



2016 ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

PALOS EQUITY INCOME FUND

FOR THE ANNUAL PERIOD ENDED DECEMBER 31, 2016

Portfolio Manager
Palos Management Inc. ("Palos")

Charles Marleau, CIM
President & Senior Portfolio Manager

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Portfolio Manager

This annual management report of fund performance ("MFRP") contains financial highlights, but does not contain complete annual financial statements of the Palos Equity Income Fund (the "Fund"). You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-514-397-0188 or toll free 1-855-PALOS-88 (1-855-725-6788), by writing to us at Palos Equity Income Fund, Investor Relations, 1 Place Ville-Marie, Suite 1670, Montréal, Québec H3B 2B6 or by visiting our website at www.palos.ca or SEDAR at www.sedar.com. Securityholders may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

**MANAGEMENT DISCUSSION OF FUND
PERFORMANCE**

This management discussion of Fund performance represents the management's view of the significant factors and developments affecting the Fund's performance and outlook. The Fund is a mutual fund managed and advised by Palos Management Inc. (the "Manager").

Investment Objective and Strategies

The Fund's objective is to provide long-term capital growth, attractive and steady income, and deliver trading-enhanced returns.

To achieve its objective, the Fund invests primarily in Canadian income-paying securities, such as equity securities of large-capitalization Canadian issuers that pay dividends or selected debt obligations that pay interest.

The primary investment strategy employed by the Fund is to apply qualitative, quantitative and comparative research in order to build and manage a portfolio of select high-grade and undervalued dividend-paying equity securities and income-paying debt securities. This core portfolio of securities currently represents approximately 95% of the Fund's portfolio. The Fund holds no more than 25% of non-Canadian securities.

The debt investments held in the Fund are often convertible bonds. Convertible bonds are bonds that the holder can convert into common stock of the issuing company (or cash at an equivalent value) at a predetermined price. In selecting fixed income securities for the Fund (whether convertible or non-convertible), the Manager considers factors such as the bond's yield, risk of interest rate fluctuation, credit risk, the issuer's capital structure, credit spread (i.e. the difference between the yield offered by the bond and by a predetermined risk-free bond, such as Bank of Canada treasury bills with a similar maturity) and the duration (the weighted average of the time periods until the bond's cash flows are received by the Fund, which measures the bond's price sensitivity to its yield). Typically, the Manager seeks out bonds with a high yield compared to their credit risk and relatively low duration. However, the Fund's overall bond portfolio may include bonds that are outside these

parameters, depending on the components of the remainder of the portfolio, and whether the bond has other features, such as a convertibility feature. When evaluating convertible bonds, the Manager engages in an analysis using the above factors, and also includes an analysis of features particular to convertible bonds, such as clauses, the volatility of the underlying stock, and the amount of time left until the conversion feature expires, if any. In valuing a convertible bond, therefore, the Manager engages in an analysis of the underlying stock volatility, the features of the particular bond, and a traditional analysis of the fixed income portion that takes into account the firm's credit profile, the ranking of the convertible within the capital structure, the bond's duration, and yield.

Essentially, the Manager calculates the value of a convertible bond by calculating the present value of future interest and principal payments discounted at the cost of debt and adding the present value of the convertible component. The Manager then engages in a qualitative and quantitative analysis of a variety of factors, including the bond's duration, its credit risk, the firm's corporate management, macroeconomic factors, including the likelihood of fluctuations in prevailing interest rates, and any particular clauses inherent in the convertible feature of the bond.

In some cases, the Manager's motivation for purchasing a convertible bond is to be able to engage in merger arbitrage (i.e. to make an educated guess about a company's likelihood of being purchased by another company at a price that is at a premium to the prevailing market price of the first company). Buying a convertible bond may allow the Fund to gain exposure to an issuer or to its securities that it might not otherwise be able to based on the Fund's investment parameters and restrictions. For example, because a convertible bond pays an interest income, it may be an appropriate investment to hold in the Fund's portfolio, even if the underlying stock would not, on its own, be an acceptable investment. However, the Fund can purchase the convertible bond and benefit from the coupon payments, while at the same time waiting for a merger to occur.

