Perron & Partners
WEALTH MANAGEMENT

Interest Gained™

In October, we will celebrate two of our funds with strong three year track records.

Oct. 2017 **Issue No. 10**

Featured Articles

"Two of our Kipling funds have turned three – and we're celebrating a strong track record. In our October newsletter, we'll share our insights on investing in Canada, what the North Korean situation could mean for the markets, and key considerations for family trusts."

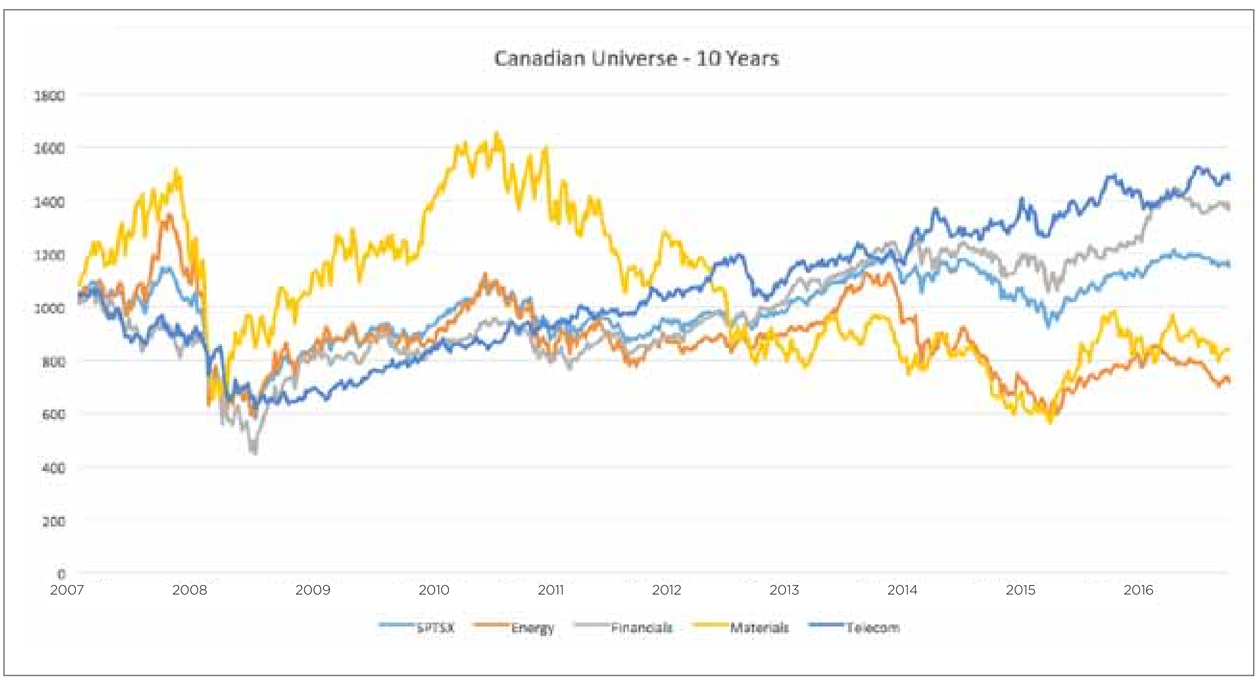
Oh, Canada! What is Happening?

Gary Perron, CFA, Portfolio Manager, Founder

Canadian investing has been a challenge these last 10 years, with the Canadian TSX Composite Index up 1% on growth and 3% with dividends.

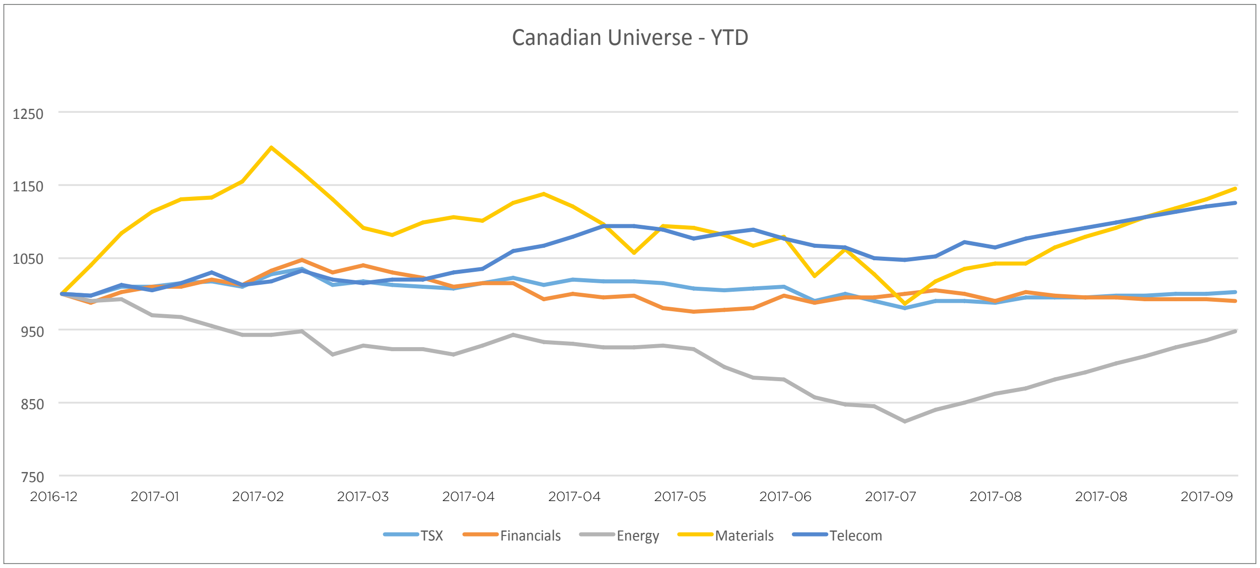
The charts below clearly identify that the sectors of outperformance have been the two cartels, Financials (Banks) and Telecom, while the other Canadian sectors have been very challenging with cyclicality (commodity) behaviour. The Energy and Material sectors have seen wealth destruction for this 10-year period, with lower commodity prices and major political and regulatory headwinds.

