AUGUST 2017

EHP Select Fund

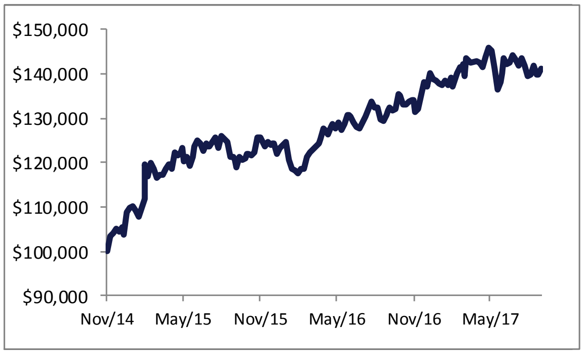
ehp FUNDS

EHP Select Fund

Returns (Class F units, net of all fees and expenses)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	-0.6%	1.7%	2.4%	2.1%	-4.0%	2.1%	-2.6%	1.2%					2.3%
2016	-5.7%	4.3%	4.2%	0.0%	2.3%	-1.3%	2.6%	-0.6%	2.6%	-0.6%	2.6%	0.2%	10.7%
2015	1.7%	4.2%	2.5%	3.0%	0.2%	0.0%	2.1%	-4.3%	0.9%	3.1%	-1.0%	0.2%	13.2%
2014											4.3%	5.6%	10.2%

Growth of $100,000 (weekly)



Risk/Reward Analysis

	Fund	S&P TSX
Annualized Return	12.9%	4.4%
Annualized Std Deviation	9.0%	7.4%
Winning Months	71%	62%
Average Monthly Gain	2.3%	1.6%
Average Monthly Loss	-2.1%	-1.6%
Largest Drawdown	-6.7%	-13.8%
Sharpe Ratio	1.4	0.6
Fund Correlation		48.8%
Fund Beta		0.58
Net Exposure	65%	
Gross Exposure	182%	

Compound Returns (%)

	1 Mo	3 Mo	6 Mo	1 Yr	Incep.
Fund	1.2%	0.7%	1.1%	7.2%	12.9%

Source of Returns for Month

Returns from Longs	0.9%
Returns from Shorts	0.4%

Commentary

The EHP Select Fund “F” Class units increased 1.2% for the month of August, compared to the TSX Composite return of 0.7% over the same period. Profits came from both long and short positions as material, industrials and consumer discretionary sectors led gains, while energy stocks continued to weaken. We had suspected that the massive underperformance of the TSX versus global peers was overdone, and August saw Canadian markets outperform on the back of commodity price strength, strong bank earnings and very strong economic data. The market continues to send mixed signals, with a resurgence in EM currencies and stock markets along with strength in industrial commodities pointing to an environment of growth and reflation, while conversely, safe haven assets like U.S treasuries and gold are also moving higher, suggesting the opposite backdrop of low growth and limited inflation.

Momentum and growth stocks continued their ascent during August, while value stocks continued to sell off. Markets did experience a mid-month swoon on the back of geo-political issues which resulted in a temporary flight to safe haven assets and a spike in volatility, however, as has been the case with recent pullbacks, investors used the weakness as a buying opportunity leaving broad markets at, or close to, record highs. In our opinion, the huge outperformance of growth versus value is approaching extreme levels and at some point, investors will come to the realization that by chasing “what has been working”, it is only serving to push already expensive valuations on a select number of high growth stocks even higher, to a level that is unjustified by fundamentals. To us, markets appear to be exhibiting “1999-lite” characteristics. We’re now seeing analysts and investors looking for new ways to justify otherwise traditionally expensive valuations for unprofitable businesses, including price/sales, EV/revenue, and the “boot-strapping” of valuations for one overpriced stock relative to another. Investors inevitably point to examples that validate this approach, with Amazon being the poster child, as in, “Amazon has always been expensive, and look at it now”. Two things to point out with respect to this logic: 1) AMZN lost an incredible 95% of its value from the peak in ’99 before bottoming two years later, and 2) for every Amazon, there were hundreds of similar “must own” stocks which either failed completely or have never again reached the levels approached during the last “new paradigm” environment. Amazon is a juggernaut and massively successful, but there is no better reminder that the price that you pay for even massively successful businesses matters in the medium term.

