

**MARQUEST MUTUAL FUNDS, INC.**  
FLEX DIVIDEND AND INCOME  
GROWTH™ SERIES FUND

INTERIM MANAGEMENT REPORT OF  
FUND PERFORMANCE

Period ended June 30, 2019

**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

---

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019**

---

**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 MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

---

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019

---

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Marquest Mutual Funds Inc. Flex Dividend and Income Growth™ Series 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 27<sup>th</sup> Floor, 161 Bay Street, 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, 2019 the Fund’s total NAV was \$5,846,479, an increase of 4.38% since the prior year end (December 2018: \$5,601,300). The change is due to net unrealized appreciation on investments of \$544,511 partially offset by net redemptions of \$313,228.

During the first six months of 2019, the Fund’s Series A/Regular shares returned 9.82%. This compared to the return for the S&P/TSX Equity Income Index of 12.68% and the S&P/TSX Composite Index of 14.38%. 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 portfolio’s relatively large weighting in the utility sector provided a major boost to results during the period. The energy sector’s weak performance on the other hand dragged down performance for the period. As at June 30, 2019 the sector weightings of the portfolio were 13.92% energy, 11.78% consumer discretionary & staples, 23.89% utilities, 10.53% industrials, 2.60% financials, 3.09% health-care, 11.13% real estate and 2.97% cash. The Fund maintained a relatively high dividend yield during the first six months of 2019. At mid-year, the dividend yield of the invested portion of the portfolio was 4.59%. We continue to proactively shift between sectors in the portfolio as we take profits in areas of strength and redeploy into areas and stocks that are oversold.

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

The equity markets rallied strongly from the deeply oversold conditions of late December 2018 as concerns of an economic slowdown subsided. Interest rates also added fuel to the equity rally as rates across the yield curve declined and the yield curve flattened. During the first six months of the year, US 10-year yields declined 66 bp to 2.01% while one-month Treasury bills declined 32 bp to 2.18%. The best performing groups in the first half of the year were information technology, health care and industrials.

With concerns regarding economic growth waning interest rates are likely to once again to be trending higher which at a minimum should stall the equity rally. Given the potential for a reversal in yields together with a further improvement in economic growth expectations the cycle sectors would likely be the most favoured areas of the equity market in the next stage of the market cycle. Investors will have to reassess their positions, which will likely cause a shift in relative performance in favour of the cyclical sectors.

#### ***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 Manager may terminate the Management Agreement on 60 days’ notice 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 unitholders. Management fees are paid by the Fund as set out under “Management Fees” below.

During the period, \$52,431 in management fees (including HST) was paid to the Manager.

**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019**

**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 Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series A-Regular)**						
Net Assets per Share (\$) <sup>(1)</sup>						
	2019*	2018	2017	2016	2015	2014
Net assets, beginning of the year <sup>(2)</sup>	11.97	14.34	14.31	13.80	13.85	14.08
<b>Increase (decrease) from operations:</b>						
Total revenue	0.30	0.52	0.49	0.43	0.35	0.41
Total expenses (excluding distributions)	(0.29)	(0.60)	(0.47)	(0.60)	(1.02)	(1.00)
Realized gains (losses) for the year	0.05	(1.68)	0.87	0.50	0.17	1.80
Unrealized gains (losses) for the year	1.15	(0.45)	(0.96)	0.20	0.32	(1.41)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>1.21</b>	<b>(2.21)</b>	<b>(0.07)</b>	<b>0.53</b>	<b>(0.18)</b>	<b>(0.20)</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>13.15</b>	<b>11.97</b>	<b>14.34</b>	<b>14.31</b>	<b>13.80</b>	<b>13.85</b>

Notes:

<sup>(1)</sup> 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.

<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, 2019.

\*\*Series A shares were first issued on May 19, 2009.

