



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

MARQUEST COVERED CALL CANADIAN  
BANKS PLUS FUND (CORPORATE CLASS)

SEMI-ANNUAL MANAGEMENT  
REPORT OF FUND PERFORMANCE

Period ended June 30, 2018

**MARQUEST CORPORATE CLASS FUNDS LTD.  
MARQUEST COVERED CALL CANADIAN BANKS PLUS 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 COVERED CALL CANADIAN BANKS PLUS 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 Covered Call Canadian Banks Plus Fund (Corporate Class). 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 \$16,749,343, a decrease of 8.19% since the prior year end (December 2017: \$18,242,591). The change is primarily due to net redemptions of \$356,224, net unrealized depreciation on investments of \$1,139,352 and distribution to shareholders of \$467,550. These were partially offset by dividend income of \$311,516 and net realized gain on sale of investments of \$248,231.

Over the past six months, the Fund's Class A units lost 3.90%. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other classes, which may vary because of differences in management fees and expenses.

The Canadian financials sub-index saw a modest decline during the first half of the year on the back of a consolidation in global markets. The S&P/TSX Capped Financials Index returned -1.48% during the first half of 2018. Canadian banks EPS growth remained quite strong, averaging 13.00% year over year growth during this period. The implied volatility levels on Canadian Financials were quite muted and below their historical average during the first half of the year, thus impacting the premiums received as part of the Fund's option writing strategy.

The Fund maintained its strategy of writing covered call options strategically on the positions in the portfolio, generating an average annualized option yield of about 2.00%, in addition to the dividends collected by the portfolio.

#### ***Recent Developments***

Canadian Financials, specifically Banks, continued to post stronger than expected growth due to increasing yields despite decelerating economic data. The Bank of Canada has continued to tighten monetary policy albeit slowly being cautious of risks associated with highly indebted households as well as being cognizant of the possibility of trade related tariffs with its biggest trading partner south of the border. Canadian banks and financials should continue to trade under pressure on the back of macro uncertainty and the potential pullback in Canadian real estate prices. While banks continue to post impressive EPS growth the above catalysts may result in a more normalized earnings growth of 8-10% from the current 13.00%. These conditions should bode quite favorably for the fund since covered call strategies tend to perform better in range bound markets.

#### ***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.

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***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 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, \$136,752 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 \$56,271.

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 \$33,833 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 Covered Call Canadian Banks Plus 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>	11.02	10.66	9.65	10.48	10.95	10.59
<b>Increase (decrease) from operations:</b>						
Total revenue	0.19	0.36	0.35	0.64	0.68	0.71
Total expenses (excluding distributions)	(0.18)	(0.23)	(0.21)	(0.21)	(0.26)	(0.46)
Realized gains (losses) for the year	0.25	0.57	0.41	0.16	0.87	1.35
Unrealized gains (losses) for the year	(0.69)	0.15	1.20	(0.97)	(0.37)	0.17
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.43)</b>	<b>0.85</b>	<b>1.75</b>	<b>(0.38)</b>	<b>0.92</b>	<b>1.77</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.18)	(0.29)	(0.35)	(0.39)	(0.14)	(0.13)
From capital gains	(0.10)	(0.26)	(0.40)	(0.02)	(1.20)	(1.27)
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.28)</b>	<b>(0.55)</b>	<b>(0.75)</b>	<b>(0.41)</b>	<b>(1.34)</b>	<b>(1.40)</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>10.32</b>	<b>11.02</b>	<b>10.66</b>	<b>9.65</b>	<b>10.48</b>	<b>10.95</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 November 10, 2011 at \$10.00.

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*Financial Highlights (continued)*

Marquest Covered Call Canadian Banks Plus 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>	11.10	10.74	9.72	10.55	11.01	10.62
<b>Increase (decrease) from operations:</b>						
Total revenue	0.19	0.37	0.37	0.64	0.68	0.70
Total expenses (excluding distributions)	(0.11)	(0.11)	(0.10)	(0.10)	(0.12)	(0.33)
Realized gains (losses) for the year	0.26	0.46	0.65	0.16	0.88	1.39
Unrealized gains (losses) for the year	(0.69)	0.75	1.12	(1.07)	(0.41)	0.28
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.35)</b>	<b>1.47</b>	<b>2.04</b>	<b>(0.37)</b>	<b>1.03</b>	<b>2.04</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.24)	(0.45)	(0.46)	(0.50)	(0.23)	(0.15)
From capital gains	(0.10)	(0.22)	(0.40)	(0.03)	(1.23)	(1.35)
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.34)</b>	<b>(0.67)</b>	<b>(0.86)</b>	<b>(0.53)</b>	<b>(1.46)</b>	<b>(1.50)</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>10.39</b>	<b>11.10</b>	<b>10.74</b>	<b>9.72</b>	<b>10.55</b>	<b>11.01</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 November 10, 2011 at \$ 10.00.

