadian real yields. A July pass from the Bank, will not change yields much, as investors will most likely attribute the hesitancy to NAFTA uncertainty. Inflation expectations have been stingy on both sides of the border, albeit higher in the US, despite tight labour markets overall. We still believe that wage growth will lead to broader inflation increases in both countries and become a greater factor in nominal yields. Colouring the Canadian inflation outlook is the tariff actions and the weakness of the Canadian dollar which should both be inflationary. In summary, we feel that the risks to both real yields and inflation expectations in Canada are more heavily weighted to the upside.

Longer-term yields have not kept pace with central bank actions in both Canada and the US. The extreme flattening of both country's yield curves, (which many believe are headed for inversion) is more typical of late stages of a tightening cycle, ahead of a slowdown. Given the more measured actions of the Bank of Canada, as compared to the Fed, we find it surprising that the Canadian yield curve has flattened by 29 bps this year compared to 40 bps for the US yield curve.

Our portfolios have been positioned consistent with our fundamental outlook – for higher real yields and inflation with a cautious Bank of Canada. As we have mentioned before, both real yields and inflation expectations in Canada have lagged the increase in the US, largely because of NAFTA and trade. We have generally been optimistic, that the Canada-US trade dispute will be resolved before severe damage to the Canadian economy, but we recognize that the outcome could easily defy rationale.

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 Lorica Investment Counsel Inc. 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 the if 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, $10,827 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-today administration. The Fund reimbursed the Manager for operating costs (including HST) incurred in administering the Fund of approximately $10,161.

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 $4,525 in expenses of the Fund.

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 four years and the most recent interim period. The information is derived from the Fund's unaudited interim and audited annual financial statements.

Marquest Canadian Fixed Income Fund (Class A)**

Net Assets per Unit ($) [1]

	2018*	2017	2016	2015	2014
Net assets, beginning of the year [2]	**10.01**	**10.09**	**10.16**	**10.04**	**10.00**
Increase (decrease) from operations:					
Total revenue	0.14	0.26	0.28	0.29	0.01
Total expenses (excluding distributions)	(0.22)	(0.18)	(0.16)	(0.17)	-
Realized gains (losses) for the year	(0.06)	(0.17)	0.07	0.03	-
Unrealized gains (losses) for the year	(0.04)	0.09	(0.11)	(0.18)	0.03
Total increase (decrease) from operations [2]	**(0.18)**	**-**	**0.08**	**(0.03)**	**0.04**
Distributions:					
From net investment income (excluding dividends)	(0.01)	(0.06)	(0.10)	(0.09)	-
From dividends	-	-	-	-	-
From capital gains	-	-	(0.08)	(0.11)	-
Return of capital	-	-	-	-	-
Total annual distributions [3]	**(0.01)**	**(0.06)**	**(0.18)**	**(0.20)**	**-**
Net assets at December 31st of year shown	**9.82**	**10.01**	**10.09**	**10.16**	**10.04**

Notes:

[1] This information is derived from the Fund's audited annual and unaudited interim financial statements. 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.

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

***Class A units were first issued on December 1, 2014 at $10.00.*

Financial Highlights (continued)

Marquest Canadian Fixed Income Fund (Class F)**

Net Assets per Unit ($) [(1)]

	2018*	2017	2016	2015	2014
Net assets, beginning of the year [(2)]	**9.97**	**10.06**	**10.14**	**10.04**	**10.00**
Increase (decrease) from operations:					
Total revenue	0.14	0.25	0.28	0.28	0.01
Total expenses (excluding distributions)	(0.18)	(0.11)	(0.10)	(0.10)	-
Realized gains (losses) for the year	(0.06)	(0.14)	0.08	0.11	-
Unrealized gains (losses) for the year	(0.04)	0.04	(0.05)	(0.10)	0.03
Total increase (decrease) from operations [(2)]	**(0.14)**	**0.04**	**0.21**	**0.19**	**0.04**
Distributions:					
From net investment income (excluding dividends)	(0.02)	(0.14)	(0.18)	(0.17)	(0.01)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.08)	(0.10)	-
Return of capital	-	-	-	-	-
Total annual distributions [(3)]	**(0.02)**	**(0.14)**	**(0.26)**	**(0.27)**	**(0.01)**
Net assets at December 31st of year shown	**9.81**	**9.97**	**10.06**	**10.14**	**10.04**

Notes:

[(1)] This information is derived from the Fund's audited annual and unaudited interim financial statements. 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.

