Seymour Investment Management

Fund Facts

Fund Unit Value:
September 30, 2011
$9.4874

Inception Date:
June 15, 2010

RRSP Eligible:
Yes

Seymour Investment Management was founded in 2010 with a vision of creating an employee-owned, client-focused investment boutique with a unique service offering. Seymour provides fee-based discretionary investment management services to both individual and institutional clients.

The Seymour Canadian Equity Fund

The investment objective of the Canadian Equity Fund is to achieve attractive risk-adjusted investment returns by investing in a diversified portfolio of 30 - 35 Canadian equities. The Canadian Equity Pool invests primarily in mid capitalization companies and may include selected small and large capitalization companies.

The fee structure for the Canadian Equity Fund is based on an annual management fee of 1%.

PERFORMANCE

AS AT SEPTEMBER 30, 2011

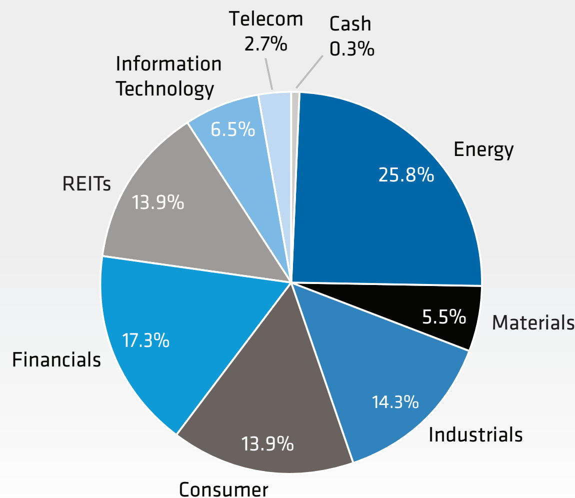
Total Return for the Period (%)[1]	3 Mo	YTD	1 Yr	Since Inception[3]
Seymour Canadian Equity Fund[2]	**-15.3%**	**-12.0%**	**-5.7%**	**-1.4%**
S&P/TSX Composite Total Return Index	-12.0%	-11.9%	-3.6%	0.8%

1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently and past performance may not be repeated.

2 NAV performance is shown net of fees and expenses

3 Annualized since inception date of June 15, 2010

EQUITY SECTORS



Portfolio Management Expertise

CARL HOYT, CFA
PRESIDENT

Carl Hoyt began his career in the investment management industry in 1985 in equity research with Pemberton Securities, a Canadian investment dealer. In 1989, Carl joined Goepel Shields & Partners as an equity research analyst and became a director of the firm. Carl co-founded Cypress Capital Management in 1998, and as Chief Investment Officer, he was instrumental in the firm's growth from its inception to over $4 billion in assets under management.

KELLY WOODALL, CFA
PARTNER

Kelly Woodall began her career in high net worth private client investment management in 1997. Beginning in 2000, Kelly spent seven years working in sell-side equity research. During this time, she covered a number of different stocks and industries. In 2006, Kelly left the sell side and returned to investment management. In recent years, Kelly has been a lead portfolio manager on various small capitalization and equity income portfolios, accounting for approximately $2 billion in assets under management.

Only accredited investors or investors who satisfy the minimum amount investment as defined by applicable securities legislation may invest in the Seymour Performance Fund. These materials are for information only and do not constitute an offer to sell or a solicitation to buy units of this Fund.

Q3 Commentary

OCTOBER 14, 2011

The Seymour Canadian Equity Fund

Global equity markets fell sharply in the third quarter as uncertainty surrounding the European sovereign debt situation and a slowing economy weighed heavily on sentiment. The Seymour Canadian Equity Fund declined 15.3% in the quarter, underperforming the S&P/TSX Composite Total Return Index's -12.0% return. The Fund's relative performance was negatively impacted by its lack of Gold exposure and its heavier weighting in Industrials, which performed poorly amid economic concerns.

