Q1 April, 2017

QUBE

Quarterly
Newsletter

What's in our Universe?

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Letter from the editor

I first wanted to take this oppotunity to thank everyone who was able to make it out to our last Qube Client Event for coming. Your attendance made this our most successful event held to date. If it didn't fit with your schedule, don't worry! We plan on holding these events at least two times per year.

It seems that every time a newsletter comes out, there is a new Qube team member to be introduced. This edition is no exception. This time around, Mark Ringrose is the 'new guy' having been with Qube for almost three months now. We managed to steal him away from RBC Wealth Management where he had worked as an Investment Advisor for the last couple of years. Mark is engaged as a client relations representative and investment researcher, while also haveing been tasked with taking on management of the Group Savings Plans that we offer to employers.

I am also excited to announce that we have now officially launched our new website. You may have noticed that the old one was getting a little tired - we certainly did. Whether you are a new client or have been with us for years, the new website has a lot to offer. In addition the material that is currently provided, we will be making a concerted effort to keep the website updated with our research that didn't make it into the newsletter.

Our new site address is qubeinvest.ca. I hope you find this to be a valuable resource.

This newsletter is a way for us to reach out to you and share our perspectives. In turn, we love to hear from you, and welcome any feedback or comments that you have.

Thank you for your continued trust in us,

Noah Clarke, MA Economics
Operations Manager

Qube Investment Management Inc. is a registered portfolio management firm in the provinces of Alberta and British Columbia.

We are proud to serve you from our headquarters in Edmonton.

Kaleo & Qatalyst Portfolio Performance

	YTD	1-Year	3-Year	5-Year	Inception
Kaleo A	6.1%	15.0%	13.0%	16.5%	14.3%
Kaleo B	5.6%	16.6%	14.3%	16.0%	14.0%
Kaleo Full	6.1%	16.6%	14.5%	17.4%	14.8%
Kaleo Benchmark	3.3%	19.3%	11.7%	13.9%	11.8%
Qatalyst	7.2%	26.1%	--	--	--
Qatalyst Benchmark	5.1%	20.0%	17.6%	19.9%	18.2%

Note: All returns are reported as net of trading costs, but do not account for management expense fess. Returns for periods of a year or more are provided as annualized returns.

Kaleo

This model was launched in January of 2011.

Kaleo consists of a portfolio of stocks that are selected using an investment approach that applies company-specific fundamental analysis, and strategic macroeconomic positoning. The model invests in a mix of Canadian and Global equities, with geographic weighting subject to change intermittently.

Our Kaleo Full model is composed of 43 stocks + 2 index ETFs. For clients with invested funds in the $250K to $1M range, we offer two subsets of this model (Kaleo A & Kaleo B) in order to reduce brokerage fees.

Returns since inception for each of our Kaleo models are similar by design.

We currently aim to hold a stock for 3-5 years in our Kaleo models. This means that we have an average portfolio turnover of 25%.

We purposefully chose our benchmark to more accurately represent the broad geographic diversification of our holdings in Kaleo. The Kaleo Benchmark reported in the table above is calculated as 50% of the S&P 500 (in CAD$) and 50% of the S&P TSX.

Qatalyst

This model was launched in January of 2016.

Qatalyst consists of a portfolio of stocks we believe to represent the best opportunity for positive returns within a 3-5 year investment horizon, regardless of short-term volatility. Companies are selected using an investment thesis that primarily includes the realization of a catalyst.

Qatalyst is a concentrated portfolio, oftentimes consisting of between 10 and 20 stocks. While we aim to offer diversification amongst various market and geographic sectors, it is not assured.

Due to the less conservative nature of the portfolio, clients are encouraged to also hold a mixture of fixed income investments, as well as our more diversified and less concentrated Kaleo model in order to moderate and match investor specific tolerance for risk.

The S&P 500 (currency adjusted) is applied as our benchmark for Qatalyst due to the higher relative concentration of US companies held in this model.

IA Models: Fund Performace

	Allocation	YTD	1-Year	3-Year	5-Year	10-Year
Fidelity NorthStar	10.00%	1.9%	4.1%	8.8%	14.2%	5.0%
Fidelity True North	20.00%	0.2%	7.1%	4.3%	8.0%	3.4%
Global Dividend (Dynamic)	30.00%	6.6%	13.2%	10.7%	12.0%	5.4%
US Equity Index (BlackRock)	40.00%	4.6%	16.8%	13.7%	16.1%	5.6%
Equity Portfolio		4.1%	3.7%	9.3%	10.4%	4.9%
Bond Portfolio (IA Bond Fund)		1.3%	0.5%	2.4%	1.8%	--

Note: All returns for periods of a year or more are reported as annualized returns. Returns listed above are for the period ending March 31, 2017.

Qube Investment Management has over 15 years experience in managing Individual Fund Portfolios and Group Savings Programs that are offered to companies in various industry sectors.

In our search for a carrier that meets Qube's high standards, we found Industrial Alliance Financial Group. Based out of Quebec City, iA serves more than three-million Canadians and has over $71.5 billion in assets under management and administration. They lead the pack in providing accessible, user friendly, cost-efficient investment resources.

Groups Savings Plans

We pride ourselves on being objective, impartial and committed to financial literacy for plan members. If an employer is offering a Group Retirement Program, our objective is to make certain that their Staff are truly benefiting from this program in a sustainable, fee efficient manner. Most importantly, we commit to applying the same rigourous standards of investment management to Group Savings Plans, as we do for all of our investment models.