In selecting equity investments for the Fund, the Manager focuses on companies that, in its judgment, provide good value. The

Manager believes that good value companies are likely to experience capital appreciation and/or increases in distributions to investors, and that these companies tend to have significant potential for growth of cash flow, increases of dividend distribution, and stock buybacks.

In making the determination of what companies' stock present good value, the Manager typically focuses on a variety of financial ratios and metrics that provide relative points of reference that are transferable across companies and industries. The Manager primarily considers six financial ratios: earnings yield spread, debt vs. EBITDA, cash per share, return on equity, price to earnings (P/E ratio), and free cash flow yield.

Earnings Yield

The earnings yield is the earnings per share for the most recent period (typically twelve months) divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company. The Manager considers the differential between the earnings yield compared to the stock price versus the US Treasury Bond yield, sometimes called the earnings yield spread. A wide earnings yield spread represents good value, particularly as compared to bonds, and therefore presents a buying opportunity for the Manager.

Debt to EBITDA

The Manager also considers a company's debt as a percentage of its earnings before interest, taxes, depreciation and amortization or EBITDA. A low ratio indicates that the company is able to repay its debt and/or to take on additional debt, thus allowing it to finance expansion of operations or share buybacks. Conversely, a high debt/EBITDA ratio suggests that a firm may not be able to repay debt and interest as it comes due, which could potentially lead to a restructuring and/or bankruptcy of the company.

Cash per Unit

Cash per unit (sometimes known as free cash flow per share) is determined by dividing free cash flow by the total number of units outstanding. It is a measure of a company's financial flexibility. More free cash flow allows a company to engage in a variety of transactions, such as repaying debt, paying and increasing dividends, buying back stock and facilitating the growth of the business. The amount of free cash flow per unit can also be used to give a preliminary prediction concerning future share prices. For example, when a firm's unit price is low and free cash flow is on the rise, the Manager believes that this is a positive indicator that earnings and share value will soon increase, because a high cash flow per share value means that earnings per share could potentially be high as well.

Return on Equity

Return on equity (sometimes known as return on net worth) is the amount of net income returned as a percentage of unitholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money unitholders have invested in common stock (preferred stock is generally excluded, as are the dividends paid on that stock). Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Unitholder's equity does not include preferred shares. The Manager uses return on equity to compare the profitability of a company to that of other firms in the same industry. If a given company's return on equity is particularly high compared to its peers, then the company may present good value and therefore may be a good buying opportunity.

Price to Earnings

Price to earnings, or P/E, is one of the most commonly used financial ratios. In general, a high P/E suggests that the market is expecting higher earnings growth in the future compared to companies with a lower P/E. However, a high P/E ratio may also imply that a company is overvalued. The Manager focuses on companies with low P/E ratios because a low P/E ratio implies that

a significant component of the company's stock price is comprised of earnings, rather than market expectations for future growth. The Manager also recognizes that it is impossible to base a decision on the P/E ratio alone. The denominator (earnings) is based on an accounting measure of earnings that is susceptible to forms of manipulation, making the quality of the P/E only as good as the quality of the underlying earnings number.

Free Cash Flow Yield

The free cash flow yield is a measure of the free cash flow per unit a company is expected to earn against its market price per unit. As compared to the price to earnings ratio, the free cash flow yield is a more standardized measure that eliminates many of the problems involved in evaluating the quality of the earnings as reported by a company. Because free cash flow takes into account capital expenditures and other ongoing costs a business incurs to keep itself running, the Manager believes that the free cash flow yield is a more accurate representation of the returns shareholders receive from owning a business compared to the price to earnings ratio. In selecting equity investments, the Manager considers other factors beyond the financial ratios described above. The Manager also considers macroeconomic factors such as currency exchange rates, consumer demand, taxation policy, geopolitical factors that could affect commodity prices, and the quality of corporate management. The Manager recognizes that equity prices can be affected by a huge variety of factors, and that investing requires knowledge of a wide variety of disciplines. The Manager seeks to consider all of these factors while remaining focused on its core value investment philosophy.

