

Market Overview

For US and International markets, 2018 began on an uptrend, extending their impressive gains of 2017. However, after peaking in late January, global equities saw a sharp reversal, weakening through February and March to end the quarter at below year-end levels. Amid escalating tensions surrounding global trade and political uncertainty in the United States, volatility across markets has also experienced a sharp uptick. On the home front, the broader Canadian market, represented by the TSX Index, participated in broad market losses and ended the period down 4.5%. Despite strength in the underlying economic fundamentals, many uncertainties exist surrounding expectations for continued strength in 2018, including the possibility of changes to NAFTA, the impact of lower housing prices, the extended state of consumer balance sheets and the strength of the Canadian dollar now versus a year ago.

Bay Street analysts are expecting an average growth rate in earnings for all TSX constituents of 12.7% in 2018. With the moderation in the market performance, the TSX is trading at 15.1 times earnings as of the end of the first quarter vs 16.5 times at the start of the year. Many market watchers have expressed concerns over elevated valuation levels globally. However in the Canadian space, valuations at these levels are not stretched. Early signs for 2018 earnings expectations being met are positive. First, earnings are currently showing resilience as reported earnings for the most recent quarter have come in higher than forecast by an average of 1.0%. Second, analysts have continued to increase their earnings growth expectations for 2018 in the past three months.

Rounding out the justification of the TSX at current valuation levels is a solid dividend yield of 3.1%, an attractive level versus bond yields. The dividend yield of the TSX is based on companies paying out only 47% of earnings, leaving room for dividend sustainability if not future growth.

Highlights of the TSX return for the fourth quarter include:

Stocks – Market breadth reversed its pace from the prior quarter. Roughly two companies in the index posted a negative Q1 return for every one with a positive return. Almost 30% of companies posted a loss of more than 10%. Energy companies featured heavily among the index Q1 losers, with Enbridge (-16.3%) contributing the most to the index decline. Shopify and Constellation Software were two of the top positive outliers, gaining 26% and 15% respectively. Bombardier was also a strong performer, gaining 24% on positive trade pronouncements.

Sectors – Following the global trend of strength in the tech sector, Information Technology (up 10.1%) was the noticeable stand-out performer amongst its sector peers in the first quarter. Real Estate was the next best performer (up 0.5%), as dividends allowed the sector to appreciate marginally, while all remaining sectors declined in the period. Energy, Financials and Materials, which dominate the TSX Index by weight, were the largest contributors to the market's decline in the quarter.

Styles – During Q1, there were few places for investors to hide from a style perspective. Losses were felt by many of the notable style/factor strategies, including those with emphasis on Growth, Value, Low Volatility and Dividend exposure. Of particular note was the relatively significant underperformance of dividend strategies, which have been the darling of the market for some time.

18 AM Canadian Equity Highlights

The 18 AM Canadian Equity portfolio is uniquely positioned, with exposure to two focused style portfolios, Offence (growth and momentum) and Defence (income and quality). For both the Offence and Defence styles, we select companies exhibiting attractive balance sheet and income statement fundamentals (factors) that represent the respective style. By combining style allocations, the portfolio benefits from broader sector and market cap exposure, broad factor exposure and lower portfolio volatility relative to a single style portfolio.

The 18 AM Canadian Equity portfolio declined 1.5% in the first quarter, as compared to the index which was down 4.5% after dividends. Since inception, the portfolio has outperformed the S&P/TSX Composite Index and has done so with a lower volatility relative to its benchmark.

Performance				
	Q1 2018	1 Year	Since Inception	
			Return	Volatility
Offence*	2.6%	7.7%	4.7%	9.7%
Defence*	-5.5%	1.0%	8.8%	7.1%
Portfolio**	-1.5%	4.4%	6.8%	6.8%
Benchmark	-4.5%	1.7%	5.9%	7.5%

*The chart depicts performance data for the style model portfolios tracked by 18 AM and is for information purposes only. 18AM does not market its style model portfolios. Inception date December 31, 2013.