More information on our Group Savings Plans can be found at qubeinvest.ca

Individual Savings Plans

In addition to our in-house Kaleo portfolio, we also manage a segregated fund model at Industrial Alliance (IA). Unlike our Kaleo model where we have sole discretion when it comes to the selection of equities, our model at Industrial Alliance invests in exclusive fund managers that are contracted by IA. This means that while we could choose which mutual funds comprise a client's portfolio, we have no say in the specific holdings of each fund.

Our model at Industrial Alliance was initiated at the beginning of 2005 and eventually replaced our Manulife segregated fund model. The model has consistently added value for shareholders. A fact that can be attributed to the diversified set of fund assets held in our fund portfolio as well as the active style of management that we provide.

Industrial Alliance offers a diverse range of mutual fund investment options for their Savings and Retirement clients. Using these options, Qube has created a globally diversified portfolio to help withstand the inherent volatility in the stock market. The table above highlights the funds we currently hold in our Individual model, as well as the returns this portfolio has generated over time.

Signs for Optimism in the US

Noah Clarke, MA

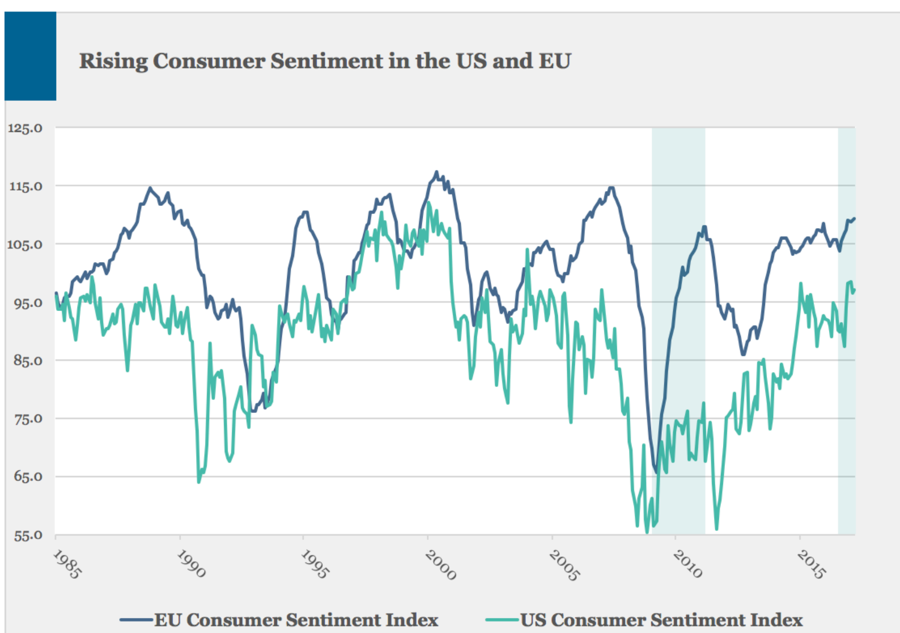
Two out of the three worst Bear-Markets to hit the US financial system occurred within the last 15 years. Each emphasized a general failure to acknowledge the role that irrational psychological factors had in driving markets during the preceding period. Today, the underlying warning has a pervasive effect (directly or otherwise) on the psyche of market participants. With both events still vivid in our rearview mirror, we as investors seem to be conditioned to read hubris into prolonged market upswings. But is this rational in the current context? Is their real support for expectations of a pending market reversal?

The post-recession Bull-Market run is certainly long in the tooth, but the most recent economic indicators released for the US point to a newly developing secular trend that could help to rejuvenate what is now an 8-year old Bull-Market. Though growth during the preceding eight-year period was largely underpinned by accommodating interest rates, this status quo is now changing. Monetary policy is being tightened stepwise by the Fed, while the US economy is now seen to be situated on much firmer ground and capable of maintaining stable growth from within.

Indeed, for almost all of the leading economic indicators reported by the US Conference Board, we see new 10-year highs being hit, while consumer confidence sits at a post-recovery high, and unemployment claims are hitting their lowest levels since the early 1970s. Importantly, employment growth does not appear to exhibit a tradeoff for lowered wages. This being a key consideration given that the economic gains attributed to employment growth are much less meaningful when coupled with stagnant or decreasing wages. According to the Atlanta Fed's Wage Tracker, employment growth has surely been robust, with average hourly earnings for full-time and part-time workers up 3.7% and 2.3% respectively during the last twelve months. In theory, these factors should translate to increased consumption and thereby boost top-line growth for companies in the US.

Yes, the US economy expanded during the last eight-years, but it did so at a muted annual pace of less than 2%, which is the slowest post-WWII period recovery on record. The current trend is somewhat more uplifting. Over the past several quarters growth has been strengthening. The economy is starting to build momentum, which should, holding all things constant, translate to a higher growth path. At the same time, we aren't necessarilty shooting for the stars here. With near-to-full employment, the potential for any dramatic jump in growth is still contingent on significant improvements being made to productivity – unlikely given that output per hour rose by only 1.3% in 2016. The Donald may be disappointed as a more realistic target for U.S. growth is arguably in the mid 2-3% range, but this would still represent a meaningful uptick.