**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019**

*Financial Highlights (continued)*

Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series F)**						
Net Assets per Share (\$) <sup>(1)</sup>						
	2019*	2018	2017	2016	2015	2014
Net assets, beginning of the year <sup>(2)</sup>	11.67	13.81	13.63	13.00	12.83	12.89
<b>Increase (decrease) from operations:</b>						
Total revenue	0.29	0.50	0.49	0.39	0.30	0.38
Total expenses (excluding distributions)	(0.21)	(0.42)	(0.28)	(0.41)	(0.76)	(0.77)
Realized gains (losses) for the year	-	(1.59)	0.66	0.53	0.08	1.60
Unrealized gains (losses) for the year	1.14	(0.57)	(0.57)	0.01	0.57	(1.39)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>1.22</b>	<b>(2.08)</b>	<b>0.30</b>	<b>0.52</b>	<b>0.19</b>	<b>(0.18)</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>12.88</b>	<b>11.67</b>	<b>13.81</b>	<b>13.63</b>	<b>13.00</b>	<b>12.83</b>

Notes:

<sup>(1)</sup> 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.

<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, 2019.

\*\*Series F shares were first issued on November 13, 2009.

**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019**

*Financial Highlights (continued)*

Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series I)**						
Net Assets per Share (\$) <sup>(1)</sup>						
	2019*	2018	2017	2016	2015	2014
Net assets, beginning of the year <sup>(2)</sup>	14.30	16.93	16.71	15.92	15.59	15.49
<b>Increase (decrease) from operations:</b>						
Total revenue	0.36	0.63	0.59	0.47	0.37	0.46
Total expenses (excluding distributions)	(0.26)	(0.51)	(0.35)	(0.46)	(0.86)	(0.75)
Realized gains (losses) for the year	0.02	(2.00)	0.92	0.54	0.11	1.98
Unrealized gains (losses) for the year	1.37	(0.75)	(0.94)	0.25	0.71	(1.59)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>1.49</b>	<b>(2.63)</b>	<b>0.22</b>	<b>0.80</b>	<b>0.33</b>	<b>0.10</b>
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at December 31<sup>st</sup> of year shown</b>	<b>15.79</b>	<b>14.30</b>	<b>16.93</b>	<b>16.71</b>	<b>15.92</b>	<b>15.59</b>

Notes:

<sup>(1)</sup> 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.

<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, 2019.

\*\*Series I share were first issued on October 28, 2008.

**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019**

**Financial Highlights (continued)**

<b>Ratios and Supplemental Data</b>						
<b>Series A-Regular**</b>	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 3,494	\$ 3,419	\$ 5,713	\$ 9,118	\$ 7,374	\$ 7,200
Number of shares outstanding <sup>(1)</sup>	265,761	285,604	398,436	637,044	534,273	519,896
Management expense ratio <sup>(2)</sup>	3.93%	3.83%	3.05%	3.57%	6.51%	6.30%
Management expense ratio before waivers or absorption <sup>(5)</sup>	3.93%	3.83%	3.05%	3.57%	6.51%	6.30%
Trading expense ratio <sup>(3)</sup>	0.57%	0.42%	0.23%	0.68%	0.21%	0.56%
Portfolio turnover rate <sup>(4)</sup>	117.70%	202.11%	72.03%	225.16%	167.18%	163.24%
Net asset value per share <sup>(1)</sup>	\$13.15	\$11.97	\$14.34	\$14.31	\$ 13.80	\$13.85
<b>Series F***</b>	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 2,273	\$ 2,111	\$ 3,337	\$ 2,461	\$ 2,380	\$ 2,371
Number of shares outstanding <sup>(1)</sup>	176,463	180,928	241,576	180,507	183,172	184,864
Management expense ratio <sup>(2)</sup>	2.80%	2.71%	1.87%	2.54%	5.16%	5.19%
Management expense ratio before waivers or absorption <sup>(5)</sup>	2.80%	2.71%	1.87%	2.54%	5.16%	5.19%
Trading expense ratio <sup>(3)</sup>	0.57%	0.42%	0.23%	0.68%	0.21%	0.56%
Portfolio turnover rate <sup>(4)</sup>	117.70%	202.11%	72.03%	225.16%	167.18%	163.24%
Net asset value per share <sup>(1)</sup>	\$12.88	\$11.67	\$13.81	\$13.63	\$ 13.00	\$12.83
<b>Series I****</b>	<b>2019*</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (000's) <sup>(1)</sup>	\$ 79	\$ 71	\$ 85	\$ 84	\$ 80	\$ 78
Number of shares outstanding <sup>(1)</sup>	5,000	5,000	5,000	5,000	5,000	5,000
Management expense ratio <sup>(2)</sup>	2.80%	2.72%	1.89%	2.37%	4.79%	4.06%
Management expense ratio before waivers or absorption <sup>(5)</sup>	2.80%	2.72%	1.89%	2.37%	4.79%	4.06%
Trading expense ratio <sup>(3)</sup>	0.57%	0.42%	0.23%	0.68%	0.21%	0.56%
Portfolio turnover rate <sup>(4)</sup>	117.70%	202.11%	72.03%	225.16%	167.18%	163.24%
Net asset value per share <sup>(1)</sup>	\$15.79	\$14.30	\$16.93	\$16.71	\$ 15.92	\$15.59

