

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

ANNUAL MANAGEMENT
REPORT OF FUND PERFORMANCE
Year ended December 31, 2021

**MARQUEST MUTUAL FUNDS INC. -
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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 (“MRFP”) 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 161 Bay Street, Suite 4010, 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, 2021 the Fund’s total NAV was \$3,456,091, a decrease of 12.60% since the prior year end (December 2020: \$3,954,450). The change is due to net redemption of \$912,623, management fees of \$73,512, operating fees of \$82,688 and audit fees of \$28,878. These were partially offset by net realized gain on sale of investments of \$213,773, net change in unrealized appreciation on investments of \$327,236 and dividends of \$82,933.

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Results of Operations (continued)

For the twelve months period ending December 31, 2021, the Fund's Series A/Regular shares returned 8.8%. This compared to the return for the benchmark Blended Index of 22.2% and the S&P/TSX Composite Index TR of 25.1%. 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. Please refer to 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 Fund's underperformance was due to its underweighting in the energy sector, which significantly outperformed the overall market during 2021. As of December 31, 2021, the sector weightings of the portfolio were 12.0% energy, 7.0% consumer discretionary, 10.4% utilities, 21.7% financials, 9.7% real estate, 3.2% communication services, 3.0% mutual funds, 2.9% industrials and 8.6% short term securities. The Fund maintained a relatively high dividend yield during the period. At year-end, the dividend yield of the invested portion of the Fund was 4.5%.

Recent Developments

The global economic recovery is now almost two years old. The steep recovery path for the economy was due in major part to the massive fiscal and monetary stimulative initiatives undertaken by global governments and central banks, which released significant pent up demand that built while major sectors of the economy were shut down. As a result, manufacturing, wholesale and retail inventories have been depleted to historically low levels. The manufacturing sector is now under pressure to increase production to rebuild inventories and accommodate the recovery in demand. The normalizing of inventory to sales ratios has been hampered by the disruption of the supply chain caused by the mandated closure of major sectors of the economy. This combination of events has caused a severe shortage of raw materials essential to the manufacturing sector.

The current environment of strong economic demand with shortages of available products has manifested a significant upturn in inflation. The US CPI is at the highest level in forty years. Interest rates have also been on the rise, reflecting concerns about the inflation and the prospect of monetary authorities tightening monetary policy. Corporate earnings are expected to remain strong due to the combination of rising volumes and strong pricing. The stock market is now in transition from a valuation expansion phase to an earnings driven market. Stock selection will be more critical in the coming months as the equity market identifies the companies and sectors that will benefit most from the corporate earnings 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 is automatically renewed annually for one year terms, unless terminated by either party on at least 60 days prior notice. The Management Agreement may be terminated by either party if the other party is in material default of the performance of any of its duties under the Management Agreement and such default has not been remedied, or if the other party goes into liquidation, bankruptcy or ceases to hold appropriate regulatory approvals. The Manager may also be removed by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$73,512 (2020 - \$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⁾					
	2021	2020	2019	2018	2017
Net assets, beginning of the year ⁽²⁾	11.48	13.43	11.97	14.34	14.31
Increase (decrease) from operations:					
Total revenue	0.29	0.44	0.57	0.52	0.49
Total expenses (excluding distributions)	(0.74)	(0.65)	(0.62)	(0.60)	(0.47)
Realized gains (losses) for the year	0.70	(1.44)	0.26	(1.68)	0.87
Unrealized gains (losses) for the year	1.03	(0.50)	1.31	(0.45)	(0.96)
Total increase (decrease) from operations ⁽²⁾	1.28	(2.15)	1.52	(2.21)	(0.07)
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	12.71	11.48	13.43	11.97	14.34

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⁾					
	2021	2020	2019	2018	2017
Net assets, beginning of the year ⁽²⁾	11.44	13.23	11.67	13.81	13.63
Increase (decrease) from operations:					
Total revenue	0.29	0.44	0.56	0.50	0.49
Total expenses (excluding distributions)	(0.59)	(0.51)	(0.45)	(0.42)	(0.28)
Realized gains (losses) for the year	0.61	(1.39)	0.26	(1.59)	0.66
Unrealized gains (losses) for the year	1.02	(0.77)	1.20	(0.57)	(0.57)
Total increase (decrease) from operations ⁽²⁾	1.33	(2.23)	1.57	(2.08)	0.30
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	12.81	11.44	13.23	11.67	13.81