Admittedly, expectations of a meaningful recovery have surfaced in prior years only to be undermined by global reversals –



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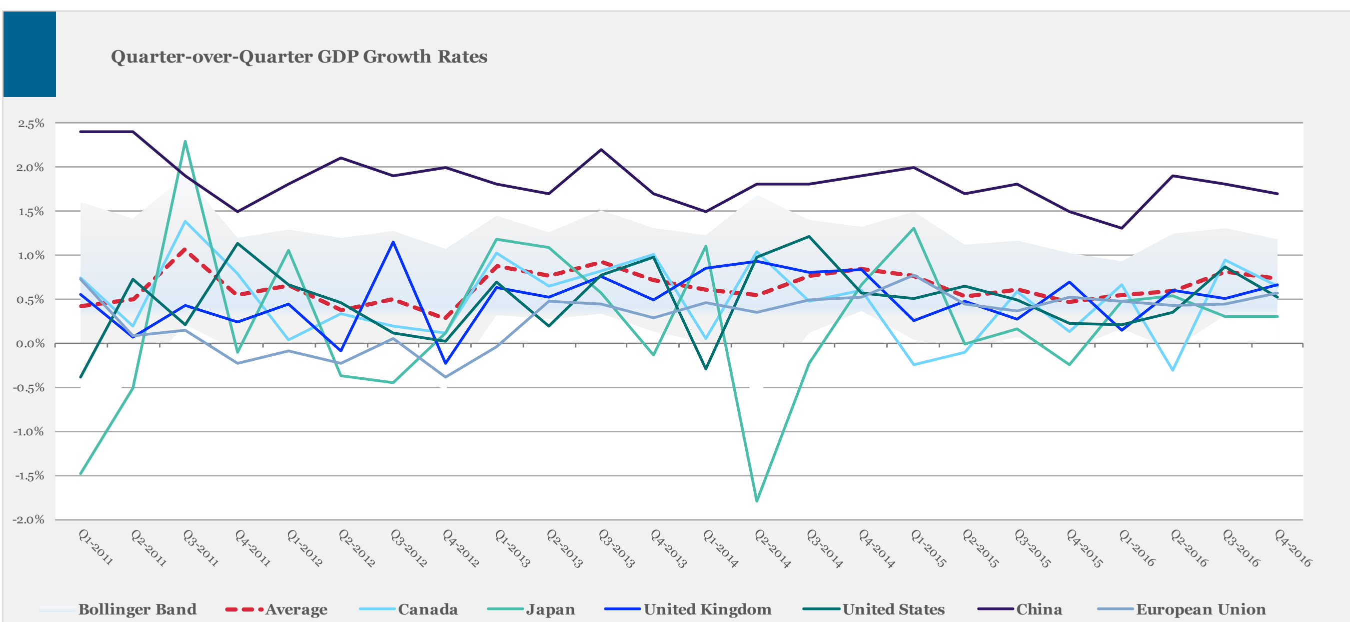
among them, the euro crisis, dropping oil prices, falling growth in the BRIC nations and rising debt-fears in China. But green shoots appear to be firming up globally. The US economy is not alone in demonstrating positive economic indicators.

To list a few highlights from the prior quarter: The European Central Bank's stimulus seems to be having the desired effect of stimulating borrowing, while the EU consumer sentiment index concurrently climbed to levels not seen since 2011. In Canada, the domestic economy started the new year off with a bang, doubling the market consensus by growing at an annualized rate of 2.6% for the fourth quarter of 2016. It's a promising sign for the Canadian economy that this growth was widespread across market sectors, with wholesale trade, the retail sector, construction, mining and oil and gas all on the rise. Lastly, in Japan exports are increasing on the back of a weakened Yen, stimulating factory activity and subsequently improving the country's trade balance. Business investment, consumption spending and employment rates have followed suit, and as a result, the Bank of Japan has upgraded its forecast for growth in the current fiscal year from 1% to 1.4%. Ultimately, the geographic breadth of improvements makes for greater conf-dence that a global pick-up is taking root.

Now here's the best news: Affirmative global trends are leading financial results. The S&P 500 has clearly moved on from its earnings (bottom-line financials) and revenue (top-line financials) recession, which lasted for the six-quarters following 2014. Starting from the bottom, at the time of writing, FactSet reports that companies in the S&P 500 are expected to announce aggregate earnings growth of approximately 9.1% for the first quarter of 2017. If this expectation is borne out in the final data, it will mark the best quarter of growth since companies in the index posted 11.6% growth in the fourth quarter of 2011. With the Trailing Twelve-Month Price-to-Earnings ratio for the S&P 500 sitting at around 26 (up from 24 a year ago), you could say that the S&P 500 is "expensive", but sustained earnings growth will tend to support this higher valuation. Turning to top-line expectations, these are found to be equally assertive. Revenue growth for the same period is reported at 7.1%,which would mark the first time since Q2 2014 through Q4 2014 that the S&P 500 has seen year-over-



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year revenue growth for three consecutive quarters, and would also mark the strongest year-over-year growth in revenue reported by the index since Q4 2011.

Now, if only we could close on that note; however, there remain plenty of foreseeable obstacles to a sustained global upswing. For instance, the always present concern that target growth rates prescribed by the Chinese government will require an ever increasing ratio of debt to GDP. We know that this 'mountain' cannot grow in peretuity. And yet, we also know that while the Chinese government is firmly in control of the financial system, there is no reason for it to stop growing any time soon. The short-term risk here is how the market evaluates this risk – it has proven to be a potent psychological factor in recent years.

