JUNE 2019

EHP Advantage Fund

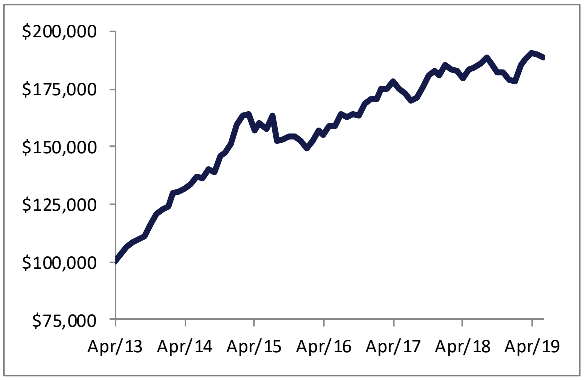
ehp FUNDS

EHP Advantage Fund

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

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2019	-0.1%	3.9%	1.3%	1.6%	-0.4%	-0.9%							5.4%
2018	2.3%	-1.0%	-0.5%	-1.4%	1.9%	0.5%	1.1%	1.4%	-1.6%	-2.1%	0.2%	-2.0%	-1.4%
2017	0.1%	2.8%	-0.2%	1.8%	-1.9%	-1.0%	-1.6%	0.6%	2.6%	3.0%	1.1%	-0.9%	6.4%
2016	-2.0%	1.9%	3.3%	-1.4%	2.5%	0.1%	3.2%	-0.7%	0.5%	-0.1%	3.0%	1.0%	11.7%
2015	5.4%	2.5%	0.4%	-4.4%	2.3%	-1.6%	3.4%	-6.7%	0.6%	0.9%	-0.1%	-1.3%	0.7%
2014	0.6%	4.7%	0.5%	1.5%	1.3%	2.3%	-0.5%	2.7%	-0.9%	5.1%	1.1%	2.6%	23.1%
2013					3.2%	3.4%	1.5%	1.4%	1.2%	4.6%	3.7%	2.0%	22.9%

Growth of $100,000 (monthly)



Risk/Reward Analysis

	Fund	S&P TSX	S&P 500
Annualized Return	10.8%	7.7%	12.7%
Annualized Std Deviation	7.4%	8.9%	11.5%
Winning Months	66%	66%	73%
Average Monthly Gain	2.1%	2.0%	2.6%
Average Monthly Loss	-1.4%	-2.1%	-3.1%
Largest Drawdown	-9.0%	-14.3%	-13.5%
Sharpe Ratio	1.5	0.9	1.1
Fund Correlation		38.7%	48.4%
Fund Beta		0.32	0.31
Net Exposure	108%		
Gross Exposure	191%		

Compound Returns (%)

	6 Mo	1 Yr	3 Yr	5 Yr	Incep.
Fund	5.4%	2.3%	5.8%	6.6%	10.8%

Commentary

The EHP Advantage Fund Class “F” units declined -0.9% for the month of June. Equity strategies were mixed, with gains from longs more than offset by losses on shorts as junkier stocks rallied sharply in the final few days of the month, while more defensive stocks, which had been in an uptrend, reversed gains. June was a “whipsaw” month to a degree, with the fund having partially geared down risk in May, only to quickly gear back up as markets bounced higher. In general, value stocks were strongest while strong price momentum and low volatility stocks reversed recent gains. The US Dollar, which we use in the fund as a tactical “flight to safety” allocation, reversed sharply against the Canadian dollar, hurting returns. Our Credit Momentum strategy had gains as our rotation in May from high yield into 30-yr U.S. Treasuries paid off, and a subsequent move back into high yield in early June further added to profits.

After a meaningful setback for equity markets in May, indices snapped back in June, erasing all the losses and leaving markets largely flat on a two-month basis. While trade tensions, slowing global growth and the uncertainty surrounding central bank policy hammered stocks last month, those concerns were brushed aside during June as trade fears dissipated at the same time the Fed and the ECB offered up accommodative language. Despite the rally in stocks, sovereign bonds globally remained well-bid as investors continued to hold on to their safe-haven assets. A curious divergence has formed in markets with stock indices at or near all-time highs, with defensive treasuries, gold and bond-proxies leading, while at the same time investor sentiment indicators are quite bearish in terms of outlook and positioning. With global growth continuing to weaken and earnings expectations wavering, the bond market has likely forced the Fed’s hand and we should expect a rate cut in the coming months.