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*	2021	2020	2019	2018	2017
Total net asset value (000's) ⁽¹⁾	\$ 2,300	\$ 2,473	\$ 3,303	\$ 3,419	\$ 5,713
Number of shares outstanding ⁽¹⁾	180,979	215,454	245,971	285,604	398,436
Management expense ratio ⁽²⁾	5.96%	5.69%	4.11%	3.83%	3.05%
Management expense ratio before waivers or absorption ⁽⁵⁾	5.96%	5.69%	4.11%	3.83%	3.05%
Trading expense ratio ⁽³⁾	0.02%	0.06%	0.47%	0.42%	0.23%
Portfolio turnover rate ⁽⁴⁾	15.97%	34.79%	181.19%	202.11%	72.03%
Net asset value per share ⁽¹⁾	\$12.71	\$11.48	\$13.43	\$11.97	\$14.34
Series F**	2021	2020	2019	2018	2017
Total net asset value (000's) ⁽¹⁾	\$ 1,156	\$ 1,482	\$ 2,162	\$ 2,111	\$ 3,337
Number of shares outstanding ⁽¹⁾	90,288	129,501	163,397	180,928	241,576
Management expense ratio ⁽²⁾	4.76%	4.53%	2.99%	2.71%	1.87%
Management expense ratio before waivers or absorption ⁽⁵⁾	4.76%	4.53%	2.99%	2.71%	1.87%
Trading expense ratio ⁽³⁾	0.02%	0.06%	0.47%	0.42%	0.23%
Portfolio turnover rate ⁽⁴⁾	15.97%	34.79%	181.19%	202.11%	72.03%
Net asset value per share ⁽¹⁾	\$12.81	\$11.44	\$13.23	\$11.67	\$13.81

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%	43.01%	56.99%
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, 2021.

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

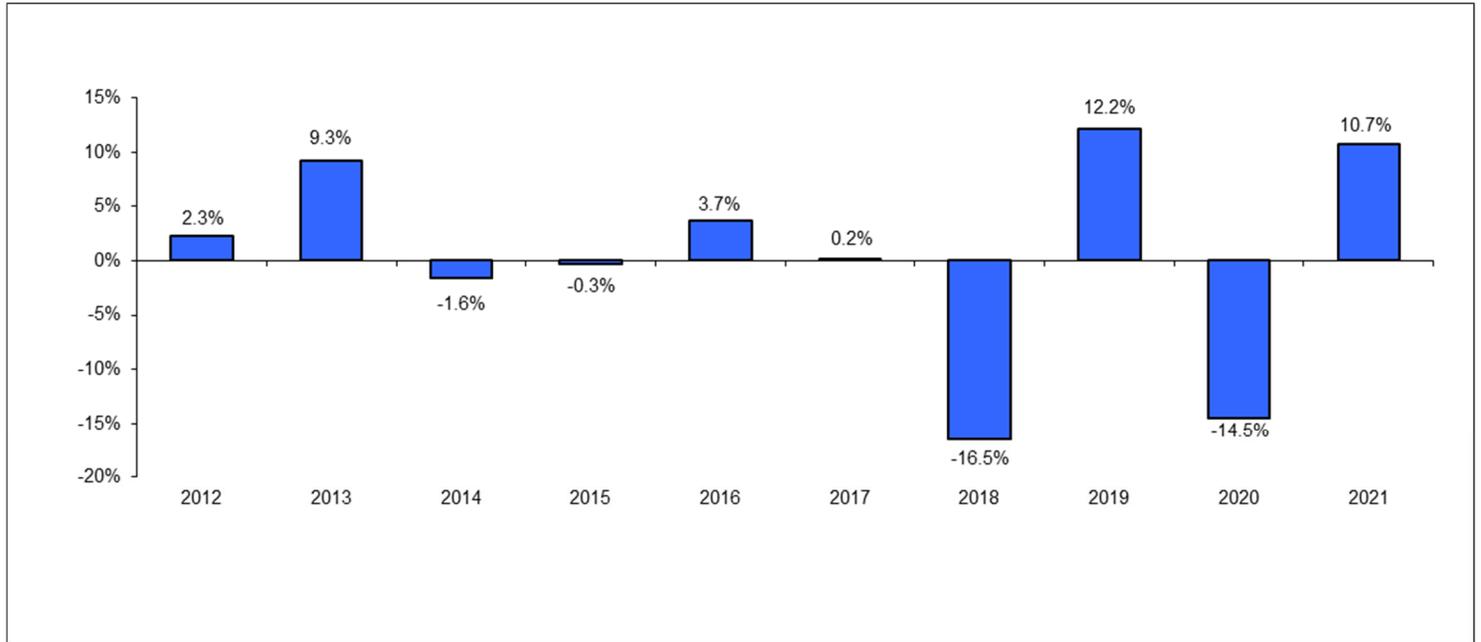
The following bar charts show the Fund's annual Series A Regular and Series F units performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial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

