Fund Facts

Fund Unit Value:
June 29, 2018
$32.6894

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 JUNE 29, 2018

Total Return for the Period (%)[1]	QTR	1 YR	3 YR[4]	5 YR[4]	8 YR[4]	Since Inception[3]
Seymour Performance Fund[2]	**1.9%**	**11.1%**	**8.5%**	**13.8%**	**18.2%**	**17.8%**
S&P/TSX Smallcap TR Index	6.6%	5.4%	6.3%	6.5%	4.4%	4.2%
S&P/TSX Composite TR Index	6.8%	10.4%	7.0%	9.2%	7.8%	7.4%

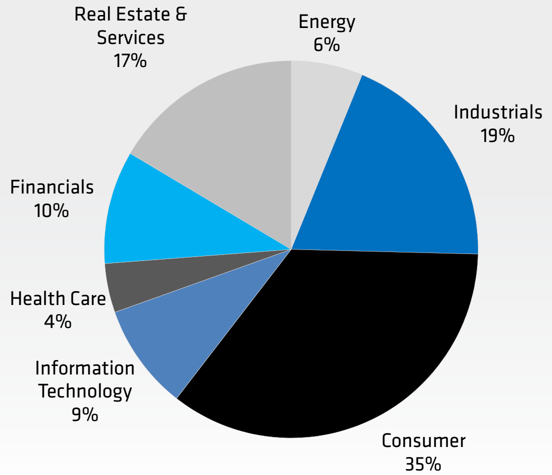
1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently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

2 NAV performance is shown net of fees and expenses

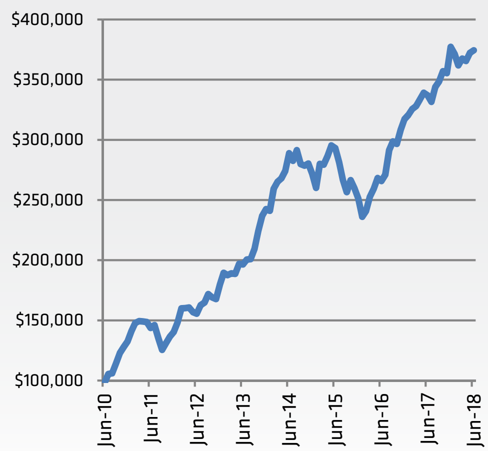
3 Annualized since inception date of June 4, 2010

4 Returns over one year are annualized

EQUITY SECTORS



GROWTH SINCE INCEPTION



Seymour Investment Management

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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.

Q2 Commentary: Seymour Performance Fund

North American equities performed well in the quarter on the back of broad-based strength in the global economy and corporate earnings. The S&P/TSX Composite Total Return Index ('TSX') was up 6.8%, led by a rally in resource stocks (which accounted for 61% of the TSX's gain). The S&P/TSX SmallCap Total Return Index was up 6.6%, also led by resource stocks. According to estimates compiled by the Scotia Global Banking and Markets portfolio strategy group, small-cap resource stocks (which comprise 53% of the SmallCap Index) were up 11.1% in the quarter versus 1.0% for non-resource stocks.

The Seymour Performance Fund climbed 1.9% in the quarter, with the bulk of the underperformance relative to the benchmark indices attributable to its lower weighting in resources. When commodity prices rally strongly, we would typically expect to underperform the more heavily resource-weighted benchmark indices. As a rule, the Fund holds very few resource stocks. This is due to our philosophy that over the long term, superior risk-adjusted returns may be achieved with lower volatility by investing in a concentrated yet diversified portfolio of equities using a buy-and-hold strategy with only moderate commodity exposure. While our primary objective of limiting commodity exposure is to mitigate risk, historical stock returns would suggest that a non-resource strategy can actually achieve higher returns over long time periods.

The Fund holds investments in 27 companies that are diversified across industry sectors. We employ a fundamental, bottom-up approach to individual security selection, which means we look for great companies to buy regardless of their industry sector. Our due diligence includes a detailed analysis of a company's management, business model and competitive positioning. We read a great deal of research and conduct hundreds of meetings with management teams and equity analysts each year. During the quarter we had an opportunity to meet with senior executives from eight of the Fund's holdings. We also toured Héroux-Devtek Inc.'s Cambridge, ON landing gear manufacturing facility and Brick Brewing Co. Ltd.'s new, state-of-the-art brewery in Kitchener, ON.

Several of the Fund's holdings registered notable gains in the quarter, including Great Canadian Gaming Corp. (+44.0% in Q2 and +97.1% in 1 year), designer and fashion retailer Aritzia Inc. (+29.4% in Q2), and Badger Daylighting Inc. (+23.4% in Q2), a provider of hydrovac excavation services.

We have followed Great Canadian Gaming closely since its 2004 initial public offering, and have held it since the Fund's inception. Great Canadian operates 28 regional casinos across British Columbia, Ontario, Nova Scotia, New Brunswick and Washington State under long-term service agreements with provincial lottery corporations. As a leading player in a regulated and relatively mature industry, Great Canadian generates strong and steady cash flows. In 2012, the Ontario Lottery and Gaming Corporation (OLG) announced plans to modernize land-based gaming in an effort to reinvigorate growth, particularly in underserved markets. Great Canadian (along with partners) has been selected to operate a number of gaming facilities in the Greater Toronto Area and the company is proceeding with the redevelopment of a number of gaming facilities, which is expected to lead to significant growth in profitability.

Several of the Fund's holdings weighed on returns in the quarter, including CES Energy Solutions Corp. (-23.5% in Q2), Real Matters Inc. (-21.8% in Q2), and Linamar Corporation (-17.6% in Q2).

Real Matters is a disruptive technology platform company that provides software solutions and services to mortgage lending and insurance companies for appraisals, title & closing, and insurance inspections. Real Matters is a relatively new position for the Fund that we initiated after the company's shares came under selling pressure due in part to near-term concerns about the U.S. mortgage market. We met with President and CEO Jason Smith several times in the last year, which helped build our conviction that Mr. Smith and his team have successfully put in place the people and processes to execute on a sizeable growth opportunity. Although the company faces some near-term headwinds, we remain optimistic about the company's longer-term growth prospects.

As we look forward, there are reasons for caution but also reasons for optimism. We invest with a very long time horizon and focus on finding high-quality companies with strong management teams that have attractive business models and are well-positioned to grow their earnings and cash flows on a sustained basis over the long term. We try to buy these companies at reasonable valuations and notably, valuations have contracted recently because equity returns haven't kept pace with corporate earnings growth. We are confident that over the long term the companies we own will create significant shareholder value, which will ultimately be reflected in equity values.