Fund Facts

Fund Unit Value:
December 31, 2018
$16.9784

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.

Seymour Canadian Equity Fund

The investment objective of the Canadian Equity Fund is to achieve attractive risk-adjusted investment returns over the long term by investing in a diversified portfolio of 20 - 30 Canadian equities. The Canadian Equity Pool invests primarily in large-capitalization companies and may include selected small- and mid-capitalization companies.

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

PERFORMANCE

AS AT DECEMBER 31, 2018

Total Return for the Period (%)[1]	QTR	1 YR	3 YR[4]	5 YR[4]	8 YR[4]	Since Inception[3]
Seymour Canadian Equity Fund[2]	**-11.6%**	**-11.4%**	**6.3%**	**5.4%**	**7.3%**	**8.2%**
S&P/TSX Composite TR Index	-10.1%	-8.9%	6.4%	4.1%	3.8%	5.2%

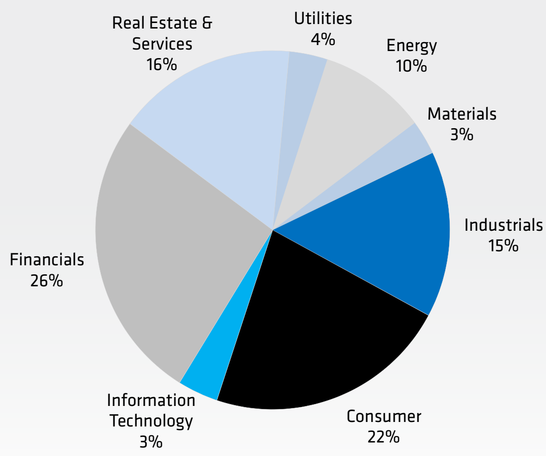
1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently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

2 NAV performance is shown net of fees and expenses

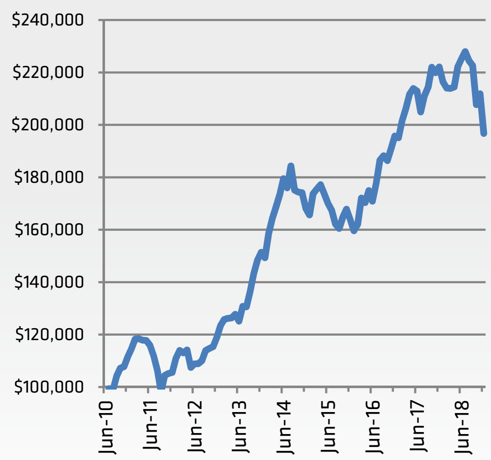
3 Annualized since inception date of June 15, 2010

4 Returns over one year are annualized

EQUITY SECTORS



GROWTH SINCE INCEPTION



Seymour Investment Management

Seymour Investment Management Ltd. | 1285 West Pender Street, Suite 900 | Vancouver, B.C. V6E 4B1
Main: (604) 659-1722 | info@seymourinvest.ca | www.seymourinvest.ca

Q4 Commentary: Seymour Canadian Equity Fund

CARL HOYT, CFA

Carl Hoyt began his investment career in sell-side equity research in 1985. In 1998, Carl co-founded Cypress Capital Management where he remained until 2008. At Cypress, Carl acted as Chief Investment Officer and was instrumental in the firm's growth to over $4 billion in assets under management. Carl founded Seymour in 2010 with a vision of building an employee-owned investment boutique with a strong investment culture and excellent client service.

KELLY WOODALL, CFA

Kelly began her career in investment management in 1997. From 2000 – 2006, Kelly was a sell-side equity research analyst, providing research coverage of a variety of industry sectors and companies. Since 2007, Kelly has been a portfolio manager on various Canadian Equity, Small-Capitalization, and Balanced mandates.

KYLE HARRISON, CFA

Kyle Harrison began his career in 1992 in institutional sales. 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 AdvisorTM 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.

DENNIS CHAN, CFA

Dennis Chan began his career in 2005 in equity research with Phillips, Hager & North, covering a variety of industry sectors and companies. Since 2010, Dennis has been a portfolio manager, directly managing $4B of Canadian Equity assets including Small-Cap, Dividend Income and SRI mandates.

