Fund Facts

Fund Unit Value:
December 30, 2016
$27.6909

Inception Date:
June 4, 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.

Seymour Performance Fund

The investment objective of the Seymour Performance Fund is to achieve superior risk-adjusted investment returns over the long term by investing primarily in small and mid capitalization Canadian equities. The Performance Fund holds a concentrated portfolio of 20-30 core names. In addition to owning a core group of equities, a small portion of the Performance Fund may be invested in event-driven transactions and initial public offerings. The Performance Fund should be viewed as more aggressive (higher risk) than more conventional equity investments such as the Seymour Canadian Equity Fund.

The fee structure for the Performance Fund is based on an annual management fee of 1% of the net asset value, with an annual performance fee of 10% of any annual return over the hurdle rate of 7.5%.

PERFORMANCE

AS AT DECEMBER 30, 2016

Total Return for the Period (%)[1]	QTR	1 YR	3 YR[4]	5 YR[4]	Since Inception[3]
Seymour Performance Fund[2]	**6.2%**	**26.3%**	**9.4%**	**17.7%**	**19.2%**
S&P/TSX Smallcap TR Index	3.1%	38.5%	5.4%	4.3%	5.0%
S&P/TSX Composite TR Index	4.5%	21.1%	7.1%	8.2%	7.4%

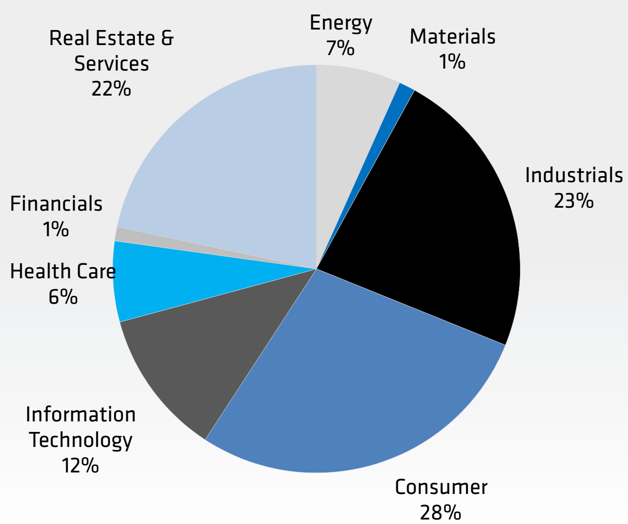
1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently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

2 NAV performance is shown net of fees and expenses

3 Annualized since inception date of June 4, 2010

4 Returns over one year are annualized

EQUITY SECTORS



Q4 Commentary: Seymour Performance Fund

Global equity markets performed strongly in the quarter, buoyed by a post-election surge in business and consumer sentiment. Market jitters over the outcome of the U.S. presidential election quickly turned to optimism and equity markets enjoyed a broad-based rally in the final weeks of the year on hopes that the Trump administration will stimulate the economy through pro-growth policies. The Seymour Performance Fund climbed 6.2%, benefitting from strength in broader equity markets and the positive contribution from individual security selection.

The Fund was up 26.3% in 2016 compared to total returns of 21.1% for the S&P/TSX Composite Index and 38.5% for the heavily resource-weighted S&P/TSX SmallCap Index. According to Scotia Global Banking and Markets' portfolio strategy group, small-cap resource stocks were up 66% in 2016 (versus 11% for non-resource stocks), accounting for 82% of the SmallCap Index's gain.

Several encouraging macro developments in the Energy sector boosted sentiment and contributed to higher crude oil prices and activity in the quarter. After two years of battling for market share, OPEC reached an agreement to cut production in an effort to balance the market, prompting a rally in crude oil prices. (Although the news is incrementally positive, the outlook for crude remains uncertain given OPEC's spotty record of compliance and the ramp-up in production in the U.S.). Also noteworthy was Canadian Prime Minister Justin Trudeau's announcement of the approval of two major crude oil export pipelines which if constructed, should help support Canadian crude prices and reduce the discount Canadian producers receive for their product. Higher crude prices would not only benefit oil & gas producers and service companies but also the broader Canadian economy. The Fund's oilfield service holdings, Canadian Energy Services & Technology Corp. (+47.7% in Q4) and Secure Energy Services Ltd. (+27.1% in Q4), are benefitting from improving crude oil fundamentals as well as company-specific drivers.

