Palos Equity Income Fund

For the period ending September 29, 2017

PALOS INVESTMENT FUNDS

Reasons To Own The Fund

- Quarterly distributions, currently targeting $0.20 per unit per quarter
- The fund is managed to have lower volatility than the S&P/TSX Composite Index
- Short selling is used to execute certain short-term trading strategies

Investment Objectives

The Fund's primary objectives are:

- Provide long term capital growth
- Provide an attractive and steady stream of income
- Deliver trading-enhancing returns

The Fund invests in a portfolio of primarily Canadian income-paying securities, such as equity securities of large-capitalization Canadian issuers that pay dividends or selected debt obligations that pay interest.

Asset Allocation

Common Equity	87.7%
Preferred Equity	0.0%
Fixed Income	9.3%
Cash	3.0%

Market Exposure

Long	97.0%
Short	0.0%
Cash	3.0%

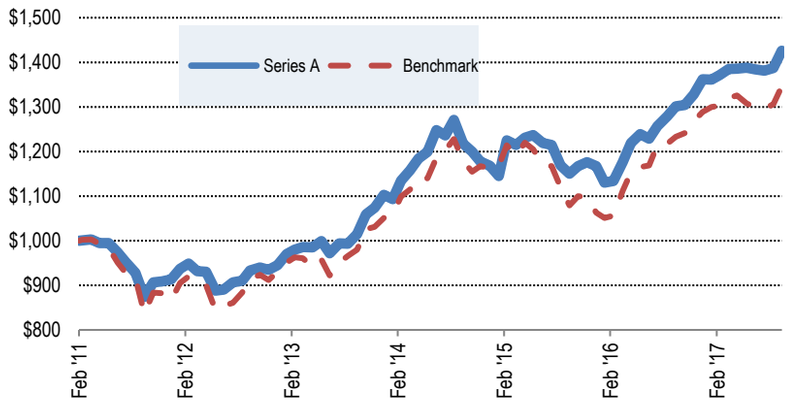
Geographic Allocation

Canada	100.0%
USA	0.0%

Top Sector Mix

Consumer Discretionary	7.6%
Consumer Staples	3.0%
Energy	19.7%
Financials	21.8%
Health Care	0.6%
Industrials	11.0%
Technology	4.7%
Basic Materials	16.4%
Telecommunications	0.0%
Utilities	9.1%
Real Estate	3.1%
Cash	3.0%
Total	100.0%

Fund Performance (Series A) - Cumulative Growth of $1,000



Trailing Compounded Returns (Series A) - Net of All Fees

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	Inception
Series A	2.79%	3.05%	2.96%	9.62%	5.40%	-	-	5.43%
Benchmark	3.06%	3.69%	1.99%	9.18%	4.54%	-	-	4.56%

Fund Details

Fund Type	Mutual Fund
Distribution Frequency	Quarterly
Base Currency	CAD
Benchmark	S&P/TSX Composite Index
Minimum Investment	$1,000
Additional Investment	$500

Series A

Management Fee	1.50%
Series Inception Date	Feb 18, 2011
FundSERV Code	PAL101
Load Structure	Front End
Unit Price	$6.37

Series F

Management Fee	0.75%
Series Inception Date	Feb 24, 2012
FundSERV Code	PAL102
Load Structure	No Load
Unit Price	$6.71

Top Holdings Within The Underlying Fund

BANK OF NOVA SCOTIA	3.7%
TORONTO-DOMINION BANK	3.4%
ROYAL BANK OF CANADA	3.1%
VERESEN INC	2.3%
LUNDIN MINING CORP	2.3%
KEYERA CORP	2.0%
ISHARES 1-5 YEAR LADDERED CO	2.0%
CAN IMPERIAL BK OF COMMERCE	1.9%
SUN LIFE FINANCIAL INC	1.8%
ALTAGAS LTD - SUB RPT	1.8%

Portfolio Management Team

The portfolio management team at Palos has specialized expertise managing Canadian income funds.