Global equities came under heavy pressure in the quarter and cyclicals, growth stocks and smaller-cap equities led the decline. The Canadian Equity Fund declined 11.6% in the quarter and 11.4% for the year, underperforming the S&P/TSX Composite Total Return Index ('TSX'), which returned -10.1% and -8.9%, respectively. This marked the worst annual performance for equities since 2008. The Fund's relative performance was negatively impacted by several factors including:

- The Fund invests primarily in large-capitalization companies (60% of the Fund) but also holds small- and mid-cap stocks, which negatively impacted returns relative to the TSX (which is a capitalization-weighted index with a larger-cap bias) for the quarter and the year.
- The Fund has less exposure to high-multiple, low-growth Consumer Staples, Utilities, and Telecom stocks, which outperformed during the sell-off.
- The Fund is relatively concentrated with 20 – 30 holdings, and individual security performance can materially impact returns, as we saw with Maxar Technologies Ltd. (discussed below).
- During the first nine months of 2018, the Fund was negatively impacted by its lack of high-multiple Technology stocks, which led the TSX in 2018.
- The Fund does not own Gold stocks, which led the TSX in the quarter.

Maxar (previously 'MDA') is a vertically integrated space and geospatial intelligence company with a strong R&D capability and competitive positioning in the space industry, which has strong barriers to entry. We initiated a position in early 2018 following the acquisition of DigitalGlobe ('DGI'), a leading vendor of space imagery and geospatial content. We believed DGI's strong recurring revenues would allow Maxar to support higher debt levels incurred to finance the acquisition. Since then, MDA's legacy GEO business (which faces growth challenges) has fallen off faster than expected, and Maxar's Worldview-4 satellite has experienced operational issues due to a component failure. The satellite, which is unlikely to be recovered, is insured and we expect Maxar will remain well within its recently renegotiated covenant of 6x debt to EBITDA. We now expect slower growth from the imaging segment due to capacity constraints on the remaining fleet (until the launch of Legion in fiscal 2021). The stock's valuation is attractive and we see a potential near-term catalyst from non-core asset sales (real estate or the GEO business). Longer term, Maxar has a leading industry position in space imagery that will be further enhanced once Legion is launched, providing the opportunity for significant growth and allowing Maxar to pay down debt using cash flows rather quickly.

We own the Canadian Banks (TD Bank and Bank of Nova Scotia) as core holdings due to the strength of their underlying business models, which allows them to generate attractive returns in most environments, and we have recently added Royal Bank of Canada. We have also initiated positions in Manulife Financial Corporation and OpenText Corporation and added to positions in Enbridge Inc. and Brookfield Property Partners L.P.

Manulife is a company that has been in transition for the past decade. An aggressive sales culture led to higher-risk liabilities that required significant write-downs and dilutive equity raises during the financial crisis. We believe the company's culture has changed, with a renewed focus on de-risking the business, building reserves and continuing to expand a leading position in the highly-profitable Asian region. Recently, there have been some concerns related to Manulife's legacy policies (Long Term Care & Saskatchewan court cases), however, our recent meeting with Management helped give us comfort that these risks are manageable and more than discounted in the share price. We expect continued strong growth out of Manulife's core assets in Canada, Global Wealth Management and Asia.

OpenText is an market-leading enterprise software provider of critical applications supporting content and document management. The company operates in an industry that is mature but generates high free cash flow and has very little churn in its customer base. Over time, OpenText has used cash flow to acquire adjacent and complementary software and subsequently improve margins and cash flow generation. This repeatable strategy has allowed the company to compound earnings and shareholder returns in the mid-teens annually over the past decade. The stock has historically been volatile around quarterly results, providing an opportunity for us to add this well-run, high free cash-flow producing consolidator at an attractive valuation.

<u>We believe the market sell-off has provided an attractive entry point for long-term investors.</u> The near-term outlook is (as always) uncertain, and sentiment will continue to be impacted by macro factors with unpredictable outcomes and risks related to trade, monetary and fiscal policies. Although global growth is moderating, broadly-speaking, the macro backdrop remains favourable for corporate earnings growth (outside of the Canadian oil patch, which is constrained by a shortage of takeaway capacity) and the recent market correction has resulted in a contraction in valuation multiples to multi-year lows. To be clear, this is not an attempt to time the market. <u>Our constructive longer-term outlook is firmly rooted in our belief that 1) over longer time horizons, equity returns will be driven by corporate earnings growth; and 2) a contraction in valuation multiples has improved the return outlook over the medium term</u>.