



MARQUEST MONTHLY PAY FUND

SEMI-ANNUAL MANAGEMENT  
REPORT OF FUND PERFORMANCE

Period ended June 30, 2018

# MARQUEST MONTHLY PAY FUND

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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.*

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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 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, 2018, the Fund's total NAV was \$20,166,720, a decrease of 21.30% since the prior year end (December 2017: \$25,624,223). The change is primarily due to distribution to holders of redeemable units, net redemptions and net unrealized depreciation on investments of \$1,292,417, \$3,217,506 and \$1,373,888 respectively. These were partially offset by net realized gain on sale of investment of \$461,941.

Over the past six months, the Fund's Class A units declined 3.73%. 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 S&P/TSX Composite Index gained 0.42% in the first six months of 2018. The strongest sectors were Information Technology, Industrials and Energy which gained 22.00%, 5.80% and 2.80% respectively. The weakest sectors were Utilities, Telecom Services and Financials which recorded negative returns of 8.50%, 7.20% and 3.30% respectively. These relative returns reflected the late stage economic cycle environment in which cycle stocks tend to outperform interest sensitive sectors.

Given the nature of the Fund's investment guidelines and objectives the portfolio has a tendency to own interest sensitive companies and sectors. The two largest sectors in the portfolio during the period were Financials and Utilities which totaled 48.22% of the Fund as at June 30, 2018. These relatively large positions contributed to the Fund's underperformance of the market during the period.

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

While global GDP remains relatively robust, the nagging uncertainty of trade negotiations is having a damping impact on the prospect of future growth in the emerging economies and most importantly China. Any change in China's economy will have a direct impact on commodity pricing due to their relatively large portion of global demand. Raising interest rates by the US Federal Reserve is another important factor in gauging the growth prospects for the global economy. The US Federal Reserve's gradualist approach to increasing interest rates is expected to extend the duration of this economic cycle.

#### ***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*

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, \$242,855 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 \$72,415.

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 \$36,072 in expenses of the Fund.

# MARQUEST MONTHLY PAY 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>						
	2018*	2017	2016	2015	2014	2013
Net assets, beginning of the year <sup>(2)</sup>	2.15	2.41	3.31	4.61	5.43	5.63
<b>Increase (decrease) from operations:</b>						
Total revenue	0.03	0.05	0.06	0.12	0.20	0.25
Total expenses (excluding distributions)	(0.04)	(0.09)	(0.11)	(0.14)	(0.18)	(0.18)
Realized gains (losses) for the year	0.04	0.23	0.17	0.27	(0.13)	0.20
Unrealized gains (losses) for the year	(0.12)	(0.24)	(0.15)	(0.63)	0.15	0.44
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.09)</b>	<b>(0.05)</b>	<b>(0.03)</b>	<b>(0.38)</b>	<b>0.04</b>	<b>0.71</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.12)	-	-	-	-	(0.03)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	(0.03)
Return of capital	-	(0.24)	(0.90)	(0.90)	(0.90)	(0.84)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.24)</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>1.95</b>	<b>2.15</b>	<b>2.41</b>	<b>3.31</b>	<b>4.61</b>	<b>5.43</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, 2018.

\*\*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, 2018

## Financial Highlights (continued)

Marquest Monthly Pay Fund (Class F)**						
Net Assets per Unit (\$) <sup>(1)</sup>						
	2018*	2017	2016	2015	2014	2013
Net assets, beginning of the year <sup>(2)</sup>	3.13	3.35	4.18	5.50	6.24	6.25
<b>Increase (decrease) from operations:</b>						
Total revenue	0.05	0.08	0.08	0.14	0.23	0.28
Total expenses (excluding distributions)	(0.04)	(0.07)	(0.09)	(0.11)	(0.12)	(0.12)
Realized gains (losses) for the year	0.05	0.31	0.29	0.28	(0.15)	0.23
Unrealized gains (losses) for the year	(0.17)	(0.35)	(0.26)	(0.70)	0.17	0.44
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.11)</b>	<b>(0.03)</b>	<b>0.02</b>	<b>(0.39)</b>	<b>0.13</b>	<b>0.83</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	(0.12)	-	-	-	-	(0.08)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	(0.24)	(0.90)	(0.90)	(0.90)	(0.82)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.24)</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>2.91</b>	<b>3.13</b>	<b>3.35</b>	<b>4.18</b>	<b>5.50</b>	<b>6.24</b>

Notes:

<sup>(1)</sup> This information is derived from the Fund's audited annual and unaudited interim financial statements 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, 2018.