In the US, the benefits of cross-border integration are currently under fire. Although no physical barriers to trade are imminent (it's becoming more unlikely that a wall spanning the US-Mexico border will actually be built), increased restrictions on global trade and migration would be expected to negatively impact productivity and income growth in the US. This would also tend to accentuate exchange rate movements, thereby taking a toll on the prospects of future global growth and market sentiment.

Lastly, the proposed tax reductions and amped up infrastructure spending in the US demonstrate a double edged sword. While the successful implementation of these stimulus policies will fuel a boom in business investment, a failure to pass the proposed tax reforms and boost infrastructure spending will almost certainly result in an adverse reactions from the market.

These are all factors that will require our continued attention in 2017. In the meantime, we can best account for these potential risks by maintaining a well diversified portfolio.

In closing, we find that there is fundamental support for moderated optimism about US markets. Acknowledging the potential irony, there is little reason to suspect that it is hubris playing the primary role in pushing the market forward at present. Though threats to future sustainability still require close attention, the relative length of the current Bull-Market should not itself be viewed as an imminent risk. In 2017, we will look to position our portfolios to take advantage of the potential for realized economic growth, with a focus on the US.

A Case for General Motors

Patrick Choi, CFA

"That which does not kill us, makes us stronger."

In June of 2009, following the bankruptcy filing of Chrysler just several months' prior, General Motors announced their own government backed Chapter 11 bankruptcy reorganization. This was a pivotal, albeit foreseeable event. Though GM had held the top spot among the major American automakers since the early 1900's, the market position for each of the Detroit 3 had begun eroding as early as the 1970's, when Japanese auto makers started to make inroads with their better quality and lower cost vehicles.

Make no mistake, the fact that the Ford was able to avoid bankruptcy proceedings was not an indicator of superior operating strength. Ford too would have faced Chapter 11, if not for the "good fortune" that they were the first automaker to run out of money in 2006, when borrowing liquidity was still available. In the years leading up to 2009, the Detroit 3 had all posted staggering losses in the tens of billions of dollars as they worked to reverse the multi-decade slide in market share. Unfortunately, by the time they started to earnestly compete in terms of efficiency, quality and cost of labor, it was too late. Consumer preferences had already exhibited a large shift to Toyota, Honda or Mercedes.

Reanimated or Transformed?

The bankruptcy proceedings weren't planned as a multi-year restructuring. The auto task-force, appointed by Barack Obama to save GM & Chrysler, knew that the longer these companies stayed in bankruptcy, the more customers it would drive away, ultimately resulting in a messy liquidation. As of 2011, the US government has since transferred back control; leaving private investors to question whether these companies would simply amble along, or alternatively transform their operations to properly account for the needs of consumers as well as future trends. In terms of GM, so far all signs point to the latter.

Today the GM brand may not appear all that different from the GM that went bankrupt in 2009. The company is still one of the leading car manufacturers in the world (on par with VW and Toyota), but continues to be overshadowed by these major international brands. So why the buy recommendation? When we compare the pre and post-restructuring GM, it is clear that many important improvements have been made under the hood. Our finding was that GM has re-engineered itself to be stronger, and (most important) more profitable than it has ever been since the 1970's.

Our purchase of General Motors rides on 4 core theses:

1) Financial Discipline

Since emerging from bankruptcy, General Motors has worked hard to ensure that profitability, and not volume, remain their number one focus. To that end, Mary Barra, the CEO of General Motors, orchestrated 2 major exit decisions: A) the exit from Russian markets in 2015; and B) the exit from Europe with the divestiture of Opel and Vaux-hall in 2017. As a result of these and other efforts and initiatives, GM reported record earnings per share for the 2016 year.

2) Manufacturing Discipline

On the manufacturing side, GM has stepped up their game both in terms of enhancing build quality and reducing the number of vehicle platforms in use. At the end of 2014, GM was still employing twenty-six vehicle platforms (in certain instances producing only one make of car per platform). Today, the number of platforms has been reduced to seventeen, and GM has declared a target of bringing

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this count down to four by the year 2025. This reduction in vehicle platforms will potentially allow them to save billions of dollars in future costs, but cutting down the number of vehicle platforms isn't just a cost-efficient solution. With fewer platforms in use, engineering will be simplified and the R&D phase for future models will be greatly sped up. Honda and VW have both demonstrated the benefits of this increased modularity, and thankfully, GM seems to have been taking notes. At the same time, GM has also invested into their manufacturing processes to churn out better quality product. Per the latest (2016) JD Power survey on vehicle dependability, GM won the most awards per class of vehicle, beating out similar competitors like Toyota and Ford.

3) New Investments

Ever since the rise of Tesla and Uber, GM has worked hard to catch up to the shift in consumer trends. To that end, they have invested in both new types of vehicles and new ways in which people use vehicles. GM recently launched the Chevrolet Bolt (December 2016 for California, nationwide in 2017) in order to compete in the all-electric car space. As of today, the Bolt is the only all-electric car with a suggested retail price under $50K and a range capability that exceeds 200 miles per charge. The vehicle is designed to compete against the upcoming Tesla 3, while broadening GMs product lineup for early adopters.