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

***Class F units were first issued on December 1, 2014.*

Financial Highlights (continued)

Ratios and Supplemental Data					
Class A**	**2018***	**2017**	**2016**	**2015**	**2014**
Total net asset value (000's) (1)	$ 192	$ 205	$ 311	$ 136	$ -
Number of units outstanding (1)	19,570	20,445	30,829	13,372	1
Management expense ratio (2)	4.47%	1.82%	1.62%	1.69%	-
Management expense ratio before waivers or absorption (5)	4.86%	4.14%	3.86%	4.79%	88.81%
Trading expense ratio (3)	-	-	-	-	-
Portfolio turnover rate (4)	270.85%	444.46%	467.23%	451.67%	13.04%
Net asset value per unit (1)	$ 9.82	$ 10.01	$ 10.09	$ 10.16	$ 10.04
Class F***	**2018***	**2017**	**2016**	**2015**	**2014**
Total net asset value (000's) (1)	$ 2,538	$ 2,762	$ 4,732	$ 4,225	$ 538
Number of units outstanding (1)	258,788	277,108	470,450	416,756	53,595
Management expense ratio (2)	3.64%	1.11%	0.96%	0.94%	-
Management expense ratio before waivers or absorption (5)	3.95%	2.52%	2.29%	2.64%	88.81%
Trading expense ratio (3)	-	-	-	-	-
Portfolio turnover rate (4)	270.85%	444.46%	467.23%	451.67%	13.04%
Net asset value per unit (1)	$ 9.81	$ 9.97	$ 10.06	$ 10.14	$ 10.04

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.

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

***Class A units were first issued on December 1, 2014.*

****Class F units were first issued on December 1, 2014.*

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.

		As a percentage of Management fees	
	Maximum Annual Management Fee Rate (%)	**Sales & Trailer Commissions (%)**	**Investment Advisory and Portfolio Management Services (%)**
Class A Units	1.40%	32.72%	67.28%
Class F Units	0.65%	0.00%	100.00%

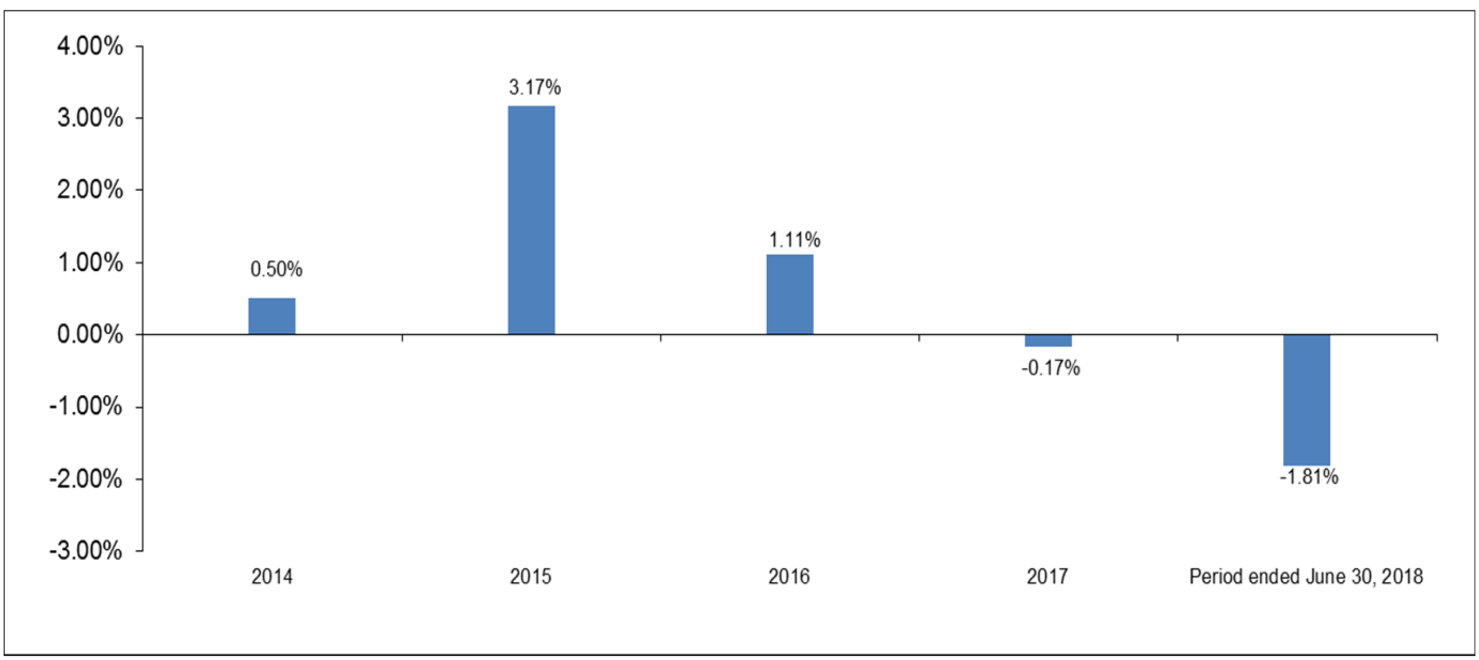
Past Performance

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 chart shows the Fund's annual Class A and F 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.