Positive contributions to the portfolio's performance for the quarter:

- Holding both Shopify and Constellation Software provided significant contributions to outperformance.
- Stock selection in Materials, specifically holding two of the sectors better performers, West Fraser (+10.6%) and Methanex (+3.1%) while avoiding gold companies such as Barrick (-11.5%).
- The Offence style outperformed the TSX during the quarter, benefitting from security selection focused on growth and price momentum which was rewarded in the period.

Detracting from the portfolio's relative return:

- Security selection within Financials, specifically holding CIBC which declined 6.1%, almost triple the decline of the other 5 major banks, and holding IGM Financial (-13.3%).
- The Defence style endured a rare occurrence of significant underperformance, lagging more than 7% behind the Offence style in the quarter. This experience paralleled the various dividend index strategies we track, and is a response to rising interest rate environment.

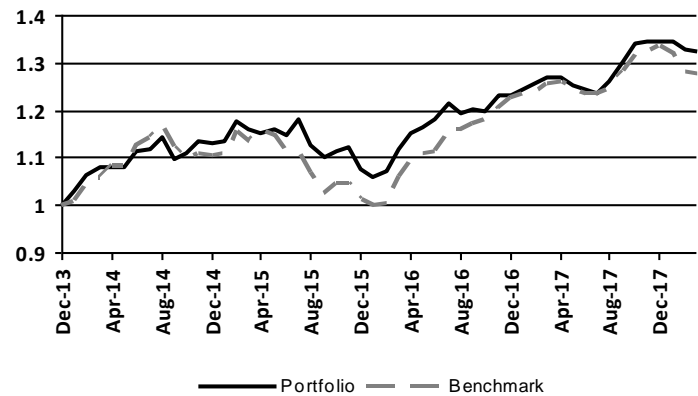
Our focus on systematic security selection, income statement and balance sheet fundamentals, style diversification and portfolio risk management, will aid us in navigating the portfolio through any market conditions for long-term success. The 18 AM team has been managing Canadian equities for more than 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.

** 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 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

For the period ended	2018-03-31	Since Inception	3 Month	YTD	1 Year	2 Year	3 Year	4 Year
Portfolio Return		6.84%	-1.52%	-1.52%	4.39%	8.76%	4.52%	5.26%
Benchmark Return		5.95%	-4.52%	-4.52%	1.71%	9.84%	4.07%	4.78%
Out/Under Performance		0.90%	3.00%	3.00%	2.68%	-1.08%	0.45%	0.48%
<i>Calendar Returns</i>		2017	2016	2015	2014			
Portfolio Return		9.22%	14.41%	-4.71%	12.97%			
Benchmark Return		9.10%	21.08%	-8.32%	10.55%			
Out/Under Performance		0.13%	-6.67%	3.61%	2.42%			

Return and Risk Statistics
Based on monthly returns

	Monthly	12 Month Rolling		Since Inception
# of Periods	51	40	Portfolio Standard Deviation	6.85%
Frequency of Outperformance	51.0%	57.5%	Benchmark Standard Deviation	7.54%
Average Outperformance	0.95%	3.32%	Tracking Error	4.23%
Frequency of Underperformance	49.0%	42.5%	Correlation with Benchmark	0.83
Average Underperformance	-0.85%	-3.96%	Information Ratio	0.21
Best Absolute Return	4.46%	17.26%	Bull Capture	77.7%
Worst Absolute Return	-4.35%	-9.05%	Bear Capture	61.3%
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