In addition to expanding their product offering, GM is investing in future consumer trends, most notably by taking a 10% ownership position in Lyft (the main competitor to Uber). According to Forbes, GM had to settle for a smaller than desired stake in Lyft, but regardless, it is clear that they have no intention of being a passive partner. The two companies are already making good on their partnership with the announcement and deployment of a program called Express Drive, which allows new Lyft drivers, who don't have a suitable car, to rent a GM vehicle at a preferred rate that is also subsidized by Lyft. In addition, GM and Lyft also have plans to test a fleet of self-driving taxis on public roads. In contrast to the pre-bankruptcy GM, the company today has accounted for many of its future risks and positioned itself to benefit from the resulting opportunities.

4) Best Overall Investment

In our analysis of GM, we performed the same, in-depth analysis on both Ford and Toyota. We concluded that GM has the best overall investment potential due to a combination of strengthening fundamentals, and a low current valuation. In our opinion, Ford trades at similar valuations to GM, but lacks the long-term quality that we see demonstrated by GM. Furthermore, our ESG review conducted for Ford raised some concerns regarding their corporate governance practices having found that the company's board has a dual class voting structure, with the Ford family controlling 40% of the voting power. On the other hand, Toyota was found to demonstrate the best business fundamentals, but trades at much richer valuations, and therefore offers less upside potential.

Concluding Remarks

Notwithstanding potential macroeconomic headwinds including market saturation and rising interest rates, we continue to believe in the sustainability of the new GM so long as they continue to invest in the future and maintain both financial and manufacturing discipline. If our thesis is backed up by future results, then GM's forward price-to-earnings multiple of 6 could turn out to be incredibly cheap when compared to market multiples for the S&P 500. At the very least, it is our opinion that the risk and reward is such that it is worth taking a position.

Want more information on GM and our buy recommendation? The full analyst report is made available to our clients online at qubeinvest.ca.

What's in Our Universe?

Noah Clarke, MA

Our quarterly newsletters just wouldn't be complete without the 'traffic lights' section. We pride ourselves on our research-centric approach to investment management and this section allows us to keep you updated on our findings from the last quarter's research program. Nonetheless, this format tends to gloss over the first step in our research process, namely the preliminary selection of companies to be included in our research universe. I should clarify that before a company is ever subjected to our analysis, it must first pass a number of hurdles.

Every year or so we select up to 200 companies to include in our research universe – with the conditions necessary for making it onto this list changing on an annual basis. There are approximately 6500 companies traded on the major exchanges in Canada and the US; which is to say that an extensive filtering process is required in order for us to reach our target list.

Step One: Our Universe Filter

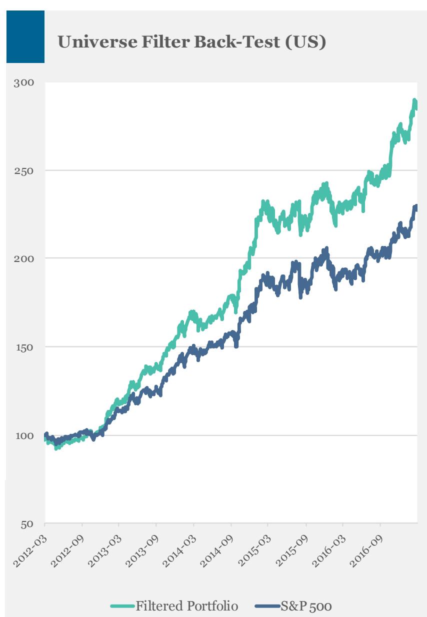
For 2017 the decision was made to alter our filtering process to account for the fact that markets are priced high relative to the norm. As a result we set our focus on companies that exhibited high book value relative to market value, while also showing strong financials and future growth prospects.

It was fortuitous that Joseph Piotroski, a Stanford University accounting professor, previously developed a promising method for identifying companies with these characteristics. Piotroski proposed a method for screening stocks based on a checklist that awards one point for each matched criterion relating to liquid balance sheets, profitability and operating efficiency. There are nine separate financial filters that go into this test (including demonstrating a growing asset-turnover ratio, increasing operating cash flows and a declining leverage ratio), with the highest possible score consequently being a nine. In his famous 1999 study, Piotroski published the results of a 20-year back-test that showed a statistically significant 7.5% increase in annualized returns for a portfolio that was composed exclusively of companies that scored from 7 to 9.

In order to comply with our investment principles we applied a few other screens to this process, including requirements for a company to be valued at higher than one-billion dollars, having no direct involvement in fossil fuel production, and showing no immediate ESG concerns.

The results from our own back-tests were promising. In the US context, a portfolio that was rebalanced to only hold companies that met our requirements, exhibited significantly higher returns than the S&P 500. For our experimental Canadian portfolio, the results were again positive, but appear to have been primarily influenced by the exclusion of fossil fuel companies.

Having applied this new process we ended up with a diversified list of 151 companies.



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Of course, the filtering of our research universe is only the first step of the process.

Step Two: Quantitative Review

Given the research universe, our team undertakes an initial quantitative study of the company. In this phase, we closely inspect key metrics and apply our proprietary evaluation methods to attain an implied market growth rate, to be compared with historical results in order to get an idea of whether the company is under or over-valued. Note that after passing our universe filter, the majority of companies do not pass the quantitative phase of our analysis and are then discarded.