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*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>	\$ 12,736	\$ 13,478	\$ 13,403	\$ 11,947	\$ 6,969	\$ 5,707
Number of shares outstanding <sup>(1)</sup>	1,234,528	1,222,806	1,257,365	1,238,231	665,223	521,270
Management expense ratio <sup>(2)</sup>	3.24%	2.05%	2.02%	2.07%	2.07%	3.96%
Management expense ratio before waivers or absorption <sup>(5)</sup>	3.67%	3.13%	3.55%	4.19%	5.04%	5.64%
Trading expense ratio <sup>(3)</sup>	0.07%	0.09%	0.12%	0.06%	0.22%	0.16%
Portfolio turnover rate <sup>(4)</sup>	22.36%	114.59%	250.33%	106.14%	239.71%	232.86%
Net asset value per share <sup>(1)</sup>	\$ 10.32	\$ 11.02	\$ 10.66	\$ 9.65	\$ 10.48	\$ 10.95
<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>	\$ 4,013	\$ 4,765	\$ 1,521	\$ 600	\$ 381	\$ 226
Number of shares outstanding <sup>(1)</sup>	386,341	429,264	141,686	61,719	36,140	20,498
Management expense ratio <sup>(2)</sup>	2.07%	1.00%	0.95%	0.94%	0.93%	2.80%
Management expense ratio before waivers or absorption <sup>(5)</sup>	2.34%	1.53%	1.66%	1.91%	2.27%	3.98%
Trading expense ratio <sup>(3)</sup>	0.07%	0.09%	0.12%	0.06%	0.22%	0.16%
Portfolio turnover rate <sup>(4)</sup>	22.36%	114.59%	250.33%	106.14%	239.71%	232.86%
Net asset value per share <sup>(1)</sup>	\$ 10.39	\$ 11.10	\$ 10.74	\$ 9.72	\$ 10.55	\$ 11.01

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.

\*\*The Fund was established on November 10, 2011.

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***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	1.65%	70.87%	29.13%
Series F Shares	0.65%	0.00%	100.00%

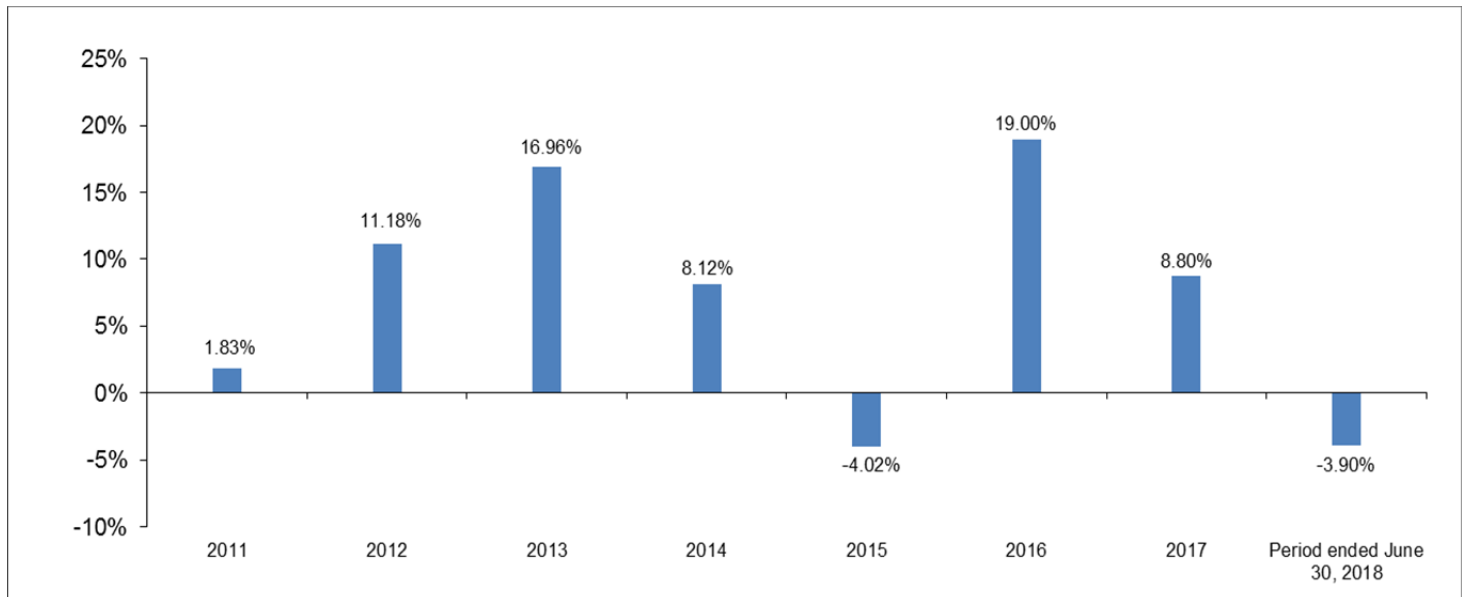
***Past Performance***

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 series of shares are mainly attributable to management fees charged to each series.

***Year-by-Year Returns***

The following bar chart shows the Fund's annual Series A and Series 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.