The universe of viable Canadian businesses continues to shrink. The TSX composite index has gone from 300 names to now 250 names, with six healthcare names and 12 Technology names. The concern is that most of the names are not commercially investable, and so Perron & Partners' universe of Canadian investable companies continues to shrink.



Source: Bloomberg L.P. (2017). SPTSX Index Last Ten Years. Retrieved September 6, 2017 from Bloomberg terminal.

Oh, Canada! What is Happening? *Cont'd*



Source: Bloomberg L.P. (2017). SPTSX Index YTD. Retrieved September 6, 2017 from Bloomberg terminal.

The reality now is that we have socialist political parties running the country on both a provincial and federal level, who are not friendly to businesses, capitalists or entrepreneurs!

Unfortunately Canada is one of the highest taxed countries in the competitive world, which makes it more difficult to generate shareholder returns on an after-tax basis.

Higher corporate tax rates diminish the value of public and private companies for shareholders. Foreign and domestic capital is leaving Canada in search of jurisdictions that are more friendly for shareholders. Perron & Partners currently has a high proportion of foreign holdings in our portfolios and will continue to increase those foreign holdings.

The one area of opportunity in Canada is obviously the cyclical stocks (Energy, Materials, agricultural and forest products).

All commodities have a cycle where demand outstrips supply at some point, and the commodity price rises to encourage investors with better economics to invest capital in order to bring on new supply.

The year-to-date returns (chart above) in the cyclicals show major wealth destruction with foreign capital outflows and underperforming commodity prices. I have copied some comments from a Raymond James article below – one of the few recent energy outlook presentations that reflects my opinion that gas is oversupplied and oil is about to go on a run.

Bottlenecks, Banks & Roughnecks:

Energy companies have delayed long-term projects and are struggling even to meet their interest payments. According to Raymond James, "1 out of the 50 producers included in their US research coverage is Free Cash Flow Positive at $48 per barrel of oil equivalent

Oh, Canada! What is Happening? *Cont'd*

this year. Producers are on track to outspend cash flow by 60% this year...something has to give.[1]" The riggers have already moved back to Newfoundland, the baby boomers are fed up with this cyclical industry and there is also potential for a labour shortage.

Waiting for the Knife to Drop:

We can't call this the bottom for certain, but the trend is clear; global demand for oil has grown unabated and all it will take is one supply catalyst. Given the cut on OPEC budgets in the past few years, there is a much greater sensitivity (if demand goes up and the US can't meet it!).

> "The only way that we can get to 1.5M bpd of production growth in the US is if oil is at $65 and we go to 1,100 rigs. At $50 oil, we are at 700 rigs **and no production growth.**[2]

Obviously the Energy sector has been in one of the worst cycles that I've witnessed over my career, but this cycle has dropped business valuations of producers and service companies to extremely low levels. We can buy services companies well below book value (their cost of acquiring the equipment) and low price/cash flow multiples. In fact some of these service companies are starting to generate free cash flow, which will be used to pay down debt and initiate dividends at some point. Energy producers are trading at very low business metrics relative to the past cycles, and none have any potential commodity price increases built into their current public market values. This definitely is an opportunity, but timing is very critical. We have been too early with some of our investments in the energy space, though now is not the time to exclude energy from the portfolios.

> "OPEC Spare Capacity - "There is no room for error." Outside of Iran and the UAE... OPEC production cannot meaningfully grow;[3]

Now let's review US and international investment opportunities.

The largest pension fund in Canada (CPP Investment Board[4]), proportion of public equity investments is 94% invested outside of Canada – yes, 94% invested outside of Canada.[5] What message does that send? Brookfield Asset Management is the largest public investment manager in Canada, and they are 90% invested outside of Canada.

The charts on page five and six reflect the investment returns for the last ten years.

> Year-to-date, in the USA, Healthcare and Technology have returned 12% and 16%, respectively, and will probably produce similar returns in the future.

[1] Raymond James
[2] Ibid.
[3] Ibid.
[4] Condensed Interim Consolidated Financial Statements of Canada Pension Plan Investment Board as of June 30, 2017
[5] Brookfield asset management data. 2016 ANNUAL REPORT Brookfield Asset Management Inc., Page 2