We enter September with the fund similarly positioned to how we have been since mid-May. Canada remains “risk off”, leaving the fund with exposures towards the low end of our targeted range. Canadian markets are an outlier in this regard with U.S. markets and high yield debt remarkably resilient and near all-time highs. With a market that remains narrow in terms of stocks that are holding indices up, and a heavy political schedule for September, we expect more volatility before resolving these conflicting signals. As always, we’ll adapt our positioning accordingly as our indicators dictate.

EdgeHill Partners
45 Hazelton Ave
Suite B
Toronto, Ontario
M5R 2E3

(416) 360-0310
info@ehpfunds.com
www.ehpfunds.com

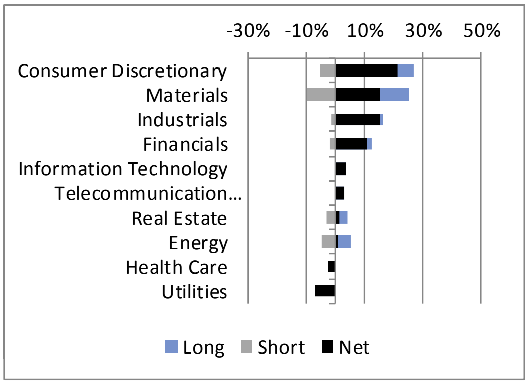
AUGUST 2017

EHP Select Fund

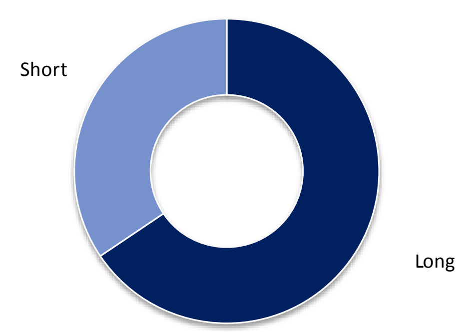
ehp FUNDS

Fund Structure

Sector Allocations % of NAV



Capital Allocation % of NAV



Top 10 Equity Longs

Canadian National Railway Co	5.2%
West Fraser Timber Co Ltd	5.1%
Western Forest Products Inc	5.0%
Canfor Corp	4.8%
Norbord Inc	4.6%
Interfor Corp	4.6%
Cogeco Communications Inc	4.5%
Martinrea International Inc	4.5%
BRP Inc/CA	4.3%
Transcontinental Inc	4.3%

Top 10 Equity Shorts (GICS Sub-Industry)

Copper	-2.3%
Department Stores	-2.2%
Movies & Entertainment	-2.1%
Renewable Electricity	-2.1%
Diversified Metals & Mining	-2.1%
Packaged Foods & Meats	-2.1%
Oil & Gas Storage & Transporta	-2.0%
Electric Utilities	-2.0%
Oil & Gas Equipment & Services	-2.0%
Diversified Metals & Mining	-2.0%

Fund Information

The Fund constructs a concentrated long/short portfolio of primarily Canadian stocks by buying undervalued, rising, stable stocks and shorting overvalued, declining, volatile stocks. The Fund actively gears down risk in declining markets and tilts toward more defensive stocks and strategies to preserve capital. The Fund emphasizes a disciplined process of stock selection, risk control and liquidity. The Fund targets returns of 15%+ net of all fees.

Portfolio Manager:	Jason Mann, Ian Fairbrother	Fund Risk Rating:	Medium to High
Fund Structure:	Open-Ended Investment Trust	Reporting Frequency:	Weekly
RSP Eligible:	Yes	Fund Codes:	\$CAD: EHP200A / EHP200F
Fee Structure:	A, UA: 2% Mgmt Fee, 20% Perf Fee		\$USD: EHP200UA / EHP200UF
	F, UF: 1% Mgmt Fee, 20% Perf Fee	High Water Mark:	Yes, Perpetual
Subscription Amounts:	\$25,000 Minimum	Fund Administrator:	CommonWealth Fund Services
Subscriptions:	Weekly, Friday 4pm deadline	Prime Broker:	BMO
Redemptions:	Weekly, 1 day notice A/F, 2 day UA/UF	Legal / Auditors:	McMillan LLP / KPMG LLP

EdgeHill Partners
45 Hazelton Ave
Suite B
Toronto, Ontario
M5R 2E3

(416) 360-0310
info@ehpfunds.com
www.ehpfunds.com