Step Three: Qualitative Review

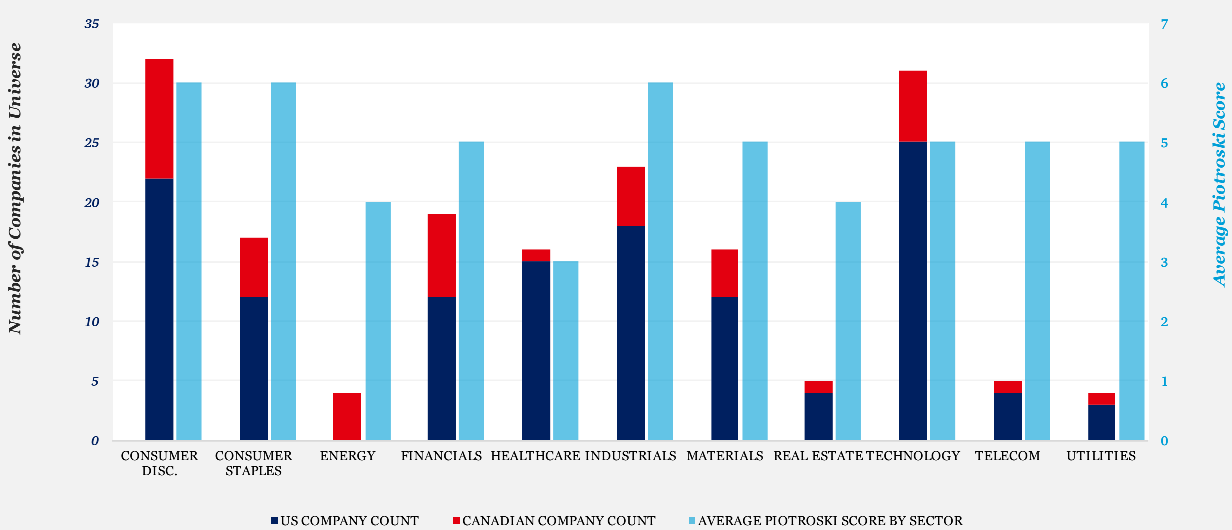
Next, we spend approximately 10 hours on a qualitative study of companies that remain. Here, we look in greater detail at each company's business strategy, their competitive advantages, their industry's outlook, their potential risks that might undermine historical performance, comparative valuations of similar companies and the quality of their management. This type of qualitative review has shown to be invaluable to our research process in the past. Up-arrow icons in our 'traffic-lights' section signal that a company has at the very least passed this stage of analysis.

Step Four: Final Review

Once the phase 2 is presented and the investment team is in general agreement, we move the company to a last stage of analysis. In this phase, we spend a lot more time (on average around 40 hours) in order to fully understand and articulate the logic and reasoning behind recommending a purchase of a particular company, as well as the risk and reward associated with our final decision. The development of this thesis will also help in determining when we might sell a particular security in the future (to be indicated as a down-arrow in our 'traffic-lights'). We take a long-term investment approach with Kaleo, but acknowledge that each holding inevitably has an expiry date – it's just a question of when.

Now almost three-months into the new year we can confirm that there is indeed life in the universe. You may notice that a few of our current holdings have been marked as trending down, while a number of potential buys have been discovered. Adjustments to the portfolio will follow. As always, we'll keep you updated on the final outcome.

SECTORAL BREAKDOWN FOR KALEO UNIVERSE



Patrick Choi, CFA

Every quarter we highlight some of the portfolio holdings and share with you our investment thesis (why we hold the stock). We also provide examples of news and activities we're seeing in the market that support or contradict that thesis. We'd like to give you some insight into our thought processes so you can understand why we hold or want to sell these companies.

Kaleo Full & Kaleo A Portfolio Holding

Baxter

Much of the focus in recent years, for healthcare stocks, have been on the highly volatile, and perhaps more exciting, biotech and big pharma subsector. What often gets missed in the background are the lower growth, but less volatile companies, such as those who manufacture medical devices. We believe that each of these subsectors are equally important in the saving of lives, and they each have their place in our Kaleo portfolio. The only difference between these subsectors is in their areas of specialization: biotech is mainly a biological field, pharma uses both chemistry and biology, and medical devices combines physics with biology.

Baxter, even after the spinoff of Baxalta, remains one of the largest medical equipment companies in the S&P 500. In contrast to Medtronic, the medical device company from our previous newsletter, Baxter's portfolio consists of essential renal and hospital products like intravenous solutions, infusion systems and devices, anesthetics, and acute and chronic dialysis.

