

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.

As of the close of 2018, the 18 AM Canadian Equity portfolio has attained a milestone 5-year track record. Over that period, the strategy 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 so both by having 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.

Q4 Highlights: 18 AM Canadian Equity portfolio declined 10.7% in the fourth quarter, slightly below the TSX. Further details of the portfolio and style performance is shown in the following table.

Performance	Q4 2018	1 Year	Since Inception	
			Return	Volatility
Offence*	-14.9%	-8.9%	1.5%	10.6%
Defence*	-6.3%	-5.9%	7.4%	7.5%
Portfolio**	-10.7%	-7.3%	4.5%	7.7%
Benchmark	-10.1%	-8.9%	4.0%	8.2%

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

Widespread weakness in the Energy sector was the largest detractor from both the portfolio's and the index's Q4 return. The portfolio underperformed the benchmark in this sector primarily due to overweight positions in Encana (-53.3%) and Husky Energy (-37.3%), both of which were held in the Offence style portfolio. Encana was removed from the portfolio during the quarter. The portfolio's exposure to Financials was also a significant detractor from Q4 return. However, the portfolio's underweight in the sector relative to the TSX impacted the performance to a lesser extent. Positive contributions to the portfolio came from holding Metro (+18.3%), a grocery and drug store operator and Kirkland Lake Gold (+45.6%), a mining company.

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/CMPS and 18 AM.

Market Overview

The final quarter of 2018 saw declines across most major equity markets globally. Downward performance was significant enough to more than wipe out positive (and in some markets, record) returns during the first three quarters of the year. The Canadian market, which has persistently lagged US and global markets since the Global Financial Crisis, ended the year down 8.9%, ahead of the EAFE but behind the US. The final days of the year saw several significant daily performance swings, both upward and downward, causing volatility levels to rise sharply and setting the stage for further uncertainty in the new year.

For Q4, the TSX Index was down 10.1%. There were very few places for investors to hide in the quarter, and accordingly, many areas to point to for contributing to the poor performance. From a sector perspective, 7 of 11 sectors were down, with Energy and Financials, the two largest sectors in the index having significant declines. From a size perspective, small caps fared even worse than the broad market TSX. Similarly, both the market cap weighted and the equal weighted TSX had losses. From a style (factor) perspective, be it value, growth, low volatility or high dividend, the majority of strategies targeting factor exposure experienced negative returns.

Highlights of the TSX return for Q4 include:

Stocks – Over 75% of companies in the TSX experienced losses in Q4, and 2/3 of those with declines suffered drops of 10% or more. Worst performers were Maxar Technologies (-60.8%), an integrated space solutions company, Aphria (-56.4%), a medical marijuana company and Bombardier (55.9%), a transportation company. The majority of positive performing constituents in the TSX in Q4 were gold stocks, with SSR Mining (+46.9%) and Kirkland Lake Gold (+45.6%) topping the list.

Sectors – Declines in the TSX's heavily weighted sectors Energy (-4.9%) and Financials (-3.2%) contributed 70% of the TSX decline in Q4. Only 3 sectors, Consumer Staples (+5.9%), Communication Services (+1.9%) and Materials (0.9%) managed positive returns.

Styles – For the first 3/4 of the year, the Offence style had been experiencing a period of significant outperformance versus the corresponding Defence style (a relatively infrequent occurrence since inception of the portfolio). However, Q4 saw the style leadership revert back to the Defence style which held out to be the better performer overall in 2018.

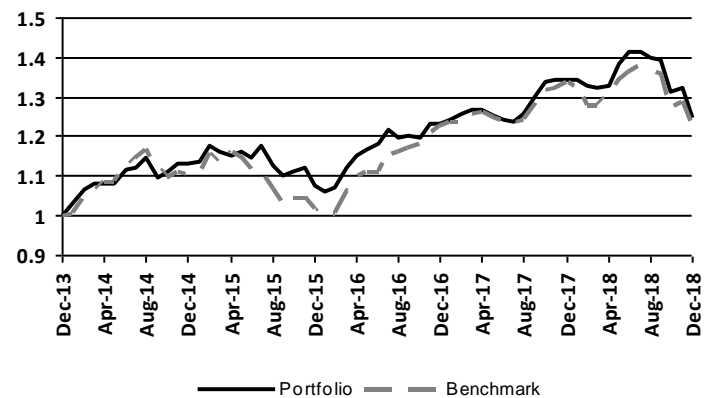
Despite heightened uncertainty, precipitated by an unstable political climate impacting global trade and interest rate policy, as well as ongoing concerns over consumer debt and housing, the attractiveness of the fundamental profile of the Canadian market has remained firm. A variety of metrics provide evidence of the continuing strength of TSX earnings, including positive momentum of quarterly reported earnings and positive earnings surprise in the most recent quarter. Year over year earnings growth is estimated to reach 12%. Recent market weakness has only served to improve the valuation profile of the overall market. Currently, the current Price/Earnings ratio of the TSX is attractively priced at 12.3 times, versus 15.3 times at the start of the year.