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, 2019.

\*\*Series A shares were first issued on May 19, 2009.

\*\*\*Series F shares were first issued on November 13, 2009.

\*\*\*\*Series I shares were first issued on October 28, 2008.

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019

## 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 /Regular Shares	2.00%	43.78%	56.22%
Series F Shares	1.00%	100.00%	0.00%
Series I Shares	Negotiated	0.00%	100.00%

The Fund will incur a performance fee equal to 20% x (Series % gain *minus* Benchmark % gain) x (Series Average NAV). The benchmark is 5% 60 day Canadian treasury bill rate, 10% BMO Nesbitt Burns Preferred Share index, 10% S&P TSX Utilities Index, 15% S&P TSX Income Trust Index, 20% S&P TSX Capped Financials Index and 40% S&P TSX 60 Index. See Simplified Prospectus for details. No performance fees were paid during the period ended June 30, 2019.

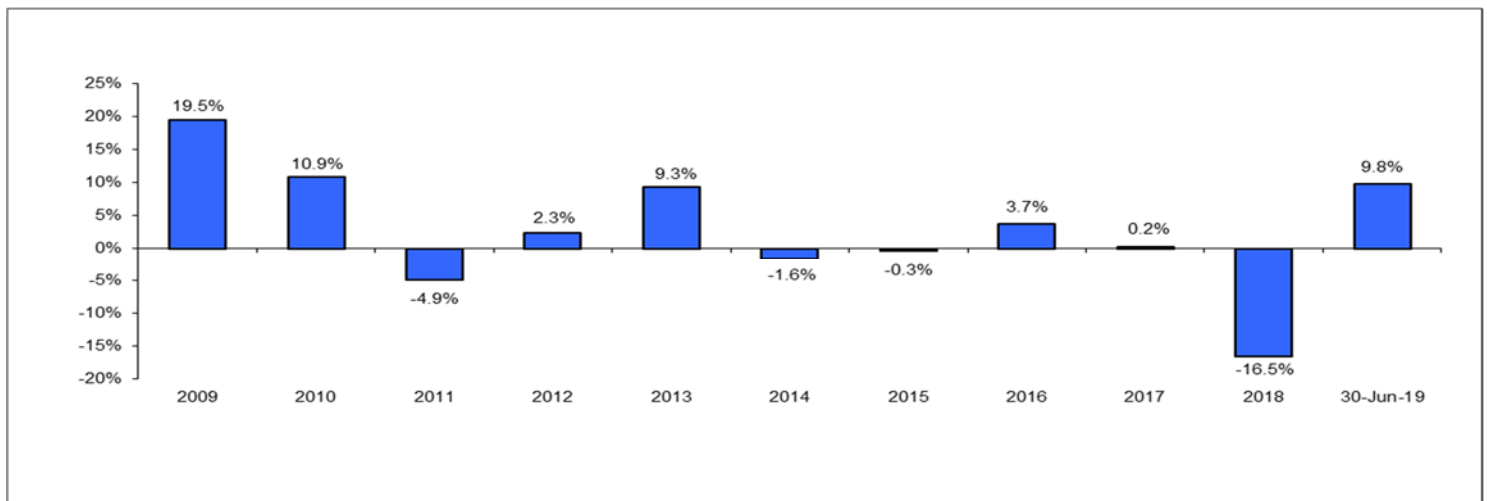
## Past Performance

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 units 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, Series F and Series I units 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 Regular



