

**18 AM Canadian Equity Highlights**

The 18 AM Canadian Equity portfolio is uniquely positioned, with 50/50 exposure to two focused style portfolios, Offence (growth and momentum) and Defence (income, quality and low risk). We manage the Offence and Defence styles independently, using 15-stock portfolios of companies that exhibit attractive balance sheet and income statement fundamentals (factors) of the respective style.

With its over 5-year track record, the 18 AM Canadian Equity portfolio has realized objectives by:

- ✓ Outperforming the benchmark S&P/TSX Composite (TSX) in 4 of 5 calendar years, and overall since inception before fees.
- ✓ Experiencing a lower risk profile versus the TSX. It has done by having both a lower volatility, and by losing less during calendar years when the index declined.
- ✓ Maintaining a fundamental profile that is superior to the benchmark across a variety of impactful factors as intended within each style, such as: i) a lower Price/Earnings ratio, ii) higher Return on Equity, iii) better Earnings Growth and iv) enhanced Yield.

18 AM Canadian Equity portfolio gained 3.2% in Q2 2019, outperforming the TSX. Further details of the portfolio and style performance are shown in the following table.

Performance	Q2 2019	YTD	1 Year	Since Inception	
				Return	Volatility
Offence*	4.6%	22.7%	-0.5%	5.2%	11.4%
Defence*	1.8%	13.2%	8.3%	9.1%	8.0%
<b>Portfolio**</b>	<b>3.2%</b>	<b>17.9%</b>	<b>3.8%</b>	<b>7.3%</b>	<b>8.5%</b>
<b>Benchmark</b>	<b>2.6%</b>	<b>16.2%</b>	<b>3.9%</b>	<b>6.6%</b>	<b>8.9%</b>

\*The chart depicts performance data for the style portfolios managed by 18 AM and is for information purposes only. Inception date December 31, 2013.

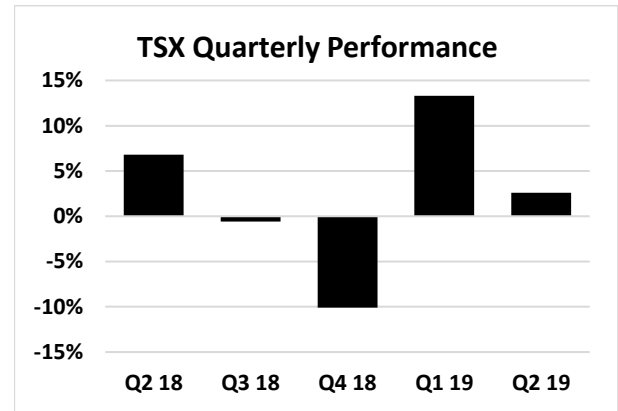
Year-to-date, the Offence style has been the better performing style, primarily through exposure to the Industrials and Materials sectors. The Defence style's exposure to the underperforming Real Estate segment detracted from that style's return. The portfolio benefitted from being underweight the Energy sector, which retreated in Q2 after a strong first quarter. Top contributors to the portfolio in Q2 came from transportation companies Air Canada (+23.2%) and CP Rail (+12.3%), exposure to all five Canadian large cap banks, and gold company Kirkland Lake Gold (+39.0%). Worst contributors to the portfolio were Toromont Industries (-11.9%), B2Gold (-10.2%) and Nutrien (-7.8%), all of which were removed from the portfolio during the quarter due to the deterioration of their fundamental profiles.

Our focus on systematic security selection, income statement and balance sheet fundamentals, style diversification and portfolio risk management, will aid us in navigating the portfolio through varying market conditions for long-term success. Our unique approach of combining style allocations within a single portfolio provides benefits from broader sector and market cap exposure, broad factor exposure and lower portfolio volatility relative to a single style portfolio and relative to the benchmark.

\*\* Performance is shown gross of all fees. Performance data is historical and not indicative of future performance. Returns annualized for periods greater than 1 year. The benchmark is the TSX Composite Total Return Index. This document is for information purposes only. Data sources: Thomson Reuters, Standard & Poors, Morningstar/CPMS and 18 AM.

