JULY 2018

EHP Advantage Fund

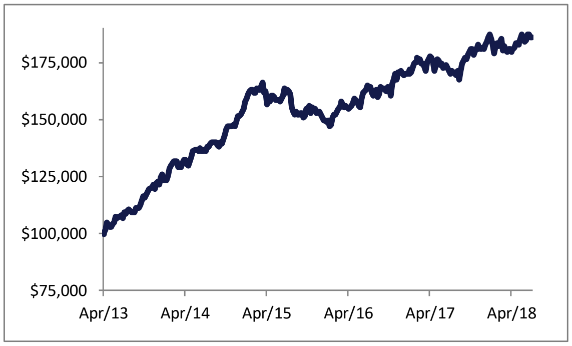
ehp | FUNDS

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
2018	2.3%	-1.0%	-0.5%	-1.4%	1.9%	0.5%	1.1%						2.8%
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 (weekly)



Risk/Reward Analysis

	Fund	S&P TSX	S&P 500 (C$)
Annualized Return	12.6%	8.6%	19.4%
Annualized Std Deviation	7.6%	7.5%	9.8%
Winning Months	70%	68%	71%
Average Monthly Gain	2.1%	1.9%	2.9%
Average Monthly Loss	-1.5%	-1.8%	-1.9%
Largest Drawdown	-9.0%	-14.3%	-7.6%
Sharpe Ratio	1.7	1.1	2.0
Fund Correlation		37.6%	75.6%
Fund Beta		0.37	0.57
Net Exposure	105%		
Gross Exposure	193%		

Compound Returns (%)

	6 Mo	1 Yr	3 Yr	5 Yr	Incep.
Fund	0.5%	9.4%	4.5%	11.4%	12.6%

Source of Returns for Most Recent Month

Returns from Longs	1.2%
Returns from Shorts	-0.1%

Commentary

The EHP Advantage Fund Class “F” units increased 1.1% for the month of July. The portfolio had gains from longs that were only moderately offset by losses on shorts as higher quality value stocks outperformed high-beta growth stocks in what was another volatile month for “factor” investing. Our Credit strategy also had gains with high yield bonds posting their best month of the year, moving higher with equity markets and ignoring the pressure of higher global interest rates.

Globally, equity markets were strong across the board in July, with U.S. and European returns amongst their best of the year. However, the market remains skittish, as advances were in the choppy and volatile pattern that we’ve become accustomed to this year as key U.S. trade policy continues to be delivered primarily in “tweet” form. The gains in broad market indices masked more meaningful volatility “under the hood”, as evidenced by some large moves in the factors or attributes of underlying stocks and sectors. As we’ve written in prior letters, high-beta growth stocks have meaningfully outperformed quality, low-volatility, value stocks for the last eighteen months, making it a tough environment for long/short strategies that typically avoid or even bet against over-priced glamour stocks. July saw a reversal of this trend, with sharp moves lower in growth stocks and sharp moves higher in deep value and low volatility equities. The rotation was global in nature, in what may well have been “de-risking” by larger quantitative fund managers after some notable losses year-to-date. Canada was a stand-out in terms of this de-risking, as our market is currently unique in that many momentum stocks are also value stocks (forestry, auto-parts, consumer discretionary), and they were hit with a wave of indiscriminate selling in the last few weeks of the month.

So what are we to make of these volatile factor moves? We view it as yet another potential indicator of a late-stage market. There have been other similar periods of factor volatility, with some of the largest in 2007 and 1999/2000, both time periods that in hindsight were in the late innings of their respective bull markets. Whether we are at a crossroads in terms of leadership, and this is the beginning of a wholesale regime shift from growth to value, only time will tell, but for the time being, it would appear investors are becoming increasingly wary of owning the most expensive growth stocks, with little tolerance for a missed earnings report or reduced guidance. Looking past the near-term volatility, should this long overdue regime shift hold, we are well positioned to participate into a further rotation into cheap, rising and stable stocks.

Our tactical indicators remain constructive, and we enter August at the higher end of our risk range. As always, we recognize that warning signs exist, including: weak copper prices, a flattening yield curve, a worsening trade war, and Chinese growth concerns. However, given that overall equity valuations appear reasonable in the context of economic data that remains robust, it would appear that a recession in the very near term is not in the cards, leaving us comfortable in our current positioning. Regardless of our views and thoughts on the markets, as always, we stick to our knitting and follow our systematic process that dictates stock selection and overall positioning as opposed to our emotions and biases