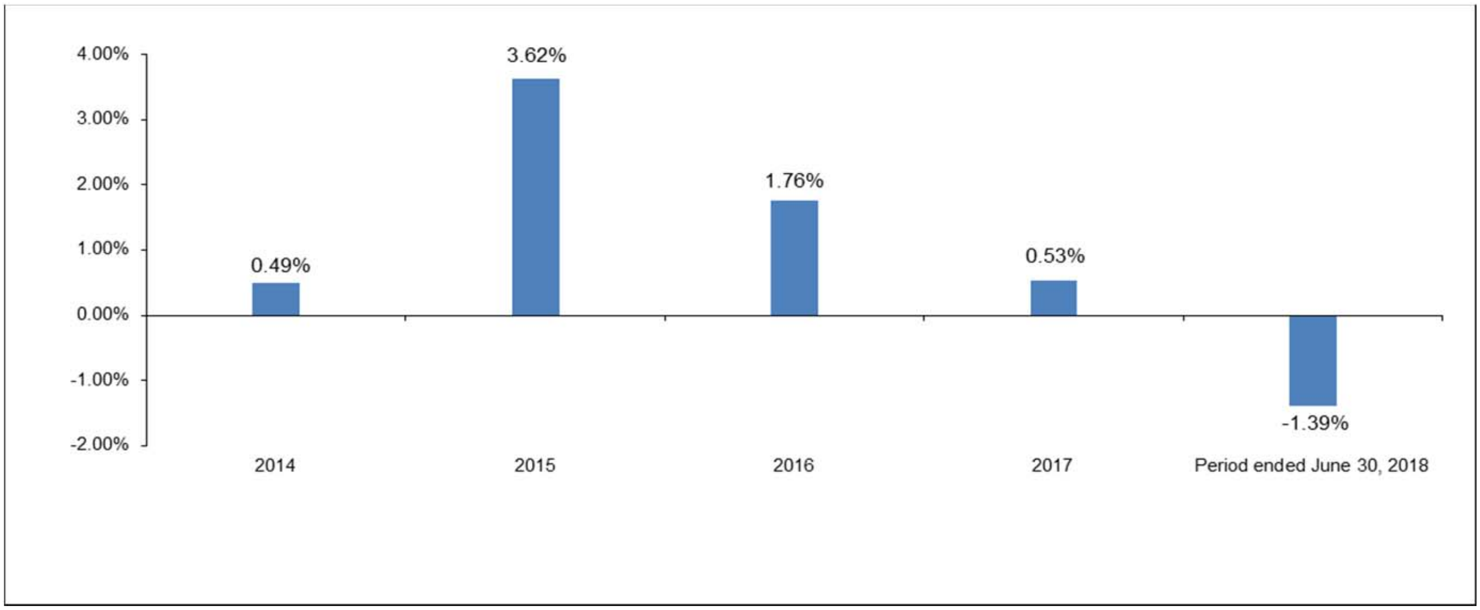
Class A



*Inception date for Class A units was December 1, 2014.

Past Performance (continued)

Class F



*Inception date for Class F units was December 1, 2014.

Summary of Investment portfolio as at June 30, 2018

Total Net Asset Value: **$ 2,729,871**

Portfolio Allocation

	% of Fund's Net Asset Value
Corporate Bonds	77.87%
Provincial Bonds	20.85%
Net Other Assets (Liabilities)	0.65%
Cash	0.63%
	100.00%

Top 25 Holdings

		% of Fund's Net Asset Value
1	Province of Ontario, 2.60%, 02/06/2025	10.71%
2	Province of Nova Scotia, 2.10%, 01/06/2027	8.88%
3	Bell Canada Inc., 3.00%, 03/10/2022	5.49%
4	Bank of Montreal, 2.89%, 20/06/2023	5.48%
5	Nissan Canada Financial Services Inc., 2.61%, 05/03/2021	5.46%
6	Sun Life Financial Inc., 2.75%, 23/11/2027	5.42%
7	TransCanada Pipelines Ltd., 3.69%, 19/07/2023	4.72%
8	TELUS Corp., 3.60%, 26/01/2021	4.67%
9	The Bank of Nova Scotia, 2.58%, 30/03/2027	4.46%
10	Saputo Inc., 1.94%, 13/06/2022	4.41%
11	Manulife Financial Corp., 3.05%, 20/08/2029	3.92%
12	HSBC Bank of Canada, 2.54%, 31/01/2023	3.73%
13	Thomson Reuters Corp., 4.35%, 30/09/2020	3.42%
14	Sun Life Financial Inc., 3.05%, 19/09/2028	2.99%
15	Manufacturers Life Insurance Co., 3.18%, 22/11/2027	2.77%
16	Manufacturers Life Insurance Co., 2.39%, 05/01/2026	2.72%
17	Canadian Western Bank, 2.92%, 15/12/2022	2.72%
18	Honda Canada Finance Inc., 2.16%, 18/02/2021	2.71%
19	Enbridge Inc., 3.00%, 10/08/2026	2.68%
20	The Bank of Nova Scotia, 2.29%, 28/06/2024	2.36%
21	HSBC Bank of Canada, 2.91%, 29/09/2021	2.20%
22	Westcoast Energy Inc., 4.57%, 02/07/2020	1.90%
23	TELUS Corp., 3.75%, 17/01/2025	1.87%
24	National Bank of Canada, 1.96%, 30/06/2022	1.77%
25	Province of Alberta, 2.55%, 01/06/2027	1.26%
		98.72%

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. 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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