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>	<i>2018-12-31</i>	Since Inception	3 Month	YTD	1 Year	2 Year	3 Year	4 Year	5 Year
Portfolio Return		4.51%	-10.67%	-7.32%	-7.32%	0.61%	5.01%	2.49%	4.51%
Benchmark Return		4.05%	-10.11%	-8.89%	-8.89%	-0.30%	6.36%	2.49%	4.05%
Out/Under Performance		0.45%	-0.56%	1.57%	1.57%	0.91%	-1.35%	0.00%	0.45%
<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	60	49	Portfolio Standard Deviation	7.73%
Frequency of Outperformance	50.0%	65.3%	Benchmark Standard Deviation	8.21%
Average Outperformance	0.91%	2.89%	Tracking Error	4.06%
Frequency of Underperformance	50.0%	34.7%	Correlation with Benchmark	0.87
Average Underperformance	-0.85%	-3.96%	Information Ratio	0.11
Best Absolute Return	4.46%	17.26%	Bull Capture	76.7%
Worst Absolute Return	-5.80%	-9.05%	Bear Capture	74.0%
Best Relative Performance	3.18%	8.69%	Largest Relative Drawdown	-8.20%
Worst Relative Performance	-3.07%	-6.67%	Trough Date	2017-12-31

Portfolio Characteristics
Refer to Glossary for more information on Portfolio Characteristics

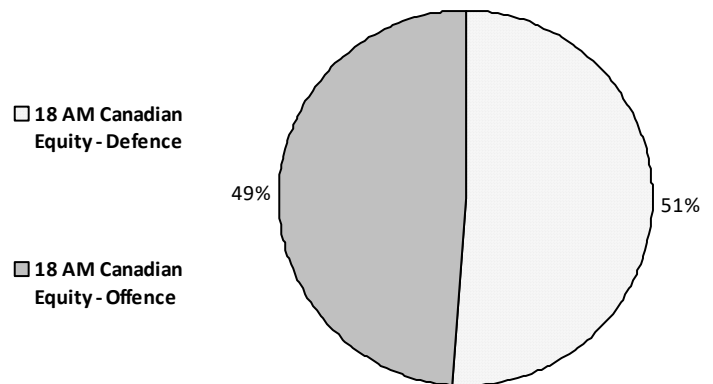
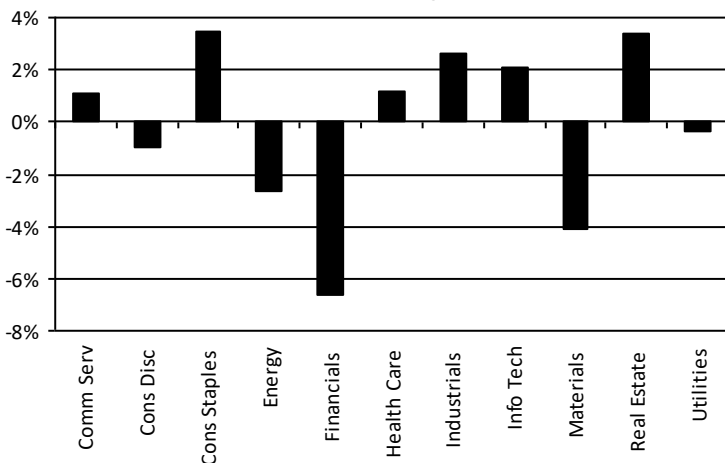
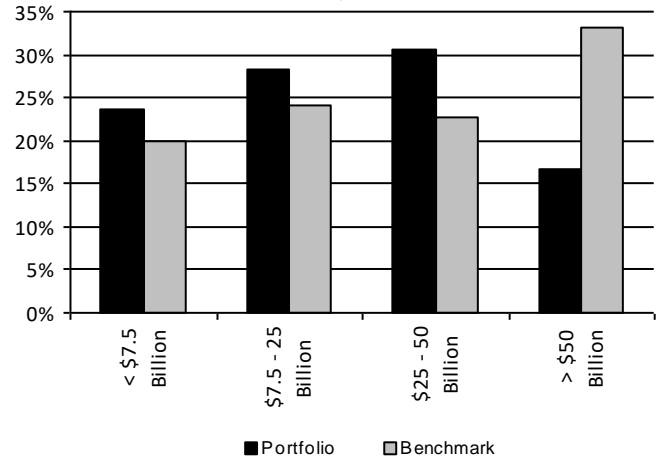
	Portfolio	Benchmark		Portfolio	Benchmark
Number of Stocks	30	241	Reinvestment Rate	9.89%	7.47%
Price/Earnings on Current EPS	12.08x	12.31x	Quarterly Earnings Growth	6.86%	3.95%
Price/Earnings on Trailing EPS	13.72x	13.86x	Quarterly Earnings Surprise	1.96%	0.97%
Price/Book	1.89x	1.59x	Estimate Revision from 3 Months Ago	2.67%	-1.00%
Price/Cash Flow	7.7x	6.97x	Price Change from 3 Months Ago	-9.24%	-10.91%
Expected Yield	3.06%	3.43%	Price Change from 6 Months Ago	-6.50%	-12.09%

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
Waste Connections Inc.	4.15
Metro Inc.	4.06
Kirkland Lake Gold Inc.	3.86
Quebecor Inc.	3.84
Fortis Inc.	3.74
Royal Bank of Canada	3.63
Constellation Software	3.54
Cdn. Imperial Bank	3.51
Sun Life Financial Inc.	3.40
Aliment'n Couche-Tard	3.40
Total:	37.13

Top 10 Overweights

Company	% Active Wgt
Quebecor Inc., B	3.58
Kirkland Lake Gold Ltd	3.53
Metro Inc.	3.49
Parkland Fuel Corp.	3.13
Cdn Apartment Prop REIT	3.06
Toromont Industries Ltd	3.00
Imperial Oil Limited	2.89
RioCan REIT	2.87
Waste Connections Inc	2.82
Fortis Inc.	2.77
Total:	31.14

Top 10 Underweights

Company	% Active Wgt
Enbridge Inc.	-4.28
Cdn National Railway	-3.67
Royal Bank of Canada	-3.09
Toronto-Dominion Bank	-2.97
Brookfield Asset Mgmt	-2.28
Cdn Natural Resources	-1.98
Manulife Financial Corp	-1.92
TELUS Corporation	-1.35
Rogers Communicat.,B	-1.25
Barrick Gold Corp	-1.07
Total:	-23.87