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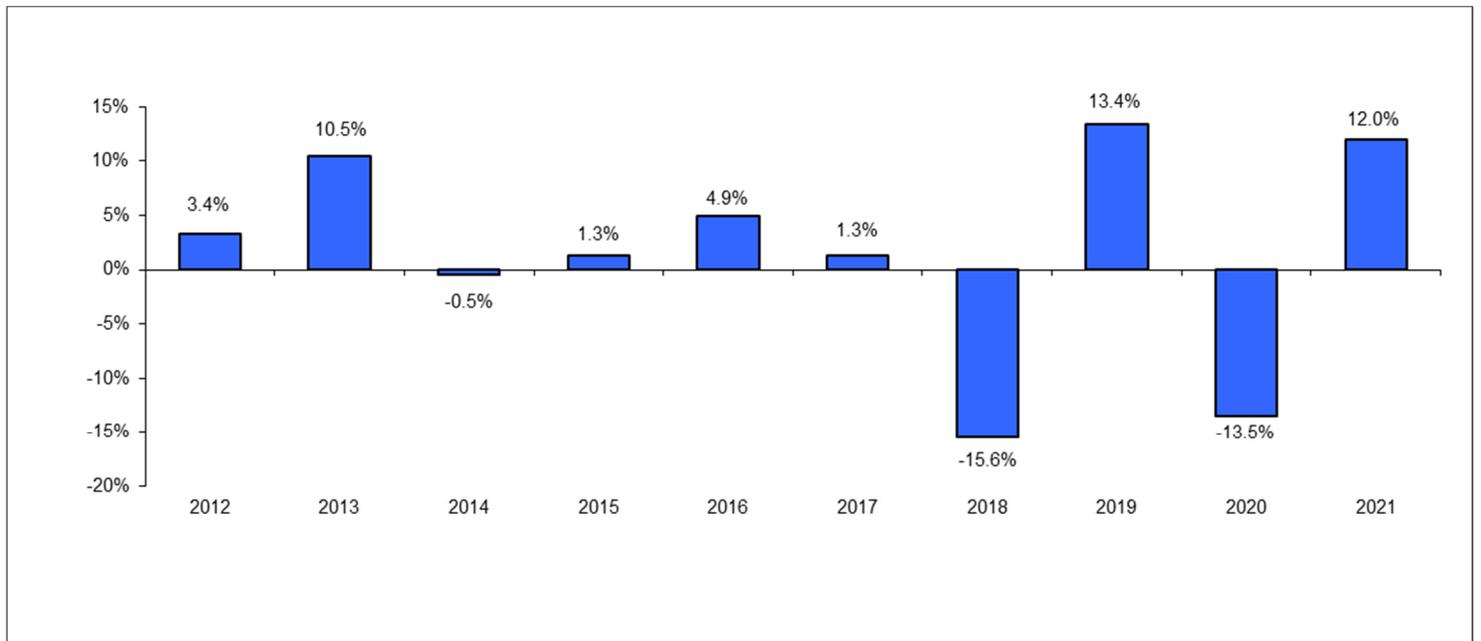
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Past Performance (continued)

Series A 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	10.7%	2.0%	-2.4%	0.1%
S&P/TSX Composite TR	25.1%	17.5%	10.0%	9.1%
Blended index	22.2%	10.6%	6.7%	5.5%
Series F	12.0%	3.2%	-1.2%	1.3%
S&P/TSX Composite TR	25.1%	17.5%	10.0%	9.1%
Blended index	22.2%	10.6%	6.7%	5.5%

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Summary of Investment portfolio as at December 31, 2021

Total Net Asset Value: \$ **3,456,091**

Portfolio Allocation

	% of Fund's Net Asset Value
Financials	21.65%
Energy	12.00%
Utilities	10.39%
Real Estate	9.72%
Cash	8.58%
Consumer Discretionary	7.00%
Communication Services	3.17%
Mutual Funds	3.04%
Industrials	2.88%
Net Other Assets (Liabilities)	<u>21.57%</u>
	<u>100.00%</u>

Top 25 Holdings

	% of Fund's Net Asset Value
1 Cash	8.58%
2 Alaris Equity Partners Income	4.39%
3 The Toronto-Dominion Bank	4.21%
4 Pembina Pipeline Corp.	4.15%
5 Exco Technologies Ltd.	4.07%
6 Parkland Fuel Corp.	4.05%
7 Bank of Nova Scotia	4.03%
8 Brookfield Renewable Partners LP	3.93%
9 Canadian Imperial Bank of Commerce	3.84%
10 Enbridge Inc.	3.80%
11 Crombie Real Estate Investment Trust	3.43%
12 American Hotel Income Properties REIT LP	3.23%
13 Canadian Utilities Ltd.	3.23%
14 AltaGas Ltd.	3.23%
15 BCE Inc.	3.17%
16 Bank of Montreal	3.15%
17 Colliers International Group Inc.	3.06%
18 Brookfield Global Infrastructure Securities Income Fund	3.04%
19 Park Lawn Corp.	2.94%
20 Thomson Reuters Corp.	2.88%
21 Brookfield Renewable Corp.	<u>2.02%</u>
	<u>78.43%</u>

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, 2021. 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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