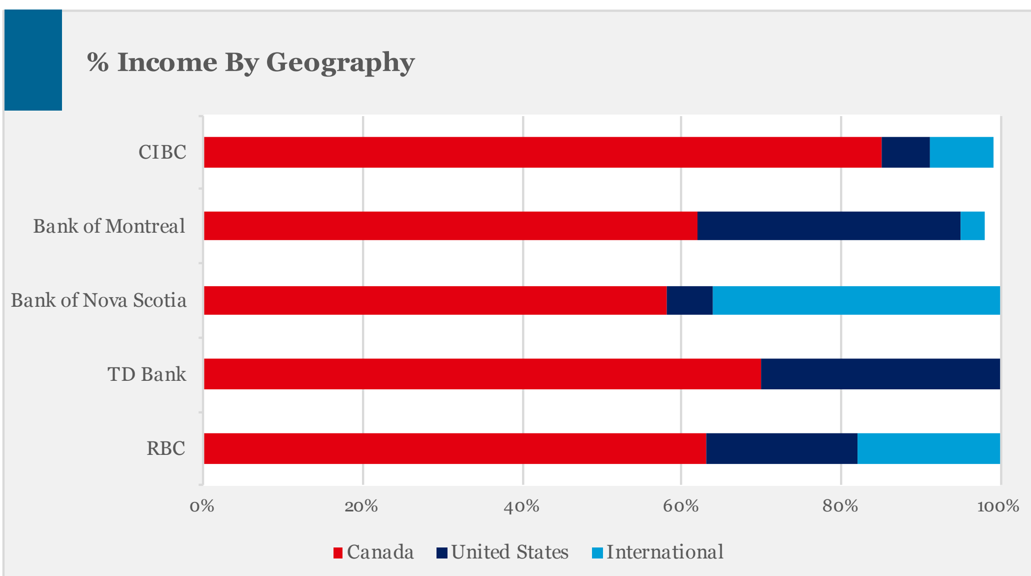
People from all across the world are aging. According to the UN Department of Economic and Social Affairs, there are currently 901 million people aged 60 years or over in 2015, an increase of 48% over the 607 million older persons globally in 2000. By 2030, the number of people in the world aged 60 years or over is projected to grow to 1.4 billion, and by 2050, it is projected to more than double its size in 2015, reaching 2.1 billion people. We believe the growing and aging population will drive higher disease prevalence and the need for associated medical devices going forward. This trend should provide a favorable tailwind in sustaining Baxter's top line growth going forward.

In addition to this favorable trend, we believe that Baxter's stock market return can also be enhanced by fundamental changes from within the company. Since the spinoff of Baxalta in July of 2015, Baxter made changes to their Board of Directors, hired a new CEO in Joe Almeida, and implemented new initaitives to drive total shareholder return and free cash flow generation. The 2016 year marked Baxter's first full year of operations since Joe Almeida took the helm. In that time period, adjusted operating margins grew from 9% to 13.6%, earnings per share grew 42%, and free cash flows grew 2.5x from 2015 levels. Based on comparisons to relevant peers, guidance from management, and the long term trends we discussed above, we believe that there is still room for continued improvement in Baxter's operations, which should help drive shareholder returns

Kaleo Full & Kaleo B Portfolio Holding

The Bank of Nova Scotia: Also known as Scotiabank (BNS' full service bank brand) to the general population. The Bank of Nova Scotia is Canada's 3rd largest bank in Canada by both deposits and market capitalization (behind TD and RBC). It is also the most internationally diversified of the Big 6 banks in Canada, and stands in contrast to The National Bank of Canada (our other Kaleo holding), which is the least internationally diversified.

On an overarching, macro basis, our investment into Scotiabank gives the Kaleo portfolio much needed Canadian content, and at the same time, provides broad diversification into a wide swath of the Canadian economy. In addition, of the 5 largest banks in Canada, we specifically chose The Bank of Nova Scotia due to their outsized investments in Latin America, which would otherwise be sorely lacking in our Kaleo portfolio despite our globally focused US holdings.



We continue to believe that, for the foreseeable future, our investment in the Canadian banking sector will remain a core part of our Kaleo holdings due to its size in the Canadian stock market, its relative importance to the Canadian economy, and its relative safety when compared to other banks in the world.

Qube Insights: Equity Research Snapshots

✓				Currently Held in Kaleo
	↗			Considering a Decision to Hold
		↙		Considering a Decision to Sell
			✗	Do Not Hold

Company	Industry	Current Status			
Lululemon Athletica Inc.	CONSUMER DISCRETIONARY				✗
Nike Inc.	CONSUMER DISCRETIONARY	✓			
Foot Locker Inc.	CONSUMER DISCRETIONARY		↗		
Walt Disney Co	CONSUMER DISCRETIONARY	✓			
CBS Communications	CONSUMER DISCRETIONARY				✗
Charter Communications, Inc.	CONSUMER DISCRETIONARY				✗
Hasbro, Inc.	CONSUMER DISCRETIONARY		↗		
Alimentatation Couche-Tard Inc	CONSUMER DISCRETIONARY	✓			
Monster Beverage Corp	CONSUMER DISCRETIONARY			↙	
Mondelez International Inc	CONSUMER DISCRETIONARY			↙	
O'Reilly Automotive, Inc.	CONSUMER DISCRETIONARY				✗
AutoZone, Inc.	CONSUMER DISCRETIONARY				✗
Lear Corporation	CONSUMER DISCRETIONARY		↗		
Ford Motor Co	CONSUMER DISCRETIONARY				✗
General Motors Co	CONSUMER DISCRETIONARY	✓			
Toyota Motor Corp	CONSUMER DISCRETIONARY		↗		
Intel Corporation	TECHNOLOGY			↙	
Air Canada	INDUSTRIALS				✗
Ryanair Holdings plc	INDUSTRIALS				✗
Boston Scientific Corporation	HEALTHCARE				✗
HCA Holdings, Inc.	HEALTHCARE		↗		
Zoetis Inc.	HEALTHCARE		↗		
DaVita Inc.	HEALTHCARE				✗

Our Team

IAN QUIGLEY, MBA

Senior Portfolio Manager

Ian has assisted business owners and executives with pension, investment and tax planning ideas since 2000. Ian holds a Master's degree in Business Administration (MBA), as well as an honors degree in research and analysis (Science). Both degrees were granted by the University of Alberta. Prior to this he attended the Northern Alberta Institute of Technology (NAIT) completing an honors diploma in Finance. Ian teaches part-time for a number of Provincial Institutes of Chartered Accountants and is the author of "Tax & Compensation Strategies", published by Carswell in 2006.

NOAH CLARKE, MA ECONOMICS

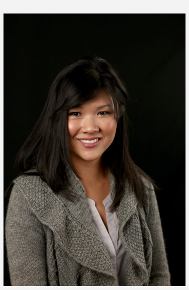
Operations Manager

Noah completed his Masters in Economics at the University of Ottawa in 2016. His graduate research focused primarily on macroeconomic forecasting and the development of advanced statistical techniques applied for this purpose. Upon graduation, Noah came to Qube to supplement our macroeconomic research program and take on the responsibilities of operations management at Qube.

PATRICK CHOI, CFA

Associate Portfolio Manager

Patrick is a graduate from the University of Alberta's business school and is a CFA charter holder. Patrick is currently registered as an Associate Portfolio Manager at Qube and has been working for the past 4 years on our team as an equity analyst and trader. Prior to joining Qube, Patrick worked as a trader in the discount brokerage division at TD Waterhouse for 5 years.



SHONE VIRATA, B.COMM

Client Relations and Equity Analyst

Shone joined the firm in September of 2016 to take on the role of client relations and part-time equity analyst. She graduated from the U of A with her B.Comm majoring in Finance, and has been working in the insurance and financial services industry for over nine years. Prior to joining our team, Shone worked for HFI Financial.

Our Team

MARK RINGROSE, B.COMM

Client Relations and Equity Analyst

Mark Ringrose comes to Qube from an Investment Advisor role at a bank-owned brokerage where he consulted on investments, retirement planning, tax optimization and responsible investing with affluent and high net-worth clients. Mark was also previously an advisor member of the Responsible Investment Association of Canada and is passionate about bringing the corporate world to a better place.

NICOLE GERVAIS

Investment Administration Coordinator

Nicole came to Qube in 2011 with 15-years industry experience in investment account administration and service. Nicole is a valued team member, keeping our accounts in order and assisting new clients during their transition to Qube. Investment administration is a specialized and technical trade and we are fortunate to have the skills of Nicole on our team.

STACEY QUIGLEY

Corporate Social Responsibility Research Team Member

Stacey participates in our Environmental, Social and Governance research program part-time. With her assistance, we monitor and engage with companies that we invest in on the behalf of our clients, as a means to encourage higher levels of corporate responsibility. Stacey also votes and reports on all of our proxies.

BRENDA WILBER

Corporate Social Responsibility Research Team Member

Brenda also participates in our Environmental, Social and Governance research part-time. With her assistance, we are able to monitor the ESG performance of companies that we invest in.

DISCLAIMER: This is an internal report intended only for clients of Qube Investment Management Inc. The ideas presented within it form part of an overall portfolio management position and are not to be acted upon without coordination from your advisor.

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Commissions, management fees and expenses may be associated with investment accounts. Please read the simplified prospectus (if applicable), or investment management agreement before investing. Many investments are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government issuer. There can be no assurances that an investment will be able to maintain its net asset value or that the full amount of the investment will be returned to you. Values change frequently and past performance may not be repeated.

Qube Investment Management Inc. is a registered portfolio management firm in the Provinces of Alberta and British Columbia and was registered as a portfolio management firm on June 25, 2012. Any return period cited before this date was prior to QIM being registered as a portfolio management firm. Inception was Jan 1, 2011 and all returns are for a modeled portfolio initiated at $500,000. Your actual returns may vary according to your individual portfolio. The modeled returns are calculated inclusive of dividends, adjusted to the Canadian currency, and are determined via the IRR (Internal Rate of Return) method. The gain/loss shown are simple (non-compounded) returns for periods up to one year. If the time since inception date is more than one year, then the return shown is an annualized return. For comparison purposes, the Kaleo model(s) are reported as gross returns before investment management fees. Individual investor level returns will differ as the fees agreed to in your Investment Management Agreement (IMA) are subtracted from the gross return.

At any one point in time, the composition of the Kaleo model may change. Currently, the focus for our models (Kaleo A, B and Full) is to invest in a globally diversified portfolio of liquid stocks with a minimum market capitalization of $1 billion. Our diversification strategy is to have similar industry weightings between our Kaleo models A, B and Full, which in turn will have similar weightings to the S&P 500. Our investment mandate is to not have any one industry sector or sub-group exceed 2.0 times the percentage weighting assigned to that group by the S&P 500 index unless the sector or sub-group composes less than 5% of the total index. Please refer to your Investment Policy Statement (IPS) for more details.

Index comparisons are based on the total return index provided by Standard & Poor's for both the S&P/TSX and the S&P 500. All index returns are inclusive of dividends, adjusted to the Canadian currency, and, similar to the modeled portfolio, determined via the IRR method. Please note that, as total return indices are not actual portfolios, these returns do not include the cost of management and/or trading fees.

Past performance is not indicative of future results and there is no assurance that our model portfolio will achieve its objectives or avoid significant losses

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