Badger Daylighting Ltd. shares (+13.6% in Q4) continued to rise on the back of another solid earnings release. Badger, which provides hydrovac excavation services to oil & gas, industrials, and utilities clients, should benefit from increased oil & gas activity and infrastructure spending.

We recently built a position in StorageVault Canada Inc. (+20.0% in Q4), the fourth largest self-storage company in Canada and the only one that is publicly traded. Although we have long viewed self-storage as an attractive, niche asset class within the real estate sector, until recently we have lacked an investable vehicle. Well-located self-storage assets tend to generate steady recurring revenues from a sticky customer base that is relatively insensitive to price increases due to switching time/costs. Self-storage tends to be less correlated with economic cycles than other forms of real estate, because the drivers tend to be life events (i.e. divorce, moving, death) rather than economic. Net operating margins are high because the real estate can be operated with a very low employee count. The asset class lends itself to a consolidation play because operators with scale can achieve revenue and cost synergies. We expect StorageVault to be an active acquirer.

Héroux-Devtek Inc. (+11.7% in Q4) rebounded despite announcing a rare earnings miss, reducing its Fiscal 2017 financial guidance, and retracting its F2019 guidance. While Héroux appears to have done an exemplary job executing on the ramp-up of its key Boeing 777 contract, Boeing has cut production to meet lower demand, which we expect may prove transitory as Boeing transitions to the new model 777x later this decade. In our view, the Boeing contract award solidified Héroux's position as a Tier 1 supplier of complete landing gear systems, and we anticipate further contract awards will add to the company's multi-year growth pipeline.

The Fund's investment in Pure Technologies Ltd. (-18.1% in Q4), a leading provider of pipeline inspection, monitoring and management, detracted from returns as project deferrals once again led to lower revenues. The company has a relatively high fixed cost base, and project deferrals tend to lead to large earnings misses. As the company continues to scale, we would expect less lumpiness in quarterly earnings and margins to expand as the company realizes the benefits of operating leverage. We continue to like Pure for its strong growth profile, attractive gross margins, strong free cash flow generation and clean balance sheet.

Software providers Computer Modelling Group Ltd. (-7.1% in Q4) and Kinaxis Inc. (-6.5% in Q4) also detracted from performance. Both companies share a number of common attributes including (1) excellent management teams; (2) leading market positions in their respective niches; (3) unparalleled software offerings that would be difficult to replicate; (4) high recurring revenue bases; (5) strong financial metrics; (6) solid balance sheets; and (7) robust free cash flow generation. We remain optimistic about the longer-term growth opportunities for these best-in-class software providers.

The current slow growth, low interest rate environment remains supportive of equities, although we acknowledge heightened political risk has created some uncertainty. Increased fiscal spending in both Canada and the U.S. and the new Trump administration's pro-growth policies should help stimulate economic growth. In contrast, rising anti-trade sentiment and protectionist policies could mute the positive impact. We remain selective in our security selection, preferring high-quality companies with strong management teams that are reasonably valued and are well-positioned to grow their earnings and cash flows on a sustained basis over the long term.

CARL HOYT, CFA

Carl Hoyt began his career in 1985 in equity research with Pemberton Securities. 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, 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 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 industries. In 2006, Kelly left the sell side and returned to investment management. In recent years, Kelly has managed a variety of Canadian equity, dividend growth, and small-capitalization mandates.

KYLE HARRISON, CFA

Kyle Harrison began his career in 1992 with investment dealer Marleau, Lemire Securities, where Kyle was responsible for institutional sales in New York before moving 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 U.S. In 2013, Kyle obtained the Family Enterprise Advisor™ certification.

ANTHONY WERRY, CFA

Anthony Werry began his career in 1987 at Pemberton Securities in Vancouver, before moving to Toronto to work as an analyst with RBC Dominion Securities. In 1993 he returned to Vancouver with Royal Bank Investment Management as a portfolio manager. In 1999, Anthony became one of the founders of Cypress Capital Management, where he remained as a managing partner until 2014. At Cypress, Anthony managed money for high net worth clients, provided leadership in equity strategy, and managed a high yield fund.