**Series A**



\* Inception date for Series A shares was June 30, 2011

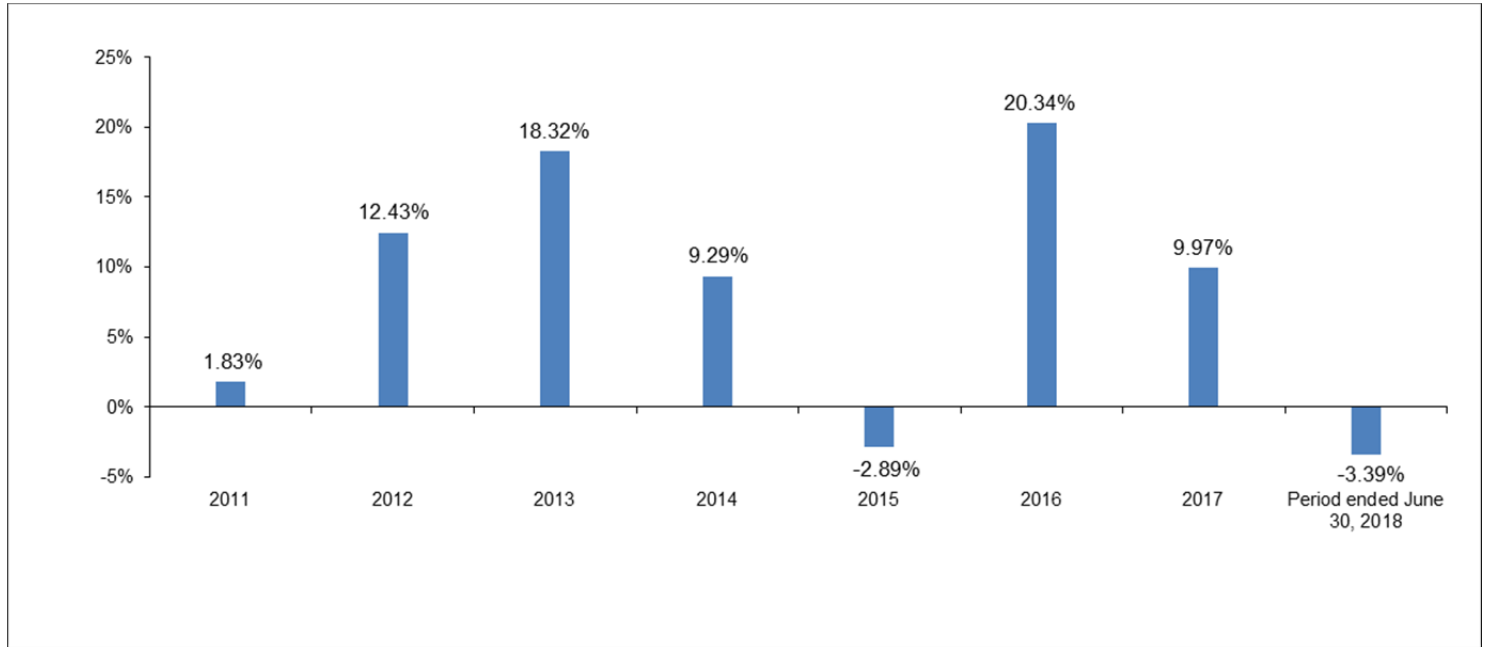


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***Past Performance (continued)***

**Series F**



\* Inception date for Series F shares was November 10, 2011.

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

**Total Net Asset Value:** **\$ 16,749,343**

**Portfolio Allocation**

	<b>% of Fund's Net Asset Value</b>
Financials	88.58%
Cash	11.09%
Net Other Assets (Liabilities)	0.62%
Call Options	-0.29%
	<hr/> 100.00%

**Top Holdings\***

<b>Long Positions</b>	<b>% of Fund's Net Asset Value</b>
1 Cash	11.09%
2 National Bank of Canada	9.12%
3 Bank of Montreal	9.05%
4 The Toronto-Dominion Bank	9.02%
5 Royal Bank of Canada	9.02%
6 Canadian Imperial Bank of Commerce	8.93%
7 The Bank of Nova Scotia	8.83%
8 Great-West Lifeco Inc.	6.32%
9 Sun Life Financial Inc.	5.35%
10 Manulife Financial Corp.	4.90%
11 Laurentian Bank of Canada	4.77%
12 Intact Financial Corp.	4.51%
13 Industrial Alliance Insurance & Financial Services Inc.	4.42%
14 Power Financial Corp.	4.34%
<b>Top Long Positions as a Percentage of Total Net Asset Value</b>	<hr/> 99.67%
<b>Short Positions</b>	
1 Bank of Montreal, Call Option, July 2018, \$100	-0.11%
2 National Bank of Canada, Call Option, July 2018, \$62.5	-0.10%
3 The Toronto-Dominion Bank, Call Option, July 2018, \$75	-0.08%
<b>Top Short Positions as a Percentage of Total Net Asset Value</b>	<hr/> -0.29%

\* 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 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**

161 Bay Street  
Suite 4420, P.O. Box 204  
Toronto, ON M5J 2S1  
Phone 416.777.7350  
Toll Free 1.877.777.1541

**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)