In addition to the primary strategy, the Manager seeks to enhance returns through the following five targeted, short-term secondary trading strategies:

1. Pair trading, whereby the Manager identifies a security that is either undervalued or overvalued, and purchases (or sells) the security and simultaneously takes the opposite action with regards to the security's index. For example, the Manager might identify the common equity of Bank ABC as being overvalued. The Manager would borrow a quantity of Bank

ABC common equity and sell it "short", while simultaneously buying a security that represents an index in which Bank ABC is a component. This strategy effectively eliminates market risk from the pair trade;

2. Syndication trading, whereby the Manager invests in securities being offered in the market for the first time, while simultaneously selling the index "short". New issues are typically underpriced by a small amount in order to encourage investors to purchase the security. This strategy effectively eliminates market risk from the investment in the new issue;
3. Merger arbitrage, whereby the Manager trades in the equity of an acquirer in a merger while simultaneously taking the opposite action with regards to the security's index. The actual trade will depend on the Manager's view of whether the transaction is likely to be completed;
4. Statistical pair trading, whereby the Manager identifies securities that historically trade in tight correlation but that, for some reason, have become uncorrelated. The actual trading strategy will depend on the nature of the uncorrelation; and
5. Dividend capturing, whereby the Manager purchases a security just prior to the ex-dividend date and sell the security just after the dividend is paid. This strategy locks in a dividend payment while limiting risk.

The Fund may use derivatives only as permitted by securities regulations to earn additional income for the Fund. These transactions will be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate to achieve the Fund's investment objectives and to create additional income for the Fund.

The Fund has obtained regulatory relief in order to permit the Fund to engage in short selling. In determining whether securities of a particular issuer should be sold short, the Manager uses the same analysis that is described above for deciding whether to purchase the securities. The Fund will engage in short selling as a complement to the Fund's primary discipline of buying securities with the expectation that they will appreciate in market value.

The Fund may temporarily buy or sell exchange traded funds in order to mitigate systematic risk relating to the Fund's investment strategies. These funds will not be managed by the Manager, an

affiliate or associate of the Manager. At no time will the Fund's interest in any one exchange traded fund be more than 10%. The selection criteria employed by the Manager in respect of the exchange traded funds will be limited to specific funds corresponding to the applicable syndication trading or merger arbitrage investment strategy being implemented.

Risk

The overall risks of investing in the Fund are as discussed in its simplified prospectus. There were no material changes to the Fund over the review period that affected the overall level of risk of the Fund.

This Fund is suitable for an investor with a medium to long-term investment horizon, who has a need for quarterly income and who wishes to add appreciation potential of equity security to his or her portfolio and can accept a moderate degree of risk

As at December 31, 2016, the total net asset value of the Fund was \$24.4 million, an increase of 21.29% from December 31, 2015. This includes \$1,056,421 in net contributions and \$1,496,110 in distributions reinvested in the Fund by its unitholders.

Over the twelve-month period ended December 31, 2016, the Fund's Series A units were up 16.78% and the Series F units were up 17.80%, both underperforming the Canadian equities benchmark measured by the S&P/TSX Composite Index, which delivered a positive return of 21.08%. The benchmark's returns were driven a strong performance in the materials and energy sectors, which were up 40.23% and 36.26% respectively. The fund's underperformance relative to the benchmark can be attributed to the weightings in materials for the period.

Regarding the materials sector, the median gold stock generated returns of approximately 100% over the year, which drove the sector quite high for the greater part of 2016. Despite starting off the year representing a mere 4% of the index, the materials sector grew to over 10% of the index at a certain point in time, meaning that a lack of exposure proved quite costly to managers that were underweight. The Fund gained exposure early in the year and positioned itself, although remaining underweight, to be able to

perform and benefit from the rapid rise in gold prices and gold equities.

On the energy front, the oil price began the year by breaking the \$40 threshold and heading towards \$35 until a reversal took place in February which led the commodity's price to drive upwards and break the \$50 price. At that point in February, the Fund increased its exposure to the space by adding companies such as Crescent Point Energy (TSX: CPG), Spartan Energy (TSX: SPE), TORC Oil & Gas (TSX: TOG) and a few others, which helped benefit from the equity rally that followed the commodity rise in prices. The energy exposure was a substantial reason as to the Fund's performance relative to its peers as well as the Index for the year.