## Market Overview

The broad Canadian Equity market, as represented by the TSX Index, has climbed 16.2% year-to-date. While the second quarter gain was a respectable 2.6%, it paled in comparison to Q1's impressive 13.3% advance. As shown in the chart, the benchmark index has experienced large performance swings in the past several quarters, reversing trend a number of times. Each period is characterized by a different market segment (sector/style) dominating the direction of the period's trend. The frequency and magnitude underscore the importance of having a disciplined approach to navigating equity markets.



Highlights of the TSX return for Q2 include:

**Stocks** – Individual stock performance in Q2 was more varied relative to Q1, with only 54% of companies posting positive returns, versus 80% in the prior period. Top performers included WestJet, up 58.9% on news of the acquisition of the company by Onex Corp., Shopify (+42.8%) a growing technology company, and gold companies Semafo (+39.1%) and Kirkland Lake Gold (+39.0%). The list of worst performers was dominated by energy exploration and development companies, and included Peyto Exploration & Development (-43.2%) and NuVista Energy (-39.3%) at the bottom.

**Sectors** – Information Technology was the top performing sector, up 14.3%, more than doubling the next best sector, Materials, which was up 5.5% from a rebound in gold stocks. Airline companies enjoyed a particularly good period, with reports of strong earnings and merger talks fueling the gains, contributing to the 5.1% return of the Industrials sector. Health Care was the worst performing sector in Q2, down 9.3%, giving back some of the 49% gain achieved in the first quarter, primarily driven by Cannabis companies in both periods. Energy was down 2.9% and the largest detractor from the overall return due to its larger weight in the index.

**Styles** – For the third consecutive quarter, Growth outperformed Value within the broader market by a substantial margin. This is a departure from the longer-term style performance since the 2008 financial crisis, a period characterized by outperformance of low volatility, conservative styles. For the portfolio, the Offence style was the leader in Q2 and year-to-date, besting both the overall market and its style counterpart Defence.

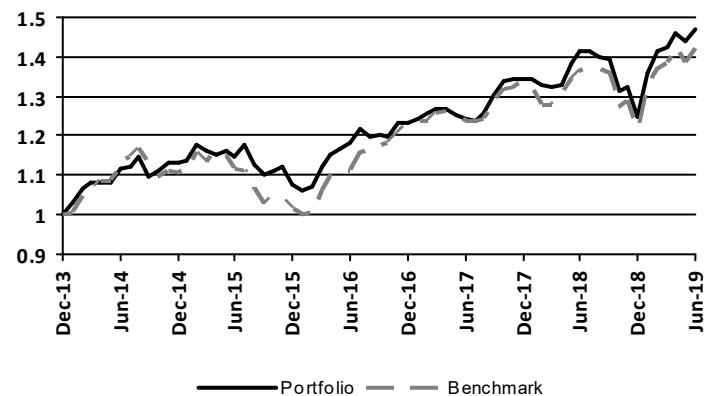
Relative to the start of the year, the TSX fundamentals have moderated but remain attractive. Valuations have risen in line with the market's rebound, from 12.3 times current year earnings at the outset of the year to 15.9 times at the end of Q2. 2019 earnings are expected to grow at 6.0% year over year, an improvement from the previously estimated 3.8% at the beginning of the quarter.

The 18 AM team has been managing Canadian equities for more than 25 years. We have time-tested our disciplined, systematic process through interest rate cycles, growth and retraction phases, and through our share of stock market shocks. We believe a focus on company fundamentals, rather than speculating on macroeconomic and political events, provides investors the best opportunity for long-term success.

**Portfolio Description**

The 18 Asset Management Canadian Equity Fund invests solely in Canadian equities, selected from large/mid cap companies in Canada. A portfolio of 30 stocks, it combines two independent 15 stock style allocations, one Offence-oriented and one Defence-oriented. Risk management is an integral part of the portfolio management process and includes style diversification, broad sector exposure and sell disciplines.

