Fund Facts

Fund Unit Value:
December 31, 2018
$12.9676

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 over the long term by investing in a diversified portfolio of 20 - 30 Canadian equities. The Mid-Cap Equity Fund 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 DECEMBER 31, 2018

Total Return for the Period (%)[1]	QTR	1YR	3 YR[4]	5 YR[4]	Since Inception[3]
Seymour Mid-Cap Equity Fund[2]	**-15.0%**	**-12.7%**	**5.5%**	**6.1%**	**6.1%**
S&P/TSX Completion Total Return Index	-13.7%	-12.9%	4.0%	1.4%	1.4%

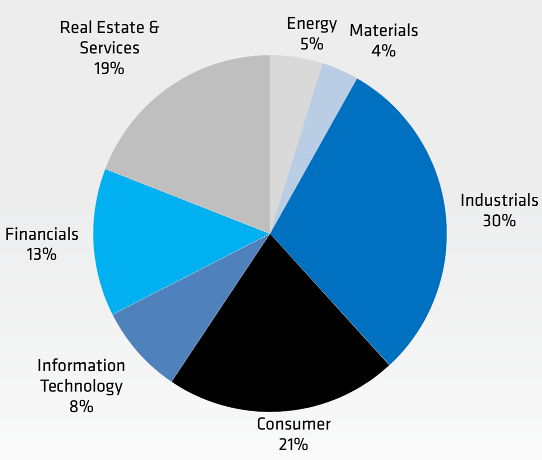
1 The indicated rates of return are the total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently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

2 NAV performance is shown net of fees and expenses

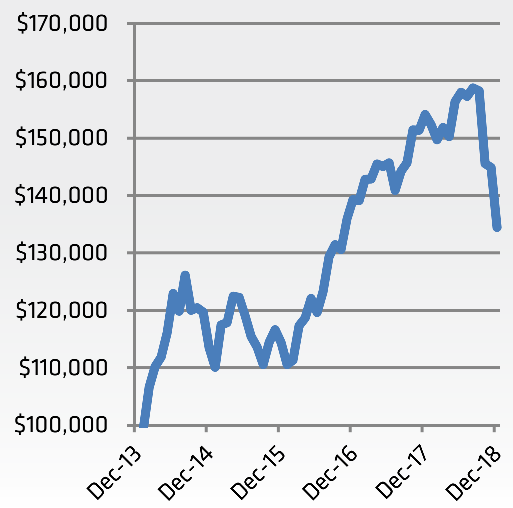
3 Annualized since inception date of December 31, 2013

4 Returns over one year are annualized

EQUITY SECTORS



GROWTH SINCE INCEPTION



Seymour Investment Management
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Q4 Commentary: Seymour Mid-Cap 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

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

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 Mid-Cap Equity Fund fell 15.0% in the quarter and 12.7% for the year, compared to -13.7% and -12.9%, respectively, for the S&P/TSX Completion Total Return Index. 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 mid-capitalization companies but also holds many small-cap stocks, which negatively impacted returns relative to the Completion Index (a capitalization-weighted index with a higher weighted average market cap) for the quarter and the year.
- The Fund has a large weighing in Consumer Discretionary and Industrial stocks (which performed poorly) but has little exposure to high-multiple, low-growth Consumer Staples and Utilities stocks, which outperformed.
- The Fund is relatively concentrated with 20 – 30 holdings and individual securities can materially impact returns, as we saw with Maxar Technologies Ltd. (discussed below).
- The Fund does not own Gold stocks, which led the Canadian market in the quarter.

Maxar (previously 'MDA') is a 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 quickly pay down debt using cash flows.

During the quarter we sold shares of large-cap auto parts manufacturer Magna International Inc. to buy mid-cap Linamar Corporation, which had sold off more aggressively and is trading at a very attractive valuation. We continue to own Magna, which like Linamar, is a well-run company with a strong focus on technology and innovation and robust free cash flow generation, in the Seymour Canadian Equity Fund.

We initiated a position in Toromont Industries Ltd., the Eastern Canadian dealer for Caterpillar (CAT) equipment. A dealership business is generally a good business, with the majority of profits coming from a stable stream of parts and service on previously sold equipment. Toromont has a great partner in CAT, who continually invests in product development, allowing Toromont to meet the changing needs of customers and grow long-term market share. Toromont is well-managed with a strong corporate culture and a sharp focus on return on invested capital, while giving employees significant autonomy to run their own segments. Toromont recently acquired Hewitt Group, the Quebec CAT dealer, which gave the company a contiguous footprint spanning Manitoba to Atlantic Canada. While we expect cultural and process improvements at Hewitt will take several years, we see an attractive opportunity for Toromont to drive higher market share and earnings even in a slower economic environment.

We initiated a position in Solium Capital Inc., a global software provider specializing in web-based equity benefits plan administration. The company has developed an unrivalled capability that would be difficult to replicate given the complexities inherent in supporting global equity plan management. Solium has a leading market position in Canada and is building its U.S. and international presence with key contract wins. Over the last couple of years, Solium has invested considerable resources to support key new customers, which has resulted in short-term margin pressure ahead of revenues. We view the stock's valuation as attractive in light of the company's strong leadership position, high recurring revenue base, profitability, and highly-visible growth.

<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>