It is important to mention the Technology sector which provided a lift as well. Companies such as Kinaxis Inc. (TSX: KXS) and Shopify Inc. (TSX: SHOP) were added to the portfolio and were up 31.27% and 59.88% respectively. They are part of a growing space both in Canada and the US which helped drive the performance higher.

Lastly, geopolitical impacts played a heavy role in market reactions over the course of the year. Brexit did not go unheard of and created quite the repercussions around the world by increasing volatility in the markets. Adding to the Brexit event, the US elections saw very animated debates and candidates that had a nation guessing who would prevail. The political instability added to the market turmoil and saw fear prevail as to which candidate would trump the other.

The management expense ratio ("MER") for Series A units of 2.60% and Series F units of 1.74% during the period, decreased from the MER for the year ended December 31, 2015. This decrease is due to the performance fees over the year ended December 31, 2015. In 2015, the management expense ratio ("MER") before performance fees of Series A units is 2.57% and Series F units of 1.72%. The MERs (before and after waivers or absorptions) for each series are presented in the Financial Highlights section of this report.

Under the assumption of reinvested distributions, the source of the distribution, whether it is from income, dividends, capital gains or return of capital would not have a material impact on the performance or the objective of the Fund. Under the same assumption but with distribution withdrawn, the impact would translate into opportunity cost regardless of the source of distribution.

Recent Developments

The Manager believes the economy is near a bottom and although the intention is never to time the markets, sector allocations have been rebalanced to take advantage of an eventual turn in the markets. The Manager is positioned to withstand oil price volatility by being exposed to companies with clean balance sheets and the ability to take advantage of opportunities that may arise as others fight for survival. Such companies include Whitecap Resources Inc. (TSX:WCP) and ARC Resources Ltd (TSX:ARX).

With regards to the financial sector, the Fund remains underweight Canadian banks and overweight Life Insurance companies given the current interest rate environment.

Related Party Transactions

Palos Management Inc., which acts as the investment fund manager and portfolio advisor to the Fund, is deemed to be a related party to the Fund. Palos Management Inc. and the Fund were not party to any other related party transactions during the last year.

The Fund's Independent Review Committee (the "IRC") has considered whether Palos Management Inc.'s roles as investment fund manager and portfolio advisor constitutes a conflict of interest requiring standing instructions and has concluded that it does not. Nevertheless, the IRC will review the arrangement from time to time to ensure that Palos Management Inc., in its dual capacity as investment fund manager and as portfolio manager, is performing adequately in both roles. In its analysis, the IRC will consider the following criteria, among others: the performance of the Fund relative to other funds in the same category, and the quantum of the fees paid to the Manager in relation to the performance of the

Fund and the amount of assets under management in the Fund. Palos Management Inc. has relied on the approval of the IRC in proceeding in this manner.

Manager, Trustee and Portfolio Advisor

Palos Management Inc. is the manager and portfolio advisor of the Fund. Computershare Trust Company of Canada is the trustee of the Fund.

Custodian

NBCN Inc., a subsidiary of National Bank, is custodian of the Fund.

Registrar

Apex Fund Services (Canada) Ltd. is the registrar of the Fund and keeps records of who owns the units of the Fund.

MANAGEMENT FEES

Management fees paid by the Fund are calculated monthly, based on 1/12th of the annualized management fee per series applied to the NAV per series as at the last business day of the preceding month.

Series	Trailer commissions (%)	Other (%)
A	0.75	0.75
F	0.00	0.75

Other – includes day-to-day administration of the Fund, portfolio advisory services and Manager's compensation

FINANCIAL HIGHLIGHTS

Series A

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past four years.