The portfolio's investment objective is to outperform its benchmark, the TSX Total Return Index (TSX TRI), by 2% per year. The portfolio is suitable for clients seeking enhanced return opportunity from their Canadian Equity allocation through focused portfolios with high active share.

**Growth in Value of \$1 Since Inception**

**Performance History**
*Inception date 12/31/2013*

<i>For the period ended</i> 2019-06-30	Since Inception	3 Month	YTD	1 Year	2 Year	3 Year	4 Year	5 Year
Portfolio Return	7.25%	3.18%	17.85%	3.81%	8.68%	7.49%	6.38%	5.67%
Benchmark Return	6.55%	2.58%	16.22%	3.87%	7.09%	8.39%	6.17%	4.67%
Out/Under Performance	0.69%	0.60%	1.63%	-0.07%	1.59%	-0.91%	0.20%	1.01%
<i>Calendar Returns</i>	2018	2017	2016	2015	2014			
Portfolio Return	-7.32%	9.22%	14.41%	-4.71%	12.97%			
Benchmark Return	-8.89%	9.10%	21.08%	-8.32%	10.55%			
Out/Under Performance	1.57%	0.13%	-6.67%	3.61%	2.42%			

**Return and Risk Statistics**
*Based on monthly returns*

	Monthly	12 Month Rolling	Since Inception
# of Periods	66	55	Portfolio Standard Deviation
Frequency of Outperformance	50.0%	63.6%	Benchmark Standard Deviation
Average Outperformance	0.91%	2.70%	Tracking Error
Frequency of Underperformance	50.0%	36.4%	Correlation with Benchmark
Average Underperformance	-0.81%	-3.42%	Information Ratio
Best Absolute Return	9.16%	17.26%	Bull Capture
Worst Absolute Return	-5.80%	-9.05%	Bear Capture
Best Relative Performance	3.18%	8.69%	Largest Relative Drawdown
Worst Relative Performance	-3.07%	-6.67%	Trough Date

**Portfolio Characteristics**
*Refer to Glossary for more information on Portfolio Characteristics*

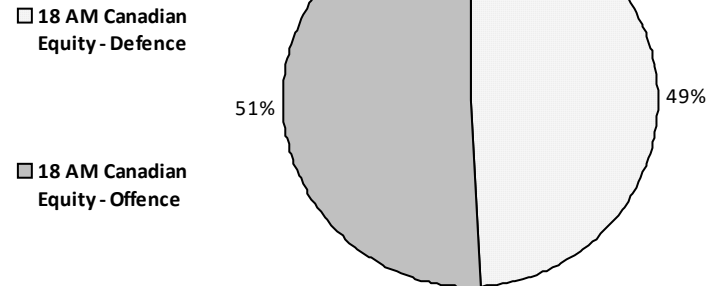
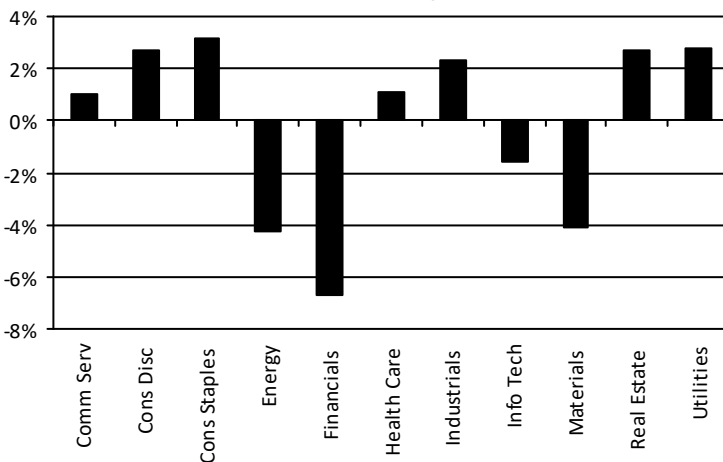
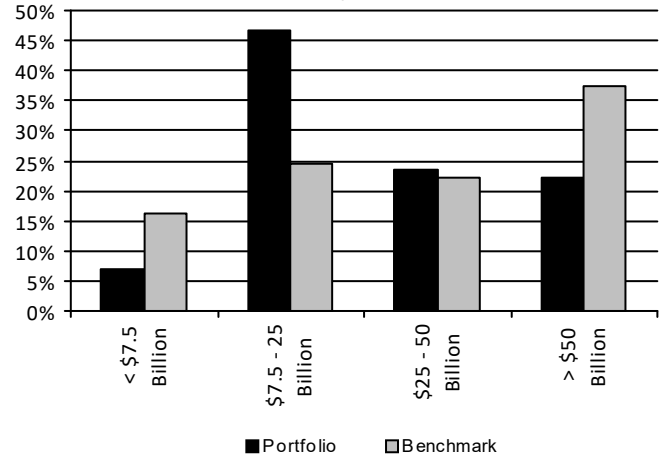
	Portfolio	Benchmark		Portfolio	Benchmark
Number of Stocks	30	239	Reinvestment Rate	8.58%	6.30%
Price/Earnings on Current EPS	14.5x	15.05x	Quarterly Earnings Growth	2.78%	0.99%
Price/Earnings on Trailing EPS	15.62x	15.91x	Quarterly Earnings Surprise	0.86%	0.39%
Price/Book	2.15x	1.79x	Estimate Revision from 3 Months Ago	2.02%	2.19%
Price/Cash Flow	8.12x	7.83x	Price Change from 3 Months Ago	4.62%	1.80%
Expected Yield	2.91%	3.13%	Price Change from 6 Months Ago	19.66%	14.58%

