

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

ANNUAL MANAGEMENT
REPORT OF FUND PERFORMANCE
Year ended December 31, 2020

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

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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. 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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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc. Flex Dividend and Income Growth™ Series Fund (the “Fund”). You can get a copy of the annual financial statements at your request, and at no cost, from the manager Marquest Asset Management Inc. (the “Manager”) by calling toll-free 1-877-777-1541, by writing to us at 27th Floor, 161 Bay Street, 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

Investment Objectives and Strategies

Investment Objectives

The fundamental investment objective is to seek long-term capital appreciation by investing primarily in large-cap, and secondarily in small- and mid-cap, high yield securities. It is expected that 75% of the Fund’s portfolio will be invested in a combination of dividend-paying and income bearing investments.

Investment Strategies

The primary method of selection for securities applies the value approach to high yield investments. This involves some and/or all of the following:

- Selecting organizations that offer superior long-term earnings and cash flow per share growth.
- Selecting organizations that have a consistently proven strong position in the market, quality management and balance sheet strength.
- Actively managing asset mix allocations between equity, fixed income and cash.
- Overweight favoured sectors and individual securities and reduce or eliminate unfavourable investment exposure.
- Choose to focus on areas of best probability through fluid and active asset allocation as well as focused industry and security selection.

Risks

There are risks associated with investing in the Fund. There have been no changes to the Fund which affected the risks associated with investing in the Fund during the year. Specific risk information can be found in the Fund’s prospectus available through our website at www.marquest.ca or at SEDAR’s website www.sedar.com.

Results of Operations

As at December 31, 2020 the Fund’s total NAV was \$3,954,450, a decrease of 28.70% since the prior year end (December 2019: \$5,546,068). The change is due to net redemptions of \$767,633, net realized loss on sale of investment of \$534,195 and net change in unrealized depreciation on investments of \$232,066.

For the year ended December 31, 2020 the Fund’s Series A/Regular shares returned -14.5%. This compared to the return for the S&P/TSX Equity Income Index of -12.5% and the S&P/TSX Composite Index of 2.2%. The Fund’s return is after the deduction of fees and expenses, while the benchmarks and broad 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.

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Results of Operations (continued)

The portfolio's relatively large weightings in the energy, real estate and financial sectors contributed to the weak performance results during 2020. All these sectors underperformed the overall market with negative returns due to the effects of the COVID-19 pandemic. The utility sector outperformed the S&P/TSX Composite Index with a 10.64% during the period. As at December 31, 2020, the sector weightings of the portfolio were 15.46% real estate, 12.12% utilities, 9.70% energy, 9.30% financials, 8.80% consumer discretionary, 6.80% industrials, 2.35% mutual funds, 2.29% Communication services and 33.18% short term securities. The Fund maintained a relatively high dividend yield during the year. At yearend, the dividend yield of the invested portion of the portfolio was 5.76%.

Recent Developments

The impact of the COVID-19 pandemic caused a significant decline in the global economy as governments mandated closing down the economy to combat the spread of infection. While all areas of the economy were impacted, the energy and consumer sectors were particularly hard hit. All governments around the world enacted unprecedented monetary and fiscal policy measures in order to counter act the effect of the mandated closure of the economy. These stimulate policies caused interest rates to decline significantly and government deficits to increase to record levels. The equity markets rallied from the lows in March in response to the massive liquidity injections by governments around the world. It is clear however, that the full recovery of the economy will take considerable time due to the scale of disruption to the inter-connected global economy.

In the second half of the year there were signs that the economy was recovering, however, the improvement was not evenly distributed across the economy. Due in major part to low interest rates consumers and corporations redirected their spending towards the capital goods sectors such as cars, housing and capital expenditures as well as technology. The consumer staple sectors, however, suffered as the COVID restrictions took their toll. We expect the global economy will continue its recovery in 2021 due to the amount of monetary and fiscal ease. The distribution rate of vaccines will, however, dictate the pace of the recovery.

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 year, \$75,924 in management fees (including HST) was paid to the Manager.

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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. The information is derived from the Fund's audited annual financial statements.

Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series A-Regular)*						
Net Assets per Share (\$) ⁽¹⁾						
	2020	2019	2018	2017	2016	2015
Net assets, beginning of the year ⁽²⁾	13.43	11.97	14.34	14.31	13.80	13.85
Increase (decrease) from operations:						
Total revenue	0.44	0.57	0.52	0.49	0.43	0.35
Total expenses (excluding distributions)	(0.65)	(0.62)	(0.60)	(0.47)	(0.60)	(1.02)
Realized gains (losses) for the year	(1.44)	0.26	(1.68)	0.87	0.50	0.17
Unrealized gains (losses) for the year	(0.50)	1.31	(0.45)	(0.96)	0.20	0.32
Total increase (decrease) from operations ⁽²⁾	(2.15)	1.52	(2.21)	(0.07)	0.53	(0.18)
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-	-
Net assets at December 31st of year shown	11.48	13.43	11.97	14.34	14.31	13.80

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual 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.

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

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Financial Highlights (continued)

Marquest Mutual Funds Inc. - Flex Dividend and Income Growth Series Fund (Series F)*						
Net Assets per Share (\$) ⁽¹⁾						
	2020	2019	2018	2017	2016	2015
Net assets, beginning of the year ⁽²⁾	13.23	11.67	13.81	13.63	13.00	12.83
Increase (decrease) from operations:						
Total revenue	0.44	0.56	0.50	0.49	0.39	0.30
Total expenses (excluding distributions)	(0.51)	(0.45)	(0.42)	(0.28)	(0.41)	(0.76)
Realized gains (losses) for the year	(1.39)	0.26	(1.59)	0.66	0.53	0.08
Unrealized gains (losses) for the year	(0.77)	1.20	(0.57)	(0.57)	0.01	0.57
Total increase (decrease) from operations ⁽²⁾	(2.23)	1.57	(2.08)	0.30	0.52	0.19
Distributions:						
From net investment income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-	-
Net assets at December 31st of year shown	11.44	13.23	11.67	13.81	13.63	13.00

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual 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.

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

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Financial Highlights (continued)

Ratios and Supplemental Data						
Series A-Regular*	2020	2019	2018	2017	2016	2015
Total net asset value (000's) ⁽¹⁾	\$ 2,473	\$ 3,303	\$ 3,419	\$ 5,713	\$ 9,118	\$ 7,374
Number of shares outstanding ⁽¹⁾	215,454	245,971	285,604	398,436	637,044	534,273
Management expense ratio ⁽²⁾	5.69%	4.11%	3.83%	3.05%	3.57%	6.51%
Management expense ratio before waivers or absorption ⁽⁵⁾	5.69%	4.11%	3.83%	3.05%	3.57%	6.51%
Trading expense ratio ⁽³⁾	0.06%	0.47%	0.42%	0.23%	0.68%	0.21%
Portfolio turnover rate ⁽⁴⁾	34.79%	181.19%	202.11%	72.03%	225.16%	167.18%
Net asset value per share ⁽¹⁾	\$11.48	\$13.43	\$11.97	\$14.34	\$ 14.31	\$13.80
Series F**	2020	2019	2018	2017	2016	2015
Total net asset value (000's) ⁽¹⁾	\$ 1,482	\$ 2,162	\$ 2,111	\$ 3,337	\$ 2,461	\$ 2,380
Number of shares outstanding ⁽¹⁾	129,501	163,397	180,928	241,576	180,507	183,172
Management expense ratio ⁽²⁾	4.53%	2.99%	2.71%	1.87%	2.54%	5.16%
Management expense ratio before waivers or absorption ⁽⁵⁾	4.53%	2.99%	2.71%	1.87%	2.54%	5.16%
Trading expense ratio ⁽³⁾	0.06%	0.47%	0.42%	0.23%	0.68%	0.21%
Portfolio turnover rate ⁽⁴⁾	34.79%	181.19%	202.11%	72.03%	225.16%	167.18%
Net asset value per share ⁽¹⁾	\$11.44	\$13.23	\$11.67	\$13.81	\$ 13.63	\$13.00

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.

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

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

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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%	43.58%	56.42%
Series F Shares	1.00%	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 year ended December 31, 2020.