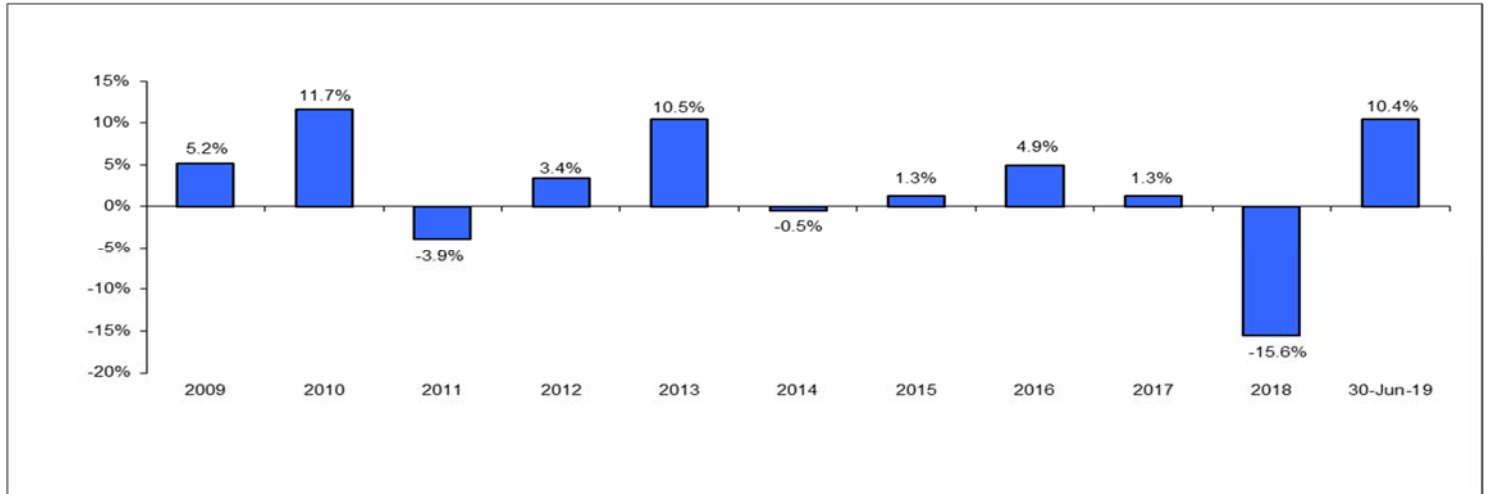


# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

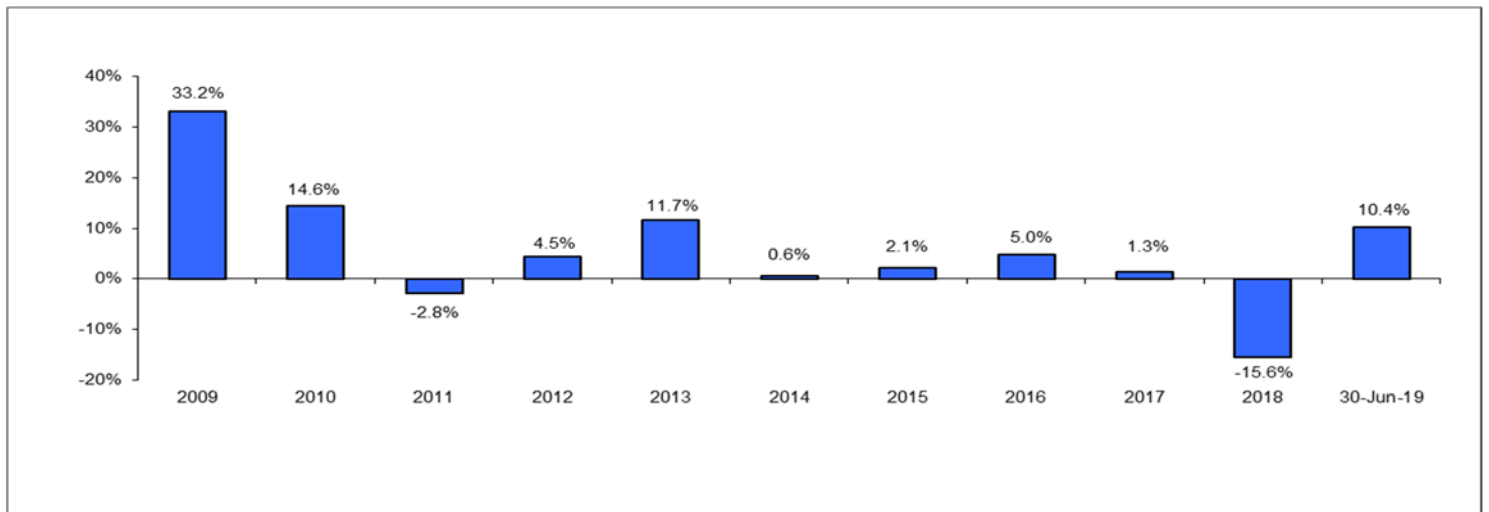
INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Period Ended June 30, 2019

## Past Performance (continued)

### Series F



### Series I



**MARQUEST MUTUAL FUNDS INC. -  
FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND**

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Period June 30, 2019

**Summary of Investment portfolio as at June 30, 2019**

**Total Net Asset Value:** **\$ 5,846,479**

**Portfolio Allocation**

	<b>% of Fund's Net Asset Value</b>
Utilities	23.89%
Net Other Assets (Liabilities)	14.84%
Energy	13.92%
Real Estate	11.13%
Industrials	10.53%
Consumer Discretionary	6.60%
Consumer Staples	5.18%
Healthcare	3.09%
Cash	2.97%
Communication Services	2.67%
Financials	2.60%
Materials	2.58%
	100.00%

**Top 25 Holdings**

	<b>% of Fund's Net Asset Value</b>
1 Thomson Reuters Corp.	3.92%
2 Park Lawn Corp.	3.91%
3 Emera Inc.	3.56%
4 AltaGas Ltd.	3.42%
5 Pembina Pipeline Corp.	3.12%
6 Brookfield Infrastructure Partners LP	3.10%
7 Extencicare Inc.	3.09%
8 TC Energy Corp.	3.00%
9 Cash	2.97%
10 Dream Global Real Estate Investment Trust	2.95%
11 Crombie Real Estate Investment Trust	2.93%
12 H&R Real Estate Investment Trust	2.90%
13 Capital Power Corp.	2.88%
14 Parkland Fuel Corp.	2.86%
15 Algonquin Power & Utilities Corp.	2.85%
16 Aecon Group Inc.	2.84%
17 Superior Plus Corp.	2.79%
18 Northland Power Inc.	2.74%
19 Boston Pizza Royalties Income Fund	2.69%
20 BCE Inc.	2.67%
21 High Liner Foods Inc.	2.62%
22 Alaris Royalty Corp.	2.60%
23 Gibson Energy Inc.	2.60%
24 North American Palladium Ltd.	2.58%
25 Canadian Utilities Ltd.	2.56%
	74.15%

*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, 2019. 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](http://www.marquest.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).*

**TORONTO**

161 Bay Street  
27th Floor  
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

[WWW.MARQUEST.CA](http://WWW.MARQUEST.CA)