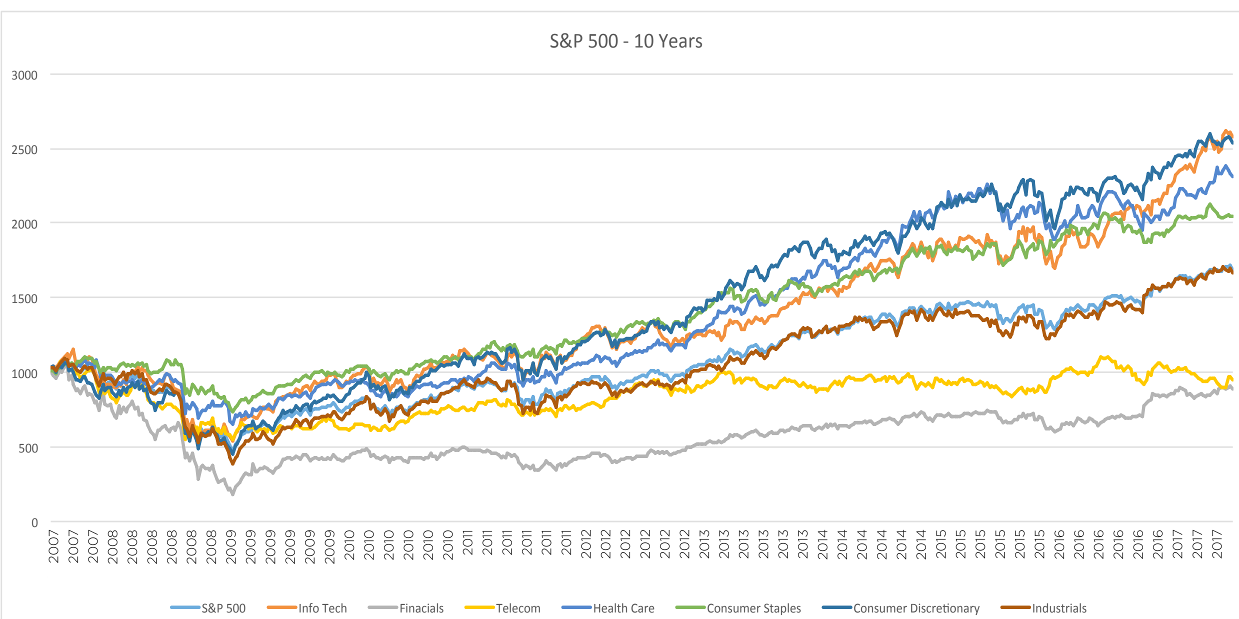
Oh, Canada! What is Happening? *Cont'd*

Our Kipling funds have participated in both sectors since inception, and Perron & Partners will continue to invest resources and money to further our strength and knowledge in these sectors. The only US sector to underperform year-to-date has been the Telecom sector, which is highly competitive with declining consumer prices and narrowing profit margins. This is different from the Canadian Telecom cartel (three companies). Cell phone costs for consumers are substantially less in the US than in Canada.

Perron & Partners' focus will be to continue to expand our investment strengths into the international and US arena of companies.

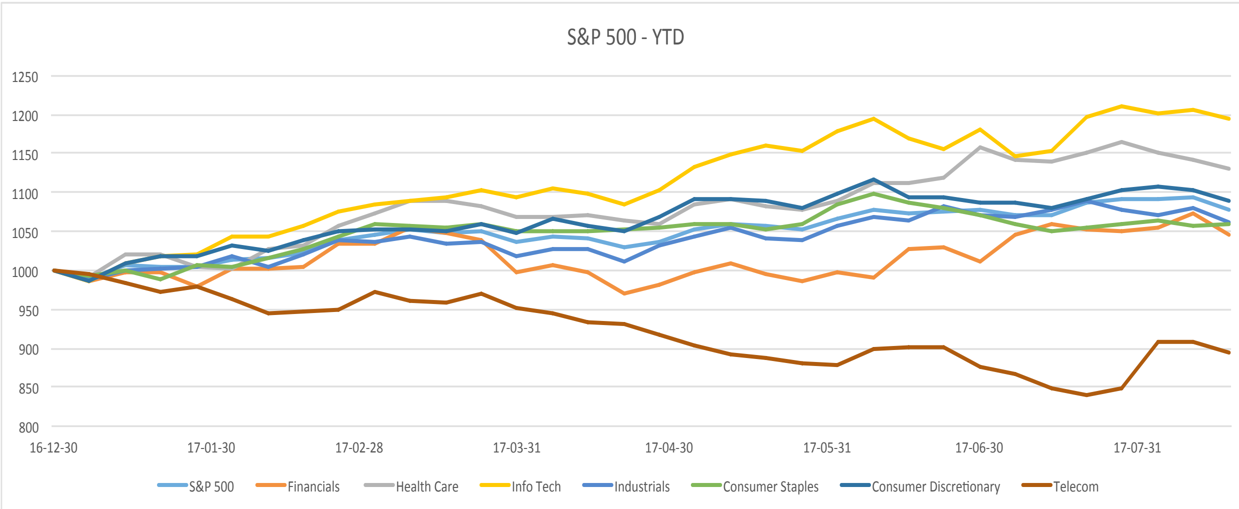
There is no doubt that the investment climate is very attractive outside Canada, which is rather concerning as a Canadian looking into the future, for our next generation.

Our **Kipling Global Enhanced Dividend Fund** will celebrate the end of its third year this October. The fund currently is 60% invested outside of Canada and will continue to expose fund investors to international businesses. The Kipling Global Enhanced Dividend Fund has an emphasis on companies (including Canada) that exhibited strong profitability, balanced sheet flexibility and a commitment to continue to grow their dividends. 88% of the long positions have increased their dividend in the last 12 months with the Top 10 positions having increased their payout by an average of 10%. While Canada has world class companies in the Energy, Telecommunications and Financials Sectors, it lacks depth in some critical areas such as Industrials, Technology, Discretionary and Health Care. Concequently, the Kipling Global Enhanced Dividend Fund provides Geographic and Sector diversification beyond the Canadian boarders (Canada 46%, US 35%, Europe 17%, AsiaPac 2%). Since



Source: Bloomberg L.P. (2017). SPX Index Last Ten Years. Retrieved September 6, 2017 from Bloomberg terminal.

Oh, Canada! What is Happening? *Cont'd*



Source: Bloomberg L.P. (2017). SPX Index YTD. Retrieved September 6, 2017 from Bloomberg terminal.

inception (Oct 2014 to Sept 30, 2017) the enhanced strategy generated a return of 8.5%, while significantly reducing the downside risk (maximum drawdown over the same time frame is 7.5% vs. 12.0%).

Our Kipling US Enhanced Equity fund celebrated its third year this September, and has annualized returns of 8.8% in Canadian dollar terms.

While the Kipling Global Enhanced Dividend Fund invests in companies that consistently grow their dividend, the Kipling US Enhanced Equity Fund compliments this approach by investing in companies that are experiencing high rates of operational growth, as described further in our article "Investing in the Technology Sector in 2017". Given an abundance of high growth rate projects in which to invest, these companies tend to reinvest in their business rather than pay dividends. We are responding to the need of our clients to increase exposure to global equity markets by expanding the investable universe of the Kipling US Enhanced Equity Fund to include global equities. To accurately reflect this adjustment, the name of the fund will be changed to the **Kipling Global Enhanced Growth Fund** and its benchmark going forward will be the iShares MSCI World index. The iShares MSCI World index is approximately 40% invested in developed markets outside of North America, enabling the Fund to invest in a greater number of high quality growth companies. Please note that the quarterly distribution that the fund currently pays will remain unchanged.

This newsletter edition covers topics of war and peace and their effects on the marketplace, a commentary on the technology space, and some family transition planning advice on using trusts. Enjoy the colors of the fall and the outdoors, and please call us with any questions.