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

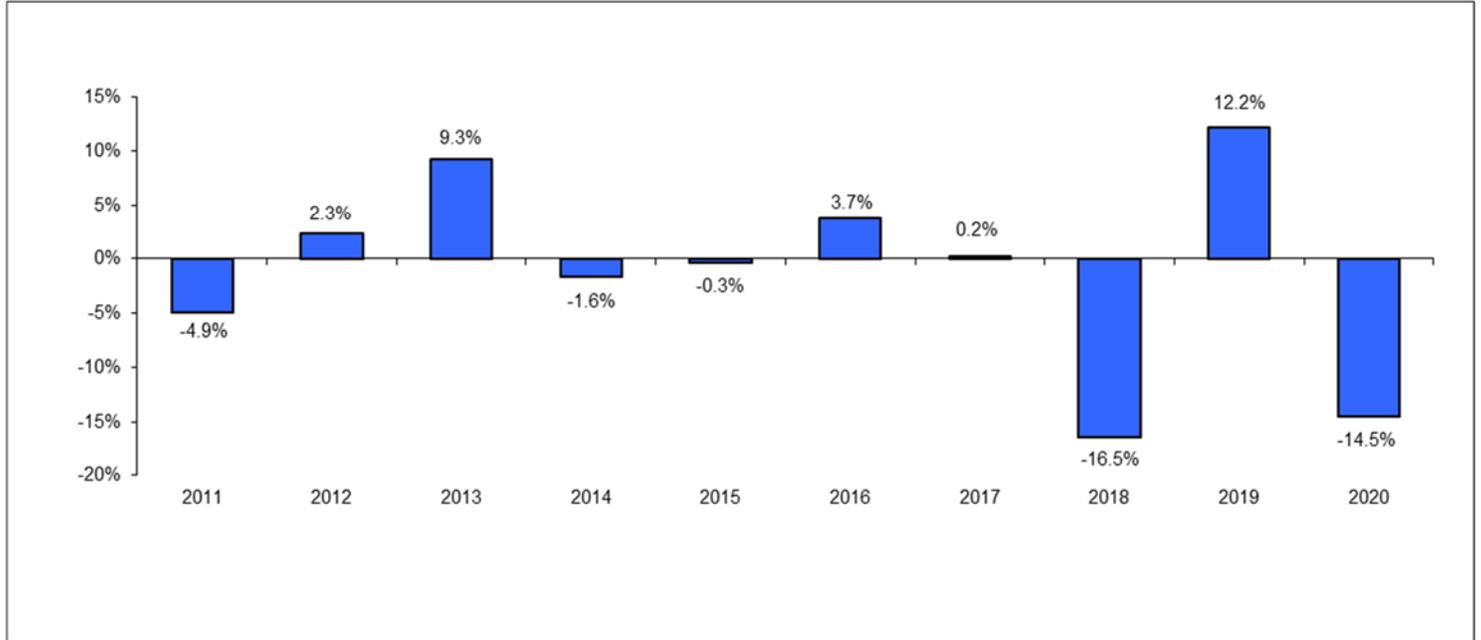
The following bar charts show the Fund's annual Series A, Series F and Series I units performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

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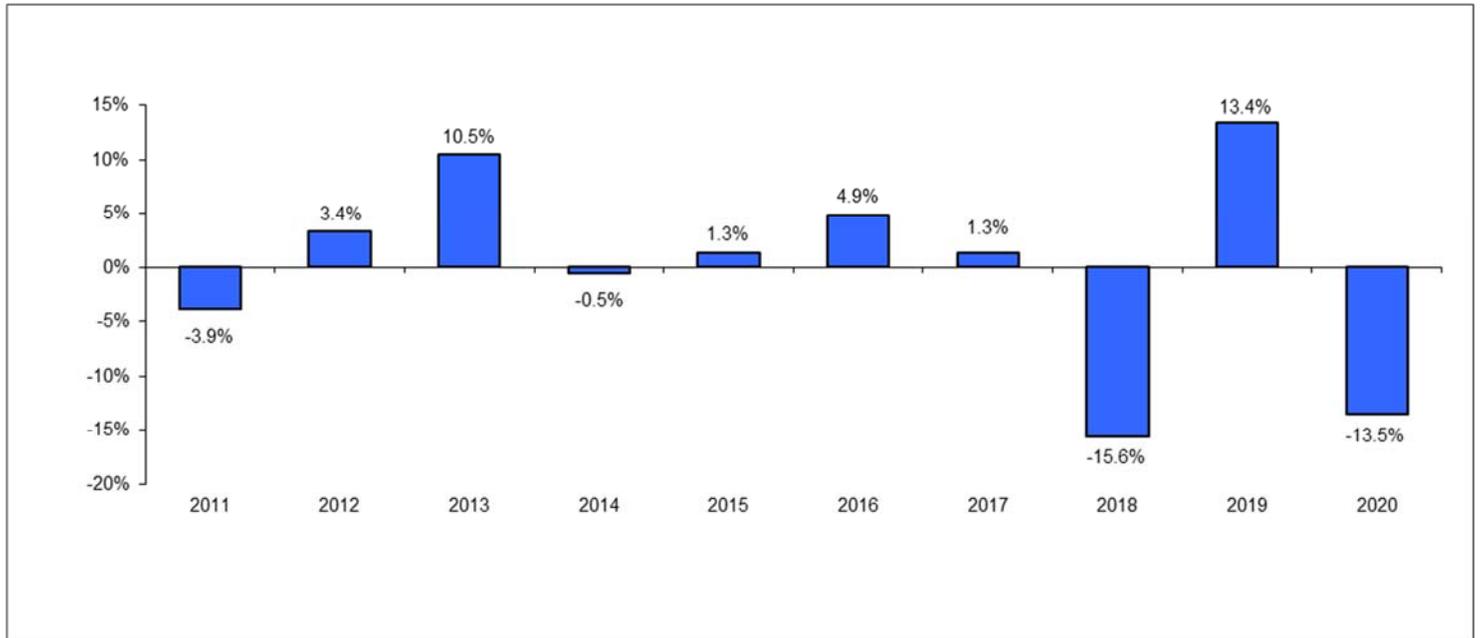
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Past Performance (continued)