In terms of how this divergence resolves itself, there are a few likely paths. It’s possible that a quick, aggressive rate cut and true resolution of the trade war with China effectively “kicks the can” and global growth turns back up. Safe-havens would sell off and cyclical value stocks would rally, an outcome for which many are poorly positioned. It’s equally likely, in our view, that the Fed eases cautiously and that tariffs and trade wars will continue to be an ongoing feature of U.S. policy as the Trump administration tries to reshape the global supply chain and weaken China’s influence. Global growth, which was already declining before the trade war began, may push further to the downside, ending this already long-in-the-tooth economic cycle. In this scenario, the bond market is “correct” in terms of anticipating slowing inflation and falling yields, and equities overall are overpriced at these levels, particularly expensive growth stocks that have had yet another run higher this year.

While we don’t make predictions, we do adapt risk to reflect market conditions, and the fund is relatively balanced between these two scenarios in terms of sector and beta exposures. While we enter July with the fund “risk on” in terms of allocations, the underlying stock selections are quite defensive, with an emphasis on higher quality, lower volatility stocks that should hold up well if indices turn lower again. Time will tell which scenario plays out (or whether something completely different emerges), but in any case, our process of adapting risk to reflect changing trends will help us navigate these expensive, late cycle markets.

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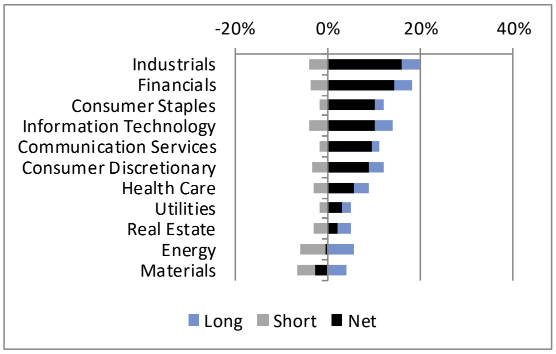
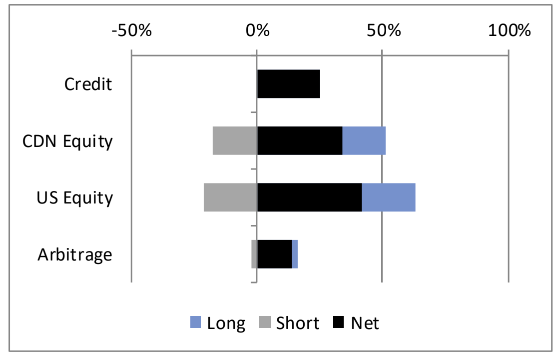
EHP Advantage Fund

Fund Structure

Sector Allocations % of NAV



Capital Allocations % of NAV



Canadian Equity - Top 10 Longs

Cogeco Communications Inc	1.6%
Constellation Software Inc/Can	1.5%
CGI Inc	1.5%
Canadian National Railway Co	1.5%
CI Financial Corp	1.5%
Boyd Group Income Fund	1.5%
FirstService Corp	1.5%
Quebecor Inc	1.5%
Air Canada	1.5%
Gildan Activewear Inc	1.4%

U.S. Equity - Top 10 Longs

Zoetis Inc	1.4%
Mettler-Toledo International I	1.3%
Mastercard Inc	1.2%
Costco Wholesale Corp	1.2%
Dollar General Corp	1.2%
S&P Global Inc	1.1%
Ecolab Inc	1.1%
American Express Co	1.1%
Aon PLC	1.1%
Automatic Data Processing Inc	1.0%

Fund Information

The Fund constructs a long/short portfolio of North American equities and credit 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 annual returns of 10-12% net of all fees.

Portfolio Managers:	Jason Mann, Ian Fairbrother, James Park	Fund Risk Rating:	Low to Medium
Fund Structure:	Mutual Fund Trust	High Water Mark:	Yes, Perpetual
RSP Eligible:	Yes	Fund Administrator:	SS&C CommonWealth
Redemptions:	Weekly, 0 days notice	Prime Brokers:	Bank of Nova Scotia, BMO
Reporting Frequency:	Weekly	Legal / Auditors:	McMillan LLP / KPMG LLP

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