# Fund Facts

**Fund Unit Value:**
March 31, 2016
$11.3290

**Inception Date:**
December 31, 2013

**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.

# Seymour Mid-Cap Equity Fund

The investment objective of the Seymour Mid-Cap Equity Fund is to achieve attractive risk-adjusted investment returns by investing in a diversified portfolio of 20 - 35 Canadian equities. The Mid-Cap Equity will invest primarily in mid-capitalization companies and may include selected small- and large-capitalization companies.

The fee structure for the Mid-Cap Equity Fund is based on an annual management fee of 1% of the net asset value.

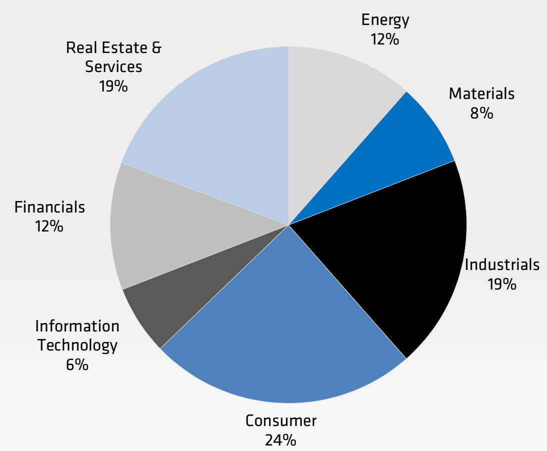
## PERFORMANCE

AS AT MARCH 31, 2016

| Total Return for the Period (%)[1] | QTR | 1YR | 2 YR[4] | Since Inception[3] |
|---|---|---|---|---|
| **Seymour Mid-Cap Equity Fund[2]** | **2.6%** | **-0.5%** | **3.2%** | **7.4%** |
| S&P/TSX Completion Total Return Index | 5.5% | -7.9% | -3.4% | 0.2% |

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 December 31, 2013
4 Returns over one year are annualized

## EQUITY SECTORS



## CARL HOYT, CFA

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

Kelly Woodall began her career in high net worth private client investment management in 1997. Beginning in 2000, Kelly spent seven years working as a sell-side equity research analyst, providing research coverage of 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 a variety of Canadian equity, equity-income, and small-capitalization mandates.

## KYLE HARRISON, CFA

Kyle Harrison began his career in the investment industry in 1992 with investment dealer Marleau, Lemire Securities which focused on small capitalization Canadian equities. Kyle was responsible for institutional sales in New York and subsequently moved to Vancouver to develop the U.S. West coast. In 1996, Kyle joined CIBC World Markets and attained the position of Managing Director with responsibility for institutional equity sales in Western Canada and the United States. In 2013, Kyle obtained the Family Enterprise Advisor™ certification.

## ANTHONY WERRY, CFA

Anthony Werry has worked in the investment industry for over 25 years. His career began in 1987 at Pemberton Securities in Vancouver. He then moved to Toronto to work as an analyst with RBC Dominion Securities. In 1993 he moved back to Vancouver with Royal Bank Investment Management as a portfolio manager for high net worth clients. In 1999, Anthony became one of the founders of Cypress Capital Management, where he remained as a managing partner until 2014. In addition to managing money for high net worth clients, Anthony's key roles at Cypress were to provide leadership in equity strategy and managing a high yield fund.



# Q1 Commentary: Seymour Mid-Cap Equity Fund

The Seymour Mid-Cap Equity Fund rose 2.6% in the quarter, underperforming the S&P/TSX Completion Total Return Index's 5.5% return. Our readers will recall that although we provide the benchmark index's returns for context, the composition of the Fund is in fact very different from that of the index and we don't expect the Fund's results to track those of the index. By definition, the only way to beat the index after fees is to hold a portfolio that differs from the index.