The Fund's Net Assets per Unit ⁽¹⁾	December 31, 2016	2015	2014	2013	2012	2011
Net Assets, beginning of period	\$5.93	\$6.73	\$7.09	\$6.82	\$7.37	\$8.65
Increase (decrease) from operations:						
Total revenue	0.17	0.20	0.24	0.27	0.30	0.36
Total expenses	(0.17)	(0.21)	(0.20)	(0.34)	(0.29)	(0.49)
Realized gains (losses) for the period	0.30	0.14	0.77	0.63	(0.06)	(0.08)
Unrealized gains (losses) for the period	0.66	(0.14)	(0.36)	0.51	0.27	(0.35)
Total increase (decrease) from operations ⁽²⁾	0.96	(0.01)	0.45	1.07	0.22	(0.56)
Distributions:						
From income (excluding dividends)	0.00	0.00	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.13	0.00	0.59	0.11	0.00	0.00
Return of capital	0.37	0.80	0.21	0.69	0.80	0.80
Total Annual Distributions ⁽³⁾	0.50	0.80	0.80	0.80	0.80	0.80
Net Assets, end of period	\$6.38	\$5.93	\$6.73	\$7.09	\$6.82	\$7.37

Ratios/Supplemental Data	December 31, 2016	2015	2014	2013	2012	2011
Total Net Asset Value (\$000's) ⁽¹⁾	18,649	17,587	19,195	17,643	16,071	14,219
Number of units outstanding (000's)	2,924	2,941	2,852	2,489	2,358	1,925
Management expense ratio ⁽²⁾	2.60%	3.00%	2.69%	4.85%	4.03%	5.37%
Management expense ratio before waivers or absorptions	2.60%	3.00%	2.72%	5.11%	4.03%	5.37%
Trading expense ratio ⁽³⁾	0.25%	0.17%	0.35%	0.16%	0.09%	0.22%
Portfolio turnover rate	108.62%	91.47%	168.61%	113.53%	107.02%	111.72%
Net Asset Value per unit	\$6.38	\$5.93	\$6.73	\$7.09	\$6.82	\$7.39

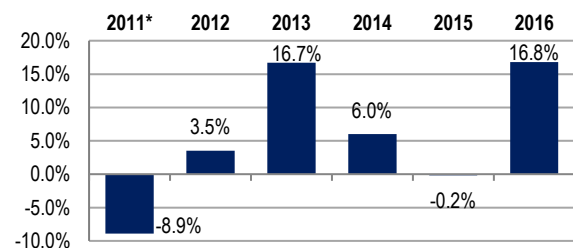
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the sect

PAST PERFORMANCE

The following information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The following bar chart shows the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



*Since the commencement of operation, from February 18, 2011 to December 31, 2016.

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2016. The returns are compared against the S&P/TSX Composite TR Index over the same period.

Overall Portfolio	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A Units - Overall	16.8%	7.3%	N/A	N/A	5.3%
S&P/TSX Composite TR Index	21.1%	7.1%	N/A	N/A	4.4%

FINANCIAL HIGHLIGHTS

Series F

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past three years.

The Fund's Net Assets per Unit ⁽¹⁾	December 31, 2016	2015	2014	2013	2012
Net Assets, beginning of period	\$6.13	\$6.92	\$7.21	\$6.84	\$7.18
Increase (decrease) from operations:					
Total revenue	0.17	0.21	0.24	0.27	0.23
Total expenses	(0.13)	(0.20)	(0.18)	(0.23)	(0.19)
Realized gains (losses) for the period	0.30	0.12	0.41	0.64	(0.08)
Unrealized gains (losses) for the period	0.81	(0.19)	(0.56)	0.63	0.21
Total increase (decrease) from operations ⁽²⁾	1.15	(0.06)	(0.09)	1.31	0.17
Distributions:					
From income (excluding dividends)	0.00	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00
From capital gains	0.32	0.00	0.40	0.11	0.00
Return of capital	0.18	0.80	0.40	0.69	0.60
Total Annual Distributions ⁽³⁾	0.50	0.80	0.80	0.80	0.60
Net Assets, end of period	\$6.67	\$6.13	\$6.92	\$7.20	\$6.84

Ratios/Supplemental Data	December 31, 2016	2015	2014	2013	2012
Total Net Asset Value (\$000's) ⁽¹⁾	5,707	2,638	1,874	671	326
Number of units outstanding (000's)	855	430	271	93	48
Management expense ratio ⁽²⁾	1.74%	2.85%	1.83%	3.40%	3.55%
Management expense ratio before waivers or absorptions	1.74%	2.85%	1.88%	3.77%	3.55%
Trading expense ratio ⁽³⁾	0.22%	0.17%	0.34%	0.22%	0.10%
Portfolio turnover rate	108.62%	91.47%	168.61%	113.53%	107.02%
Net Asset Value per unit	\$6.67	\$6.13	\$6.93	\$7.21	\$6.84