Gary Perron, CFA
Portfolio Manager, Founder

War and Peace (and the Stock Market)

Darrin Erickson, MBA, CFA, Portfolio Manager, Perron Asset Management

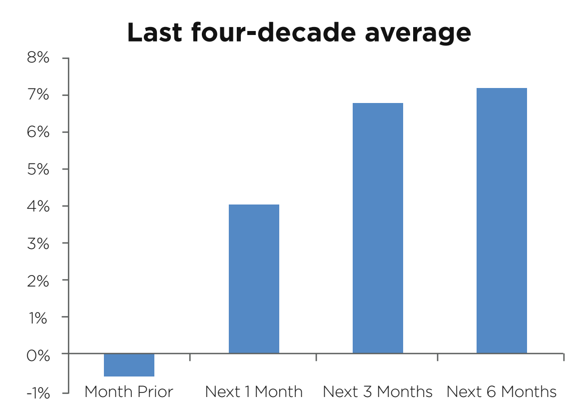
"In nuclear war, all men are cremated equal."

Dexter Gordon

Sabre rattling has once again sent ripples through global financial markets as the prospect of US military action against North Korea looms. Although the North Korean regime has a history of making threats to extract financial concessions from the West, this situation has become especially tense because North Korea has the ability to target US allies and territories with nuclear weapons. To make matters worse, the North Korean regime has openly expressed a willingness to carry out this type of attack. Fortunately, we believe this action is very unlikely given what would undoubtedly be a swift and massive response by the US that would most likely end with the removal of North Korea's political leaders and the destruction of its military capability.

While the odds of a conflict with North Korea remain low, we believe it is prudent to revisit the potential impact that a conventional (non-nuclear) conflict would have on our clients' portfolios.

Investors do not like uncertainty, and so historically markets tend to weaken as tensions increase and the probability of US military action grows. Once the actual conflict begins, the stock market tends to rebound and actually performs quite well over the next couple of quarters.



*Grenada (1983); Panama (1989); First Gulf War (1991); Kosovo (1999); Afghanistan (2001); Second Gulf War (2003); Libya (2011)

Source: www.HulbertRatings.com

War and Peace (and the Stock Market) *Cont'd*

A study published by CFA Institute showed that markets also tend to experience a decrease in volatility after hostilities commence.

This study, shown in the table below, reveals that Large-Cap stocks had an average annual rate of return of 10% from 1926 to 2013, with an average volatility of 19%. For all wars during that same time period, Large-Cap stocks earned an average return of 11.4%, with a standard deviation of only 12.8%. Small-Cap stocks experienced a similar improvement in their risk and return profiles during times of war.

Intuitively, one would assume that fixed income instruments, including long-term bonds, should perform well during wartime, but in fact the opposite is true.

Capital Market Performance During Times of War

	Large-Cap Stocks	Small-Cap Stocks	Long-Term Bonds	Five-Year Notes	Long-Term Credit	Cash	Inflation
1926-2013							
Return	10.0%	11.6%	5.6%	5.3%	5.9%	3.5%	3.0%
Risk	19.0%	27.2%	8.4%	4.4%	7.6%	90.0%	
All Wars							
Return	11.4%	13.8%	2.2%	3.7%	2.8%	3.3%	4.4%
Risk	12.8%	20.1%	6.4%	3.5%	5.5%	0.7%	
World War II							
Return	16.9%	32.8%	3.2%	1.8%	3.0%	0.3%	5.2%
Risk	13.8%	21.0%	1.9%	80.0%	1.1%	0.0%	
Korean War							
Return	18.7%	15.4%	-1.1%	70.0%	0.3%	1.5%	3.8%
Risk	11.1%	12.7%	3.0%	1.7%	3.2%	0.1%	
Vietnam War							
Return	6.4%	7.3%	1.9%	4.7%	2.7%	4.9%	4.1%
Risk	12.1%	21.1%	8.1%	4.4%	6.9%	0.3%	
Gulf War							
Return	11.7%	-1.2%	12.5%	12.5%	12.1%	7.0%	4.7%
Risk	19.4%	27.5%	8.4%	3.8%	6.7%	0.2%	

Source: "What Happens to the Market if America Goes to War?" By Mark Armbruster, CFA Institute.

War and Peace (and the Stock Market) *Cont'd*

While they also experienced lower levels of risk, they generated significantly lower returns than their long-term average. Strategically speaking, it only pays to be positioned defensively in the period leading up to a war. Once the war begins, your portfolio should be positioned more aggressively to take advantage of what will most likely be stronger equity markets.

In summary, equity markets tend to perform better during times of war, and do so with below average volatility. We are aware that volatility can be alarming and uncomfortable, but based on research it is better to be invested in the market in both times of war and peace over the long term. While we hope that future wars can be avoided we also realize that we cannot predict what the two polarizing leaders will do. Although it is tempting, trying to avoid the volatility beforehand will most likely lead to lost returns in the long run.

In an environment like this the best thing one can do is buy quality businesses that, despite all the market noise, are continuing to improve operations and grow.

By sticking to our strict investment philosophy, this is how we plan on navigating war and peace.

To Trust or Not to Trust? That is a Great Question.

Shawnalynn Perron, MBA, CIM, FEA, Portfolio Manager

It is very common to use a Family Trust or various other trust structures to pass down assets to the next generation - but are we thinking about the implications of the legal relationship between the trustee/s and beneficiaries that will take place down the road?

Before we decide that a trust is a great tax and estate strategy to use, let's consider all the other operational and relationship pieces that are created when the trust is in place.

Trusts are simple, yet complex structures that are typically used to accomplish certain goals when leaving the estate to a spouse, children or any named beneficiary. We need to consider not only the quantitative goals (tax and protection), but also the qualitative effects (relationships, lifestyle, usage, etc.) of using a trust, which are often ignored.

We would like to avoid the transfer of wealth as being seen as a business or tax transaction. We would encourage the transfer to have meaning and emotion attached, so the next generation is prepared to receive it and not abuse it.

Jay Hughes describes it perfectly: "This trust is a gift of love. It exists to enhance the lives of the beneficiaries." He is not referring to materialism or free handouts to keep up an expensive lifestyle. He is referring to preparation, education, strong values, maturity and self-sufficiency.