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

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>						
<b>Class 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>	\$ 19,829	\$ 25,085	\$ 45,038	\$ 123,660	\$ 189,240	\$ 197,361
Number of units outstanding <sup>(1)</sup>	10,161,938	11,645,862	18,654,529	37,311,038	41,087,920	36,314,171
Management expense ratio <sup>(2)</sup>	3.84%	3.30%	3.40%	3.30%	3.31%	3.29%
Management expense ratio before waivers or absorption <sup>(5)</sup>	4.17%	3.59%	3.43%	3.30%	3.31%	3.43%
Trading expense ratio <sup>(3)</sup>	0.32%	0.69%	0.56%	0.21%	0.13%	-
Portfolio turnover rate <sup>(4)</sup>	80.81%	196.39%	269.77%	86.80%	45.30%	24.50%
Net asset value per unit <sup>(1)</sup>	\$ 1.95	\$ 2.15	\$ 2.41	\$ 3.31	\$ 4.61	\$ 5.43
<b>Class 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>	\$ 337	\$ 539	\$ 972	\$ 1,665	\$ 4,694	\$ 7,521
Number of units outstanding <sup>(1)</sup>	116,108	172,499	290,384	397,829	853,220	1,204,643
Management expense ratio <sup>(2)</sup>	2.42%	1.91%	2.07%	1.96%	1.95%	1.93%
Management expense ratio before waivers or absorption <sup>(5)</sup>	2.63%	2.08%	2.08%	1.96%	1.95%	2.02%
Trading expense ratio <sup>(3)</sup>	0.32%	0.69%	0.56%	0.21%	0.13%	-
Portfolio turnover rate <sup>(4)</sup>	80.81%	196.39%	269.77%	86.80%	45.30%	24.50%
Net asset value per unit <sup>(1)</sup>	\$ 2.91	\$ 3.13	\$ 3.35	\$ 4.18	\$ 5.50	\$ 6.24

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.

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

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

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## 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%	40.90%	59.10%
Class F Units	0.75%	0.00%	100.00%

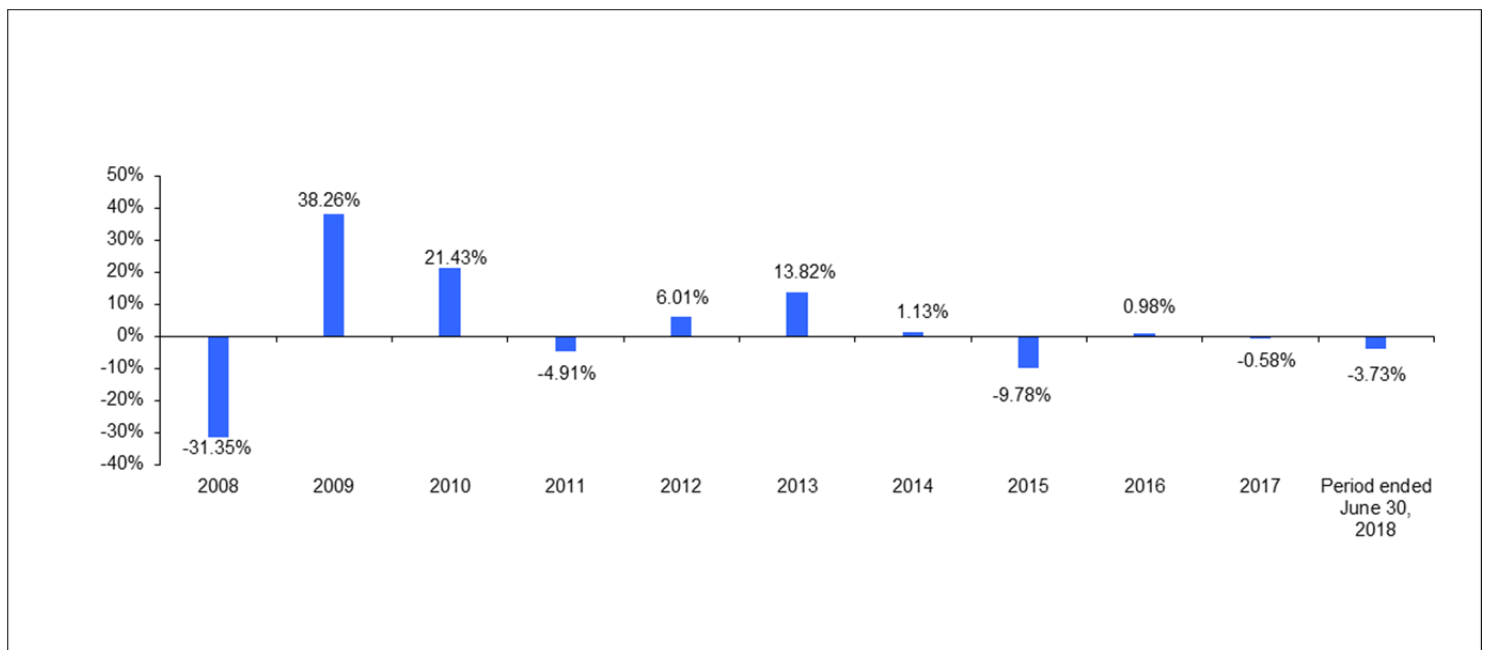
## Past Performance

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 shows the Fund's annual Class A and Class 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 June 24, 2003.