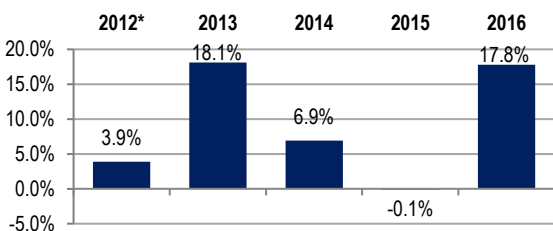
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PAST PERFORMANCE

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Year-by-Year Returns

The following bar chart show the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



* Since the commencement of operation, from April 9, 2012 to December 31, 2016.

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2016. The returns are compared against the S&P/TSX Composite TR Index over the same period.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Units	17.8%	7.94%	N/A	N/A	9.6%
S&P/TSX Composite TR Index	21.1%	7.1%	N/A	N/A	4.4%

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2016

Portfolio by Category

The major portfolio categories and top 25 holdings of the Fund at the end of the period are indicated in the following tables. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available.

Regional Weightings (%)

Canada	95.71
United States	4.29
Total	100.00

Sector Weightings (%)

Consumer Discretionary	14.45
Consumer Staples	2.30
Energy	22.08
Financials	21.75
Health Care	2.11
Industrials	7.65
Information Technology	4.79
Materials	11.11
Real Estate	1.87
Utilities	6.45
Cash	5.44
Total	100.00

Portfolio Long/Short Breakdown (%)

Long positions	94.56
Cash	5.44
Total	100.00

Asset Class Weightings (%)

Common Stocks	83.70
Fixed Income	10.86
Cash	5.44
Total	100.00

Top 25 Holdings (%)

Royal Bank of Canada	3.74
The Toronto-Dominion Bank	3.68
Sun Life Financial Inc.	3.60
The Bank of Nova Scotia	3.07
Keyera Corp.	2.53
Lundin Mining Corp.	2.21
Canadian Energy Services & Technology Corp.	2.14
DHX Media Ltd 5.875% 02DEC2021	2.07
EnerCare Inc.	1.98
Whitecap Resources Inc.	1.95
Vermilion Energy Inc.	1.93
Northland Power Inc. 4.75% 30JUN2020 CONV. \$21.60	1.87
The Goldman Sachs Group Inc.	1.85
Tamarack Valley Energy Ltd	1.85
CCL Industries Inc.	1.84
ARC Resources Ltd	1.81
Intact Financial Corp.	1.66
Franco-Nevada Corp.	1.65
Algonquin Power & Utilities Corp.	1.64
Secure Energy Services Inc.	1.63
Bank of Montreal	1.59
Pembina Pipeline Corp.	1.55
Waste Connections Inc.	1.52
WSP Global Inc.	1.47
CGI Group Inc.	1.46
Top 25 Holdings	52.29

The total Net Asset Value of the Fund as at December 31, 2016 was \$24.4 million.

EXPLANATORY NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

- (1) This information is derived from the Fund's audited annual financial statements. Before 2012, the net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements. This difference was due to the fact that the net asset value calculated for Fund pricing purposes was based on the actual trade price, whereas the net assets per unit presented in the financial statements was based on the closing "bid" price, as was required by GAAP. In 2014, the financial statements changed accounting principle to IFRS and this discrepancy no longer exist, as the net asset value calculated for Fund pricing purpose is the same used in the IFRS financial statements. This changes was done retrospectively to the 2013 and 2012 financials statements.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of opening and closing nets assets per units.
- (3) Distributions were paid in cash to unitholders who ask for cash payment. For the other unitholders, the distributions were reinvested in additional units of the Fund.

Ratios and Supplemental Data:

- (1) This information is provided as at December 31 of the year shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The 2013 MER excluding performance fees was 3.0% and 2.2% for series A and series F respectively. The 2015 MER excluding performance fees was 2.6% and 1.7% for series A and series F respectively.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

The prospectus and other information about the Fund are available at www.sedar.com.

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