What is a trust? It's a legal agreement between the named trustees and beneficiaries. The agreement will outline the management, administration and distribution expectations of the assets within the trust.

The trustee has the discretion and liability to follow the terms of the agreement, and the beneficiary has the accountability on the usage of the distributions.

Wait! A trust is also an agreement to establish a *relationship* between the trustee and beneficiary. The beneficiary is immensely

To Trust or Not to Trust? That is a Great Question. *Cont'd*

dependent on the capabilities, expertise and knowledge of the trustee to manage their trust for 21 years. That is a role worth preparing for, don't you think? Selecting your beneficiaries is usually the easy part because they are typically your spouse or children. Selecting a trustee is a little more difficult and should not be overlooked. It will be the *most important decision* you make when creating a trust, because you are creating a new relationship. They have a great responsibility to live out your intentions of the trust that will impact the lives of the beneficiaries. Your trustee might be a family member (sibling, aunt, uncle, child), a professional (lawyer, accountant, manager), or a private trust company.

It is imperative to have an inclusive selection process (so every member/individual named within the trust is on the same page about the trust's intentions, management and distribution expectations), and to start developing the working relationships that will eventually exist as a result of the trust's formation.

In conclusion, before you decide to use a trust for tax and estate planning, consider the qualitative effects and relationships that will form as a result. Ensure family members and individuals involved in the trust are working together to understand the implications and expectations ahead of time so when the trust is created, it is a seamless transition.

To continue, let's have a discussion about the use of trusts and your estate plan. Please contact us to set up a discovery meeting.

Three important questions to consider whether a trust makes sense:

1. What is the main purpose or reason for using a trust?
2. What is the most important outcome that you would like to see the trust accomplish?
3. Who will you select to take on the role of the trustee? How will that impact the lives of the beneficiaries?

Investing in the Technology Sector in 2017

Derek VanGenderen, Equity Analyst

Much fanfare has been thrown around over the past couple of years about the lopsided concentration of returns that technology brings to our markets.

The old acronym FANG (Facebook, Amazon, Netflix and Google), or the newer FAAMG (Facebook, Amazon, Apple, Microsoft and Alphabet), are being bandied about as creating a top-heavy market that is precipitously close to falling.

With global growth meandering in the 2-3% range and constant ETF flows going into large cap indices, there has been a convergence between momentum, indexation and growth style factors that has driven capital to large caps (FANGs/FAAMGs). This has led to the interesting situation of lower realized volatility in this group of stocks compared to even the Consumer Staples sector. It is reasonable to think, "How could this not end badly?"

Common arguments like "Paying 30x earnings is expensive!" and "The P/E is over 200x on Amazon!" have been lobbied about for certain high-growth businesses and raises the question, "How can these valuations be reasonable?"

While the criticisms are understandable, spending more time below the surface reveals a different picture when weighing not just the valuation, but also the business quality.

In a decade we might say that the absolute valuation levels today, were too high. However, if you needed to be invested today, is it not more important to compare them to what you get by owning the S&P 500? If so, the picture may not be as grim as one might think.

First, let's compare FAAMG to the tech bubble when Microsoft, Cisco, Intel, Oracle and Lucent were the large constituents in the index. Back in 2000, those five names constituted 15.8% of the index value, while today this figure hovers around 13%, which is slightly above the average for the past decade, but not by much.

Valuation today is less than half of valuations during the tech

Investing in the Technology Sector in 2017 *Cont'd*

bubble with 2018's expected P/Es ratios averaging the low 20s with free cash flow yields anywhere from 3% to 8% for FAAMG.

One exception of note is that Amazon's P/E is at 60x, which is unrepresentative of its true earnings power. This is compared to tech bubble stats of sub 1% free cash flow yields and earnings on a forward-year basis averaging over 60x. Companies today also now have nearly 7 or 8 times more cash on the balance sheet as compared to companies during the bubble. Comparatively, the S&P 500 today is trading at 17x 2018 expected earnings and generally has a mid-single digit revenue growth versus companies such as Facebook that are growing over 30% annually.

FAAMG may not be a cheap basket of securities, but it is one that generates well over triple the revenue growth with a significantly higher return on investment compared to the index.

Currently there is a very reasonable justification for the fact that paying a few multiple points higher on expected earnings one year from now might just be worth it.

Large Cap growth companies like Facebook are not just an American phenomenon. There are numerous global businesses that are completely dominant in their field, enjoying competitive advantages and eye-popping growth. Tencent in China is experiencing the same dramatic changes that Facebook's advertising business experienced between 2010 to today. Its core product "WeChat" has over 938 million highly active users that spend roughly 32% more time inside the app when compared to Facebook, while Tencent is only earning 20% of what Facebook generates per user for advertising. They additionally have significant potential with the other product offerings inside the app, including media subscriptions, music, games, payment processing, and E-commerce.

Imagine combining Facebook, Netflix, PayPal, YouTube, Spotify and Nintendo into one company and selling all of these offerings conveniently in one place to most of Southeast Asia.

Much like Facebook, Tencent is not cheap at approximately 32x 2018 expected earnings, and yet it is still growing at over 40% and earning in excess of 30% on its investments. Are you convinced yet?

The common arguments against these companies that I have listed above focus on valuation without digging deeper into business quality.

Markets are not completely irrational beings; they weigh every business on a scale, balancing the price you pay on one side to the quality of business and reinvestment opportunities on the other.

Investing in the Technology Sector in 2017 *Cont'd*

Source: Bloomberg L.P. (2017). Estimated 2018 Sales Growth ; Operating Margin; Return on Equity; FCF Yield for the S5INFT Index; S5ENRS Index; S5MATR Index; S5COND Index; S5HLTH Index; S5RLST Index; S5INDU Index; S5CONS Index; S5FINL Index; S5UTIL Index. Retrieved September 28, 2017 from Bloomberg terminal.

Whether a business is trading at 10x earnings or 30x, the goal of investing is to get more than you pay for (regardless of the multiple). Just focusing on the valuations alone may preclude you to miss certain investments.