Series Regular



Series F



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Annual Compound Returns

The table below compares the annual compounded return of the Series A Regular, Series F and Series I shares of the Fund against the S&P/TSX Composite TR and a blended index which is comprised: 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. The S&P/TSX Composite TR is a market capitalization weighted, total return index comprising of stocks within the S&P/TSX Completion Index. It is calculated in Canadian dollars and is comprised of stock (equity) prices of small and mid-sized capitalized companies. It encompasses a broad spectrum of economic sectors and is a benchmark that is designed to measure equity market performance in Canadian markets. For performance purposes, the indices assume the reinvestment of all dividends.

As the indices is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year, please see the "Results of Operations – Investment Portfolio" section of the MRFP.

	1 Year %	3 Years %	5 Years %	10 Years %
Series A-Regular	-14.5%	-7.2%	-3.6%	-1.4%
S&P/TSX Composite TR	5.6%	18.2%	56.1%	74.9%
Blended index	5.6%	20.4%	70.5%	63.5%
Series F	-13.5%	-6.1%	-2.5%	-0.3%
S&P/TSX Composite TR	5.6%	18.2%	56.1%	74.9%
Blended index	5.6%	20.4%	70.5%	63.5%

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Summary of Investment portfolio as at December 31, 2020

Total Net Asset Value: **\$ 3,954,450**

Portfolio Allocation

	% of Fund's Net Asset Value
Real Estate	15.46%
Cash	14.40%
Utilities	12.12%
Energy	9.70%
Financials	9.30%
Consumer Discretionary	8.80%
Industrials	6.80%
Mutual Funds	2.35%
Communication Services	2.29%
Net Other Assets (Liabilities)	18.78%
	100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
1 Cash	14.40%
2 Park Lawn Corp.	5.61%
3 AltaGas Ltd.	4.77%
4 Brookfield Renewable Partners LP	4.17%
5 Crombie Real Estate Investment Trust	4.12%
6 Parkland Fuel Corp.	4.11%
7 Colliers International Group Inc.	3.90%
8 Thomson Reuters Corp.	3.58%
9 Bank of Nova Scotia	3.40%
10 Transcontinental Inc., Class A	3.22%
11 Exco Technologies Ltd.	3.18%
12 Canadian Utilities Ltd.	3.18%
13 Alaris Equity Partners Income	3.08%
14 Pembina Pipeline Corp.	2.85%
15 Brookfield Renewable Corp.	2.81%
16 Enbridge Inc.	2.74%
17 Brookfield Property Partners LP	2.59%
18 H&R Real Estate Investment Trust	2.50%
19 Brookfield Global Infrastructure Securities Income Fund	2.36%
20 American Hotel Income Properties REIT LP	2.34%
21 BCE Inc.	2.29%
	81.20%

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 December 31, 2020. 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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