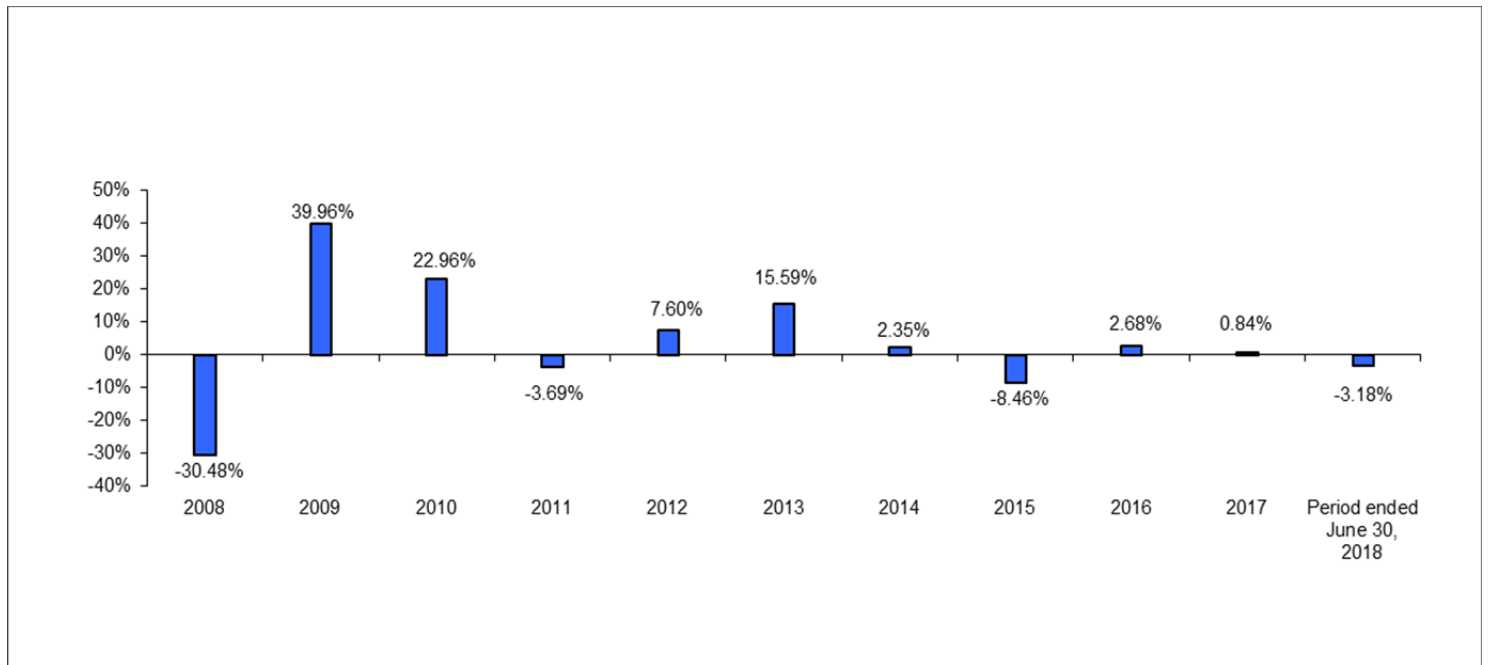


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## Past Performance (continued)

### Class F



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

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

Total Net Asset Value: \$ 20,166,720

### Portfolio Allocation

	% of Fund's Net Asset Value
Financials	30.13%
Utilities	18.09%
Industrials	11.03%
Cash	9.44%
Consumer Discretionary	9.08%
Energy	7.05%
Real Estate	5.23%
Healthcare	3.38%
Telecommunication Services	3.12%
Net Other Assets (Liabilities)	2.88%
Fixed Income	0.57%
	<hr/>
	100.00%

### Top 25 Holdings

	% of Fund's Net Asset Value
1 Cash	9.44%
2 Brookfield Asset Management Inc.	4.65%
3 Brookfield Infrastructure Partners LP	4.33%
4 Sun Life Financial Inc.	3.69%
5 Vermilion Energy Inc.	3.67%
6 Genworth MI Canada Inc.	3.56%
7 Northland Power Inc.	3.48%
8 Yangarra Resources Ltd.	3.38%
9 Medical Facilities Corp.	3.37%
10 SNC-Lavalin Group Inc.	3.37%
11 EnerCare Inc.	3.35%
12 Brookfield Renewable Partners LP	3.31%
13 Canadian Imperial Bank of Commerce	3.29%
14 Royal Bank of Canada	3.25%
15 Spin Master Corp.	3.22%
16 Manulife Financial Corp.	3.16%
17 BCE Inc.	3.12%
18 Bank of Montreal	3.02%
19 The Toronto-Dominion Bank	3.02%
20 Exchange Income Corp.	3.02%
21 Algonquin Power & Utilities Corp.	2.71%
22 Crius Energy Trust	2.65%
23 Invesque Inc.	2.62%
24 StorageVault Canada Inc.	2.61%
25 Park Lawn Corp.	2.50%
	<hr/>
	87.79%

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).

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