A poorly maintained Ford for $15,000 may be overpriced, while a well-maintained Ferrari for $80,000 could be a steal. The hunt is about investigating each factor. As long as you understand that you are making a quality investment, it may not matter how relatively expensive it was, depending on what you are getting in exchange. If you are paying a bit more than the market, your hunt is to find businesses that can reinvest and grow over the coming decades faster than those of the average company in the index.

Like every investment, the tried-and-true rules of investing still apply.

Businesses must generate cash flow, be managed by competent and able executives, and have opportunities to reinvest profits back into the business. The biggest differentiator is the focus on future opportunities rather than the current run-rate business.

Like always, there are significant risks with any investment due to wrong assumptions, tax rate adjustments, government, potential anti-competitive regulations or changes, and general competition. This is why our funds, with all else being equal, continue to be overweight Technology and Health Care. While it may be ideal to get high-end champagne for the price of a beer, sometimes you may just have to pay a bit more!

Kipling Monthly Income Fund Update

Chris Bolton, CFA, Portfolio Manager

The Kipling Monthly Income Fund was designed to provide regular monthly income and capital appreciation over longer periods of time.

The fund owns a diversified portfolio of our best investment ideas. We believe the fund is attractive for retirees, near retirees and other investors looking for regular monthly income. The fund has also been less volatile than a 100% equity portfolio.

On an annualized basis, since the fund's inception in May 2015 to the end of September 2017, the M-Series has returned 10.3% while the A-Series has returned 8.6%. These returns compare favorably to the benchmark which is up 3.4% on an annualized basis over the same time period.

The fund has struggled more recently. Year-to-date (through September 29) the M Series has returned 0.2% while the A Series has returned -1.0%. We made the decision to increase our energy weighting earlier this year and market has not rewarded that decision (yet). Commodity prices have been relatively stable, with WTI oil closing between US$44/b and US$54/b 95% of the time so far this year (according to ThomsonReuters).

However, investors have shunned the sector. The S&P/TSX Composite Oil & Gas Exploration and Production Sub Index posted negative returns in seven of the last nine months. Gary has more details on our thinking around energy in his article, but in summary we continue to remain constructive on our energy holdings. We have focused on midstream companies as they typically have more stable cash flows and less commodity price exposure. All of our holdings are cash flow positive at current commodity prices and the average dividend yield of our energy holdings is approximately 4.97%.

Overall, the equities in our portfolio are forecast to increase their earnings by approximately 18% in 2018 on average when compared to 2017. In addition, 64% of our equity holdings increased their dividend during the last 12 months and we expect this trend to continue. Both of these factors should be positive catalysts for the equity portfolio going forward.

The Canadian bond market has also been a challenging space. The Bank of Canada raised short-term interest rates on July 12 and again on September 6. We believe the rate increases generally surprised the bond market. For example, the iShares Core Canadian Bond Index ETF closed at $31.95 on June 6. By September 18, the ETF had declined to $30.54. This represents a decline of over 4.4% and the lowest level since May of 2014. In an effort to reduce interest rate risk, we have constructed our fixed income to have a lower maturity than the index. Our current average maturity is approximately 3.75 years versus the iShares Core Canadian Bond Index ETF at 10.13 years.

Within the fixed income realm, we currently see the best opportunities in corporates with maturities in the 2-5 year area. Over 50% of our fixed income portfolio is in investment grade bonds. These holdings provide regular income and are expected to contribute to portfolio stability. We augment these holdings with select high-yield names, preferred shares (all of which are investment grade and most of which have a dividend "floor"), convertible debentures and senior loans. Senior loans are typically floating rate and will benefit if the U.S. increased short-term interest rates.

Kipling Global Enhanced Dividend Fund Characteristics

Next month, I will be 3

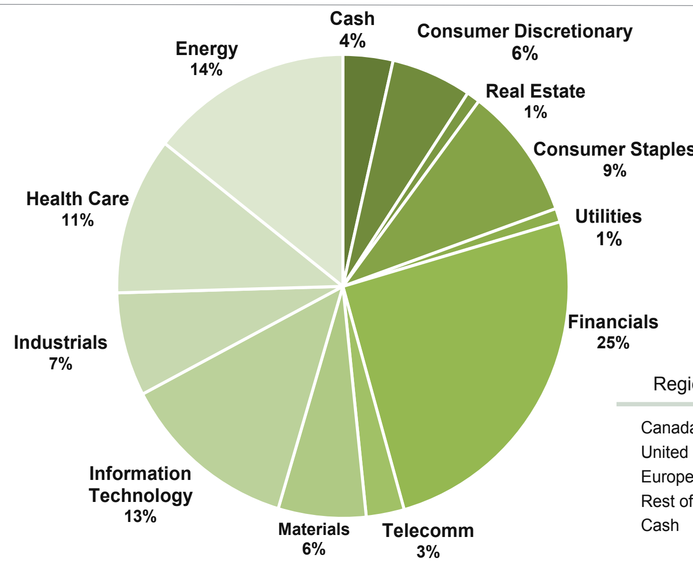
Top 10 Equity Holdings	Sector	Position
TD Bank	Financial	Long
Royal Bank of Canada	Financial	Long
Bank of Nova Scotia	Financial	Long
MasterCard	Technology	Long
Automatic Data Processing	Technology	Long
Microsoft Corp	Technology	Long
BCE Inc	Telecom	Long
Cameco Corp	Energy	Long
Bank of America	Financial	Long
Enbridge Inc	Energy	Long

Portfolio Metrics	Long	Short	Net	Benchmark*
Gross Weight	125.1%	-28.7%	96.4%	100%
# of Positions	50	43	93	166
Mkt Cap (USD)	$124.3B	$12.9B	$156.2B	$221.8B
Price/Earnings	17.1x	18.9x	16.8x	19.1x
Price/Cash Flow	13.0x	13.50x	12.9x	13.1x
FCF Yield	6.6%	3.2%	7.3%	4.6%
Debt/EBITDA	3.4x	7.1x	2.5x	3.4x
Dividend Yield	2.9%	1.5%	3.4%	3.0%
Operating Margin	21.3%	9.3%	23.7%	19.4%
ROE	30.6%	1.8%	35.8%	18.0%