Our readers will also recall that we tend to hold very few direct resource investments. We believe the highly cyclical nature of commodities lends itself to a 'trading' rather than 'investing' strategy, which is not our discipline. The unpredictable nature of commodity prices (as illustrated by the unexpected, precipitous drop in energy prices in recent years) creates an inherent lack of visibility that makes long-term strategic planning challenging. Not surprisingly, the resource industry has generated a very poor track record of returns on capital deployed. Although we have met some excellent management teams who run companies that own world-class resource deposits, we will always approach resource investments with caution and we'll limit our exposure in order to manage risk. When commodity prices rally strongly, we would typically expect to underperform the benchmark index (which is heavily weighted to resources) as we did this quarter.

The Fund's investment in AutoCanada Inc. (-24.6% in Q1), an Alberta-based consolidator of auto dealerships, was also a drag on returns in the quarter. We had the opportunity to meet with representatives from the company's management team on two occasions in recent months. Management is working on aggressively reducing costs given the headwinds the company is facing in Alberta. Although we have some concerns related to the planned retirement of the company's founder in May 2017, the newly appointed CEO appears to be a good hire by all accounts and brings with him significant industry expertise and contacts. Although our entry point into this stock proved to be early, we continue to believe the company is positioned for longer-term growth.

On a positive note, shares of Home Capital Group Inc. (+30.2%), a leading provider of Alt-A mortgages, rebounded on the announcement of strong quarterly results and a Substantial Issuer Bid. Home Capital was the fourth most heavily-shorted stock on the TSX prior to the announcement, which created a 'short squeeze' as U.S. hedge funds looked to quickly cover their short positions.

Progressive Waste Solutions Ltd. (+23.9%) and Waste Connections, Inc. announced plans to merge in an all-stock transaction to create the third-largest waste services provider in North America with significant synergies expected. Waste Connections' management team, which will lead the merged company going forward, is very highly regarded within the waste management industry and the company's operating metrics are best-in-class.

Great Canadian Gaming Corp. (+20.3%) completed the acquisition of selected casino assets in Ontario and provided more detailed financial disclosure, prompting analysts to raise earnings estimates. Although Great Canadian faces some headwinds with the B.C. casino gaming industry under scrutiny, the company's valuation is inexpensive at 6.6 times forward EV/EBITDA given its strong free cash flow generation and the high barriers to entry of the regulated casino gaming industry.

Although volatility is a normal part of equity investing, there are times when rapid shifts in sentiment can lead to heightened volatility, which we saw this quarter. We try to look through the 'noise' created by short-term gyrations in share prices, and focus on the longer-term earnings power of our core holdings, which is ultimately what will drive share price gains over the long term.

We have been long-time shareholders of CCL Industries Inc. (+9.9%) and have watched Management grow the company profitability for many years. During the quarter, the company's share price fluctuated wildly, which we understand was in part attributable to 'fund flows' out of CCL shares into shares of other 'Materials' stocks. We view this short-term volatility as 'noise' and expect that over the long run Management will continue to drive profitable growth.

We had the opportunity to meet with the Chief Financial Officer of core holding Héroux-Devtek Inc. (+6.5%) in early April, which once again reinforced our conviction in this core holding. Héroux-Devtek is the third-largest global manufacturer of landing gear systems and components, servicing commercial and military aerospace customers. We have been long-time Héroux-Devtek shareholders and have watched Management unlock considerable value over the years by monetizing non-core business units and by growing and reinvesting in its core landing gear business. Over the last 10 years, the company has grown revenues and EBITDA at CAGRs of 12% and 26%, respectively. The September 2013 award of the Boeing 777 widebody aircraft and the follow-on Boeing 777X solidified Héroux-Devtek's position as a Tier 1 supplier of complete landing gear systems, and we see the opportunity for additional contract awards, which would add to the company's multi-year growth pipeline. With the 777 contract ready for launch, we expect the company may look to execute on one or more accretive acquisitions using excess balance sheet capacity.