Charles Marleau, CIM
President and Senior Portfolio Manager

Bechara Haddad
Portfolio Manager

Joany Pagé
Financial Analyst

Monthly Performance (Series A) - Returns Are Net of All Fees

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	YTD	Benchmark
2017	-0.05%	0.78%	0.92%	0.07%	0.13%	-0.29%	-0.19%	0.44%	2.79%				4.66%	4.45%
2016	-3.16%	0.36%	3.71%	3.62%	1.67%	-0.83%	2.26%	1.78%	1.74%	0.27%	1.85%	2.55%	16.78%	21.08%
2015	-2.00%	7.01%	-0.85%	1.31%	0.45%	-1.45%	-0.34%	-3.78%	-1.65%	1.48%	0.75%	-0.75%	-0.20%	-8.32%
2014	-0.88%	3.84%	2.00%	2.24%	1.27%	4.08%	-0.97%	2.84%	-4.14%	-1.49%	-1.79%	-0.83%	5.97%	10.55%
2013	2.63%	1.05%	0.57%	-0.11%	1.38%	-2.65%	2.21%	-0.08%	2.22%	4.35%	1.42%	2.74%	16.71%	12.99%
2012	2.67%	1.28%	-1.76%	-0.26%	-4.51%	0.18%	1.92%	0.30%	2.50%	0.78%	-0.50%	1.06%	3.50%	7.19%
2011		0.10%	0.19%	-0.83%	-0.02%	-2.14%	-2.28%	-2.53%	-5.84%	3.80%	0.19%	0.40%	-8.88%	-13.32%

PALOS
INVESTMENT FUNDS

Disclaimer: The risks associated with investing in the Fund are outlined in the simplified prospectus. These risks are based upon the Fund's investment objectives and strategies and describe the material risks of investing in the Fund under normal market conditions when considering the Fund's portfolio as a whole, not each individual investment within the portfolio. You should discuss the risks of investing in the Fund with your financial advisor before making an investment in the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rate of return is the historical annual compounded rate of return including changes in unit value and reinvestment of all distributions and does not take into aount sales, redemptions, distributions, optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The Fund does not have a principal distributor. However, you can purchase the fund on a "no-load" basis if your investment advisor has entered into a Series F agreement with Palos. In order to purchase the Fund on a "no-load" basis, your investment advisor must be managing your account on a "wrap" or flat-fee basis. The Fund does not pay a trailer fee when you buy Series F units of the Fund. However, the Fund pays fees and operating expenses, such as management fees, performance fees, brokerage commissions, taxes, registrar fees, audit and legal fees, independent review committee fees, etc. For more information please refer to the Fund's prospectus under the heading "Fees and expenses payable by the Fund".

Note to the Reader regarding Benchmarks: This performance sheet uses a benchmark, the S&P/TSX Composite Total Return Index, as a comparison to the fund. Generally, there are two primarily Canadian indices that are widely known and followed: the S&P/TSX Composite Total Return Index and the S&P/TSX Venture Composite Index. Of the two, Palos has selected the S&P/TSX Composite Total Return Index as a benchmark because Palos believes that it is more comparable to the fund's investment strategy. However, there are certain differences between the index and the fund's investment strategy that investors and potential investors should understand in order for the comparison to be meaningful.

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. As a result, there are certain sectors that the fund is typically less exposed to than the benchmark, such as the highly volatile materials sector, because companies in this sector generally do not pay income at a level that is sufficient for the fund's strategy, and being less exposed lowers the fund's volatility. In addition, the fund typically chooses not to be exposed to certain sectors at all. Furthermore, the benchmark is composed purely of common stocks, while the fund includes preferred shares (approximately 5% - 10% of its total composition) and bonds (approximately 5% - 15%), although these allocations fluctuate. The fund is also partially exposed to the US market (approximately 8%, although this may fluctuate). The fund also uses short-term tactical trading strategies in addition to its primary investment strategy, and uses derivatives, such as covered call options, on a regular basis. The fund may also employ short selling, while the benchmark index is long only. As a result the sector weighting, diversified asset allocation, geographical allocation, short term trading, short selling strategies, and covered call options, the fund usually has lower volatility than the benchmark, and different returns than the benchmark.

Finally, it is important to note that the fund is fundamentally different from the index. An index, in general, is a passive basket of securities, while the fund is actively managed. The fund and the manager incur expenses which are deducted from the assets of the fund (however, the returns presented on this performance sheet are net of expenses).

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