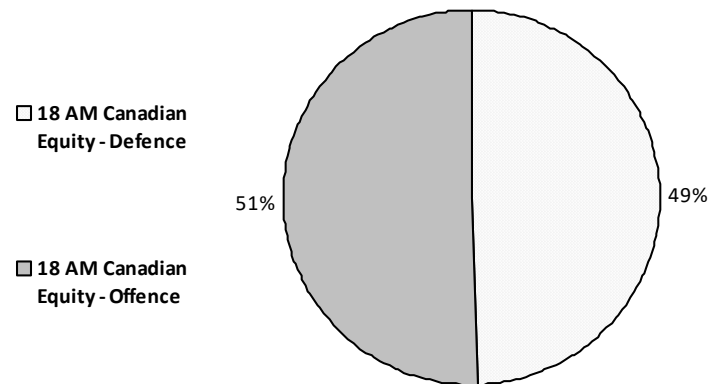
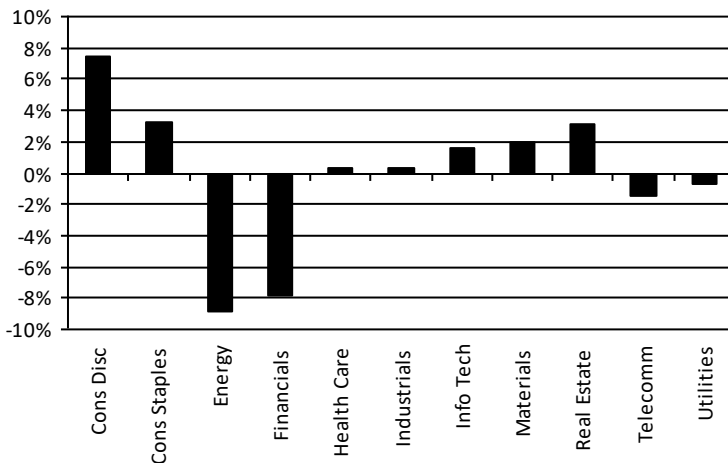
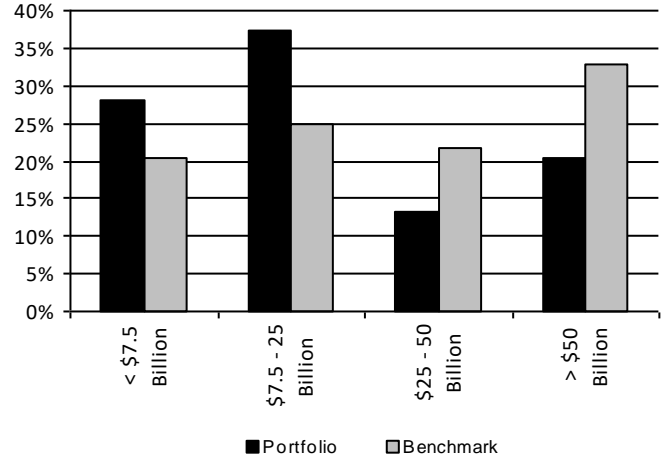
	Portfolio	Benchmark		Portfolio	Benchmark
Number of Stocks	31	250	Reinvestment Rate	9.56%	6.39%
Price/Earnings on Current EPS	14x	15.12x	Quarterly Earnings Growth	3.76%	6.52%
Price/Earnings on Trailing EPS	15.25x	16.91x	Quarterly Earnings Surprise	1.28%	1.13%
Price/Book	2.09x	1.81x	Estimate Revision from 3 Months Ago	6.83%	3.42%
Price/Cash Flow	8.01x	8.06x	Price Change from 3 Months Ago	-0.49%	-5.13%
Expected Yield	2.57%	3.08%	Price Change from 6 Months Ago	6.13%	-1.42%

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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
Sun Life Financial Inc.	3.70
Cdn. Imperial Bank	3.66
Royal Bank of Canada	3.60
Empire Company Ltd.	3.56
Waste Connections Inc.	3.53
Methanex Corp.	3.46
The Stars Group Inc.	3.43
Bank of Montreal	3.39
Air Canada	3.39
Suncor Energy Inc.	3.36
Total:	35.07

Top 10 Overweights

Company	% Active Wgt
Empire Company Ltd., A	3.36
The Stars Group Inc.	3.22
Methanex Corporation	3.16
West Fraser Timber Co.	3.08
Air Canada	3.04
Cdn Apartment Prop REIT	2.97
Toromont Industries Ltd	2.89
Quebecor Inc., B	2.88
Metro Inc.	2.84
Power Financial Corp.	2.71
Total:	30.16

Top 10 Underweights

Company	% Active Wgt
Cdn National Railway	-3.29
Enbridge Inc.	-3.23
Royal Bank of Canada	-3.15
Toronto-Dominion Bank	-3.09
Manulife Financial Corp	-2.23
Cdn Natural Resources	-2.08
Brookfield Asset Mgmt	-2.05
Cdn Pacific Railway Ltd	-1.54
Bank of Nova Scotia	-1.31
TELUS Corporation	-1.26
Total:	-23.23