Resource equities led the S&P/TSX Composite's decline, with the CRB Index (a global benchmark for measuring commodity price movement) posting the biggest quarterly decline since 2008, on concerns that slower economic growth would reduce global demand for commodities. Crude oil prices fell sharply, with WTI touching a low of US$76/bbl and declining 16.8% in the quarter. The Fund's resource investments including Methanex Corporation, Teck Resources Limited, and its large-capitalization Oil & Gas equities performed poorly in this environment. In our view, the correction in these names was overdone and we see attractive upside from current levels for longer-term investors.

Non-resource cyclicals also performed poorly during the quarter and a number of the Fund's Industrial, Consumer Discretionary and Technology holdings experienced large double-digit declines. In our view, much of the recent sell-off was sentiment-driven and we see attractive value for longer-term investors in a number of stocks that we believe are oversold. We discuss several of these opportunities in greater detail below.

The Canadian banks outperformed the broader market in the quarter, declining 8.1% as earnings growth continued to moderate. Net Interest Margins continue to compress, reflecting historically low interest rates and increasing competition for residential mortgages and consumer loans as demand slows. Capital markets activity has similarly slowed. Although the Canadian banks are trading at the lower end of their historical range, they continue to trade at a significant premium to their U.S. and international counterparts, which may limit valuation expansion in the near-term. We nevertheless continue to view the Canadian Banks, which have profitable domestic franchises and enjoy high barriers to entry, as excellent investments for investors with a longer-time horizon.

Real Estate Investment Trusts (REITs) generally held up well during the quarter, backed by strong fundamentals and supported by attractive yields. The sector continues to look fairly valued.

While the macroeconomic outlook remains highly uncertain in the short term, our longer-term investment outlook is unchanged. The Seymour Canadian Equity Fund holds investments in well-managed companies, with attractive business models and healthy balance sheets. As macroeconomic conditions and sentiment improve, these companies will use growing cash flows to reinvest in their businesses, grow dividends, and buy back shares.

Equities should resume their upward trend on the back of corporate profits that will be fuelled by slow but stable economic growth.

We believe the recent sell-off has resulted in more attractive equity valuations notwithstanding our view that earnings expectations, which appear elevated against the current economic backdrop, will need to be reduced in coming months. Below we highlight several stocks that declined by 20-25% during the quarter, which we believe represent excellent entry points into high-quality names – namely Brookfield Properties Corporation, CAE Inc., and Transcontinental Inc.

Brookfield Properties is an extremely well-managed real estate company with a large portfolio of premier office properties in the downtown core of high-growth, high-barrier-to-entry North American and Australian cities. Strong organic growth (in-place rents are well below market rents), acquisitions and developments are expected to drive incremental value for the foreseeable future. The company has a very strong balance sheet with significant liquidity. Valuation is attractive with the shares trading at an implied cap rate of nearly 7%, which does not reflect the underlying quality of the company's real estate.

CAE is the leading global manufacturer of civil aviation simulators. The company is one of the world's largest providers of commercial and business aviation training services, with a growing military training business. CAE recently expanded into several promising new markets including simulation and training for the healthcare, mining and energy sectors. We view the longer-term fundamentals favourably with the global commercial aircraft fleet expected to double by 2030, an aging pilot demographic, and increasingly stringent standards for pilot certification driving demand for commercial aviation training. We expect simulation-based training will continue to capture an increasing share of aviation training as simulators provide a much more cost effective and environmentally friendly means of training pilots. The stock has corrected sharply on concerns of a reduction in military spending, and valuation is attractive with the shares trading at a forward EV/EBITDA multiple of 7 times versus a historical average of 8.5 times.

Transcontinental is an extremely-well managed commercial printing and media company. Investors have shunned commercial printers on concerns that the industry is in secular decline, however, Transcontinental remains focused on sub-segments of commercial printing that are expected to enjoy stable demand, and much of its business is now under long-term contract. Visible earnings growth will be driven largely by incremental synergies and efficiencies from the continued optimization of the company's printing platform. The company generates very strong free cash flow, which will be used to pay down remaining debt on an already underleverd balance sheet, to buy back shares, and to increase its dividend. Shares are undervalued at 3.5x 2012E EV/EBITDA with a 30% free cash flow yield.