*Performance is shown gross of all fees. Performance data is historical and not indicative of future performance. Returns are annualized for periods greater than 1 year. The benchmark for the fund is the TSX Composite Total Return Index. This document is for information purposes only.*

**Portfolio Strategy**

The portfolio is designed to capture the benefits from two central portfolio management principles; i) focused portfolios and ii) high conviction style betas. By combining two 15 stock focused portfolios - a low volatility, high income portfolio (Defence) with a high growth and momentum portfolio (Offence) - it takes advantage of changing markets and provides clients with exposure to beta complements.

Using our systematic stock selection process we select companies that exhibit the most attractive fundamental factors representing the two style betas. Companies within each focused style portfolio are equally weighted with periodic rebalancing across holdings and styles.

**Style Allocation**

**Sector Active Weights**

**Market Cap Breakdown**

**Top 10 Holdings**

Company	% Portfolio
Fortis Inc.	3.63
Restaurant Brands International Inc.	3.61
Metro Inc.	3.60
Quebecor Inc.	3.55
Aliment'n Couche-Tard	3.52
Lundin Mining Corp.	3.52
Constellation Software	3.51
TC Energy Corp.	3.50
Emera Inc.	3.48
Sun Life Financial Inc.	3.47
<b>Total:</b>	<b>35.38</b>

**Top 10 Overweights**

Company	% Active Wgt
Lundin Mining Corp.	3.32
Quebecor Inc., B	3.31
Parkland Fuel Corp.	3.13
Metro Inc.	3.08
Power Financial Corp.	3.01
Air Canada	3.00
CAE Inc.	2.96
Emera Inc.	2.93
Kirkland Lake Gold Ltd	2.92
Cdn Apartment Prop REIT	2.81
<b>Total:</b>	<b>30.47</b>

**Top 10 Underweights**

Company	% Active Wgt
Enbridge Inc.	-4.18
Cdn National Railway	-3.82
Royal Bank of Canada	-3.07
Toronto-Dominion Bank	-2.99
Brookfield Asset Mgmt	-2.39
Manulife Financial Corp	-2.04
Cdn Natural Resources	-1.84
Nutrien Ltd.	-1.79
Shopify Inc.	-1.70
Barrick Gold Corp	-1.58
<b>Total:</b>	<b>-25.41</b>