**Benchmark 60% iShares Global 100 ETF & 40% S&P/TSX 60 ETF*

Portfolio Statistics	
Up Months / Average Return	21 / 2.2%
Down Months / Average Return	14 / -1.5%
Standard Deviation vs Benchmark	7.7% vs 8.1%
Sharpe Ratio vs Benchmark	1.5 vs 1.6
Beta vs Benchmark	0.84
Maximum Drawdown	-5% vs -6.5%
Active Share & Tracking Error	102.6% / 3.79%

Sector Allocation



Regional Allocation	
Canada	41%
United States	36%
Europe	18%
Rest of World	1%
Cash	4%

	NAV	1mth	3mth	6mth	YTD	1yr	2016	2015	Inception*
A Series**	$10.80	1.4%	1.2%	1.5%	6.4%	9.9%	1.0%	8.8%	6.8% (Oct 14)
M Series**	$11.34	1.5%	1.6%	2.2%	7.5%	11.5%	2.7%	10.5%	8.5% (Oct 14)
Benchmark*	n/a	2.6%	2.3%	2.7%	7.2%	11.6%	11.9%	7.0%	8.3% (Oct 14)

***Returns are in CAD $ net of fees and assumed all distributions are re-invested*

****Data shown is as of September 30, 2017 compiled from Ndex & Bloomberg (Data is annualized since inception i.e., October 2014).*

The Kipling Global Enhanced Dividend Fund uses a tactical investment approach that utilizes both long and short security positions with the goal to provide consistent long-term capital appreciation while outperforming on a risk-adjusted basis. Typically for every $100 invested, the portfolio will be constructed such that $130 will be in long security positions and ($30) in short security positions. Thus, the strategy will be structured so that generally it will have 100% net equity market exposure. The risk-adjusted performance of the portfolio is intended to exceed the risk-adjusted (annualized) performance in C$-terms, on a 3 year rolling basis of a benchmark comprised of 60% iShares Global 100 ETF and 40% SP/TSX 60 ETF. The strategy will invest primarily in large and medium sized global equities; however, up to 30% of the strategy may be in smaller capitalized equities, high yield investments or special situations. This Fund is managed by Perron Asset Management Inc. pursuant to a sub-advisory agreement entered with the Manager. Perron Asset Management is a wholly owned subsidiary of PPWM.

Kipling US Enhanced Equity Fund Characteristics

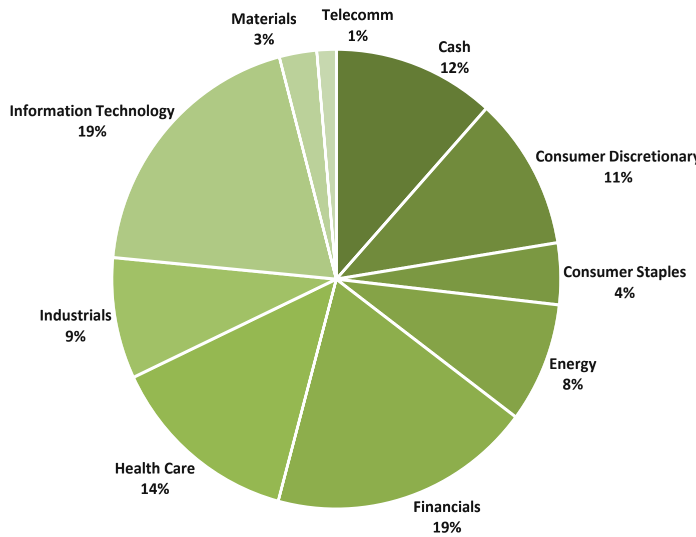
Next month, I will be 3

Top 10 Equity Holdings	Sector	Position
United Health Group	Health Care	Long
US Bancorp	Financial	Long
Berkshire Hathaway	Financial	Long
Visa	Technology	Long
3M Co.	Industrial	Long
Broadcom Ltd	Technology	Long
Home Depot	Discretionary	Long
Marriot International	Discretionary	Long
C.H. Robinson	Industrial	Long
Dr Pepper Snapple Group	Staple	Long

Portfolio Metrics	Long	Short	Net	Benchmark*
Gross Weight	114.7%	26.3%	88.4%	100%
# of Positions	48	29	77	506
Mkt Cap (USD)	$166.1B	$52.4B	$199.2B	$44.3B
Price/Earnings	23.4x	20.1x	23.9x	23.9x
FCF Yield	3.9%	2.3%	4.2%	4.3%
Debt/EBITDA	2.9x	5.8x	2.5x	1.6x
Dividend Yield	2.1%	1.5%	2.2%	2.0%
Operating Margin	21.9%	14.6%	22.9%	13.3%
ROE	30.7%	9.0	33.5%	14.0%

*Benchmark 100% SPDR S&P 500 ETF

Sector Allocation



Portfolio Statistics*	
Up Mths / Ave Rtn	17 / 2.6%
Dn Mths / Ave Rtn	18 / -1.7%
Standard Deviation vs Benchmark	7.46% vs 7.41%
Sharpe Ratio vs Benchmark	2.20 vs 2.46
Beta vs Benchmark	0.86
Active Share & Tracking Error	100.2% / 4.07%

	NAV	1mth	3mth	6mth	YTD	1yr	2016	Inception*
A Series (CAD)	$11.60	1.3%	0.5%	-1.8%	1.6%	10.0%	1.6%	7.1% (Sep 14)
M Series (CAD)	$12.16	1.5%	0.9%	-1.0%	3.0%	11.6%	2.9%	8.8% (Sep 14)
A Series (USD)	$9.20	1.6%	4.4%	4.7%	9.0%	15.6%	5.4%	2.4% (Feb 15)
M Series (USD)	$9.63	1.7%	4.8%	5.5%	10.3%	17.5%	7.0%	4.4% (Oct 14)
S&P 500 (CAD)	N/A	1.7%	0.4%	1.1%	6.6%	13.4%	8.9%	N/A

****Data shown is as of September 30, 2017 compiled from Ndex & Bloomberg (Standard Deviation, Sharpe Ratio and Beta #'s are 1 year, annualized)*

The Kipling US Enhanced Equity Fund uses a tactical investment approach that utilizes both long and short security positions with the goal to provide consistent long-term capital appreciation while outperforming on a risk-adjusted basis. Typically for every $100 invested, the portfolio will be constructed such that $130 will be in long security positions and ($30) in short security positions. Thus, the strategy will be structured so that generally it will have 100% net equity market exposure. The risk-adjusted performance of the portfolio is intended to exceed the risk-adjusted (annualized) performance in C$-terms, on a 3 year rolling basis of a benchmark comprised of 100% SPDR S&P 500 ETF. The strategy will invest primarily in large and medium sized US Equities. This Fund is managed by Perron Asset Management Inc. pursuant to a sub-advisory agreement entered with the Manager. Perron Asset Management is a wholly owned subsidiary of PPWM.

Kipling Private Fund Fact Sheets

Key Benefits

Kipling Monthly Income Fund

- Sector and geographic diversification beyond the Canadian market (Technology & Health Care)
- Shares are priced in CAD$ with a monthly distribution of $0.03 (Yield ~3.2% M Series)
- Investment grade debt exposure provides ongoing income and portfolio stability
- Focus on companies delivering dividend and free cash flow growth with solid balance sheet

Kipling US Enhanced Equity Fund

- Exposure to the world's largest, most diverse and most liquid equity market (emphasizing high-growth)
- Dividend and cash flow yield is higher than benchmark, lower than benchmark valuations & risk
- Over 82% of the companies held in the strategy have increased their dividend in the last 12 months
- High active share and low tracking risk

Kipling Global Enhanced Dividend Fund

- 88% of holdings increased dividends (last 12 months)
- The top 10 Equity Positions increased their dividend payout on average by 10.1%
- 1.6x market exposure 104.7% Active Share 5.9% Tracking Error
- Since inception the enhanced structure has demonstrated lower annual volatility (8.2% ≤ 9.8%) and significantly smaller drawdowns (-7.5% ≤ -11.9%)

Kipling Canadian Enhanced Dividend Fund

- Focus on companies with stable, strong cash flow
- 130/30 Strategy allows the fund to overweight the managers' favourite dividend paying businesses and short inappropriately valued businesses
- Experienced, award-winning management team
- High yield equities with low payout ratios have generated significant performance versus low or no yield equitie

Kipling Strategic Income Fund

- To provide a steady income stream through fixed income investing
- Capital preservation while mitigating risk exposure from both an interest rate risk and credit risk perspective
- Diversified portfolio of bonds (sector, issuer, maturity)

Kipling Private Fund Fact Sheets

Kipling Returns

	NAV	1mth	3mth	6mth	YTD	1yr	2016	2015	Inception
Kipling Strategic Income Fund									
M Series	$10.22	0.33%	-0.02%	1.36%	3.23%	5.69%			6.12% (Aug 16')
Kipling Monthly Income Fund									
M Series	$11.26	-2.00%	-4.50%	-5.50%	-4.10%	-0.90%	8.60%	16.20%	8.6% (May 15')
Kipling Canadian Enhanced Dividend Fund									
M Series	$11.19	2.80%	2.60%	4.30%	3.40%	8.90%	11.20%		8.9% (Oct 15')
Kipling Global Enhanced Dividend Fund									
M Series	$11.26	-0.20%	-1.60%	2.70%	5.90%	9.50%	2.70%	10.50%	8.1% (Oct 14')
Kipling US Enhanced Equity Fund									
M Series (CAD)	$12.04	0.10%	-3.70%	-2.50%	1.50%	9.00%	2.90%	12.4%	8.5% (Sep 14')
M Series (USD)	$9.50	-0.10%	3.80%	3.10%	8.70%	14.70%	7.00%	-5.1%	4.1% (Oct 14')

> "Our services reward families who expect wealth management that is both custom and independent."
>
> **Gary Perron,** CFA
> Portfolio Manager, Founder

- **Truly Independent:** As an independent practice, we have no restrictions, directives or corporate incentives. We are in this business with one agenda: to preserve and enhance our clients' wealth.
- **Flexibility and Tailored Service:** With an open architecture, we have the flexibility to find the lowest costs, best platforms, and latest innovative ideas to meet your specific needs for risk, preservation and growth.
- **100+ Years:** Our core team is guided by over 100 years of combined industry experience.
- **Superior Due Diligence:** Our independence provides us the freedom to explore a variety of resources before selecting the appropriate investments and strategies for you.
- **Risk-Adjusted Investing:** We are experts in generating risk-adjusted returns. We also work to maximize results by controlling tax and identifying low-cost investment options.
- **Business Expertise:** We work with business owners to develop succession strategies, identify taxation opportunities and implement complex investment plans.
- **Family Wealth Guidance:** Through simplified guidance and a personalized approach, we work with families to grow, preserve, plan and transfer wealth.

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CIPF Canadian Investor Protection Fund MEMBER

Chris Bolton, CFA
Portfolio Manager

Darrin Erickson, MBA, CFA
Portfolio Manager, Perron Asset Management

Diana Gnyra, CIM, B.Comm
Chief Operating Officer Kipling Private Funds

Jason Isaac, CFA, CAIA
Portfolio Manager, Perron Asset Management

Gary Perron, CFA
Portfolio Manager, Founder

Shawnalynn Perron, MBA, CIM, FEA
Portfolio Manager

Karen Smale, PFP, CIM
Portfolio Manager

Derek VanGenderen, B.Comm
Equity Analyst

Diane Pang, CPA, CA, CFA
Portfolio Manager, Perron Asset Management

Polina Pali, CFA
Operations Supervisor

Cory Jackson, B.Sc., J.D.
Investment Counsellor

Malou Casuga
Chief Compliance Officer

Alex Crookes, H.B.Comm
Associate

James Nickerson, CFA, B.MGT
Investment Advisor

Krystina Meunier
Branch Administrator

Perron & Partners Wealth Management
Suite 1500, 606-4th Street SW
Calgary, Alberta T2P 1T1

Tel. (403) 705-1200
Fax. (403) 705-1211
info@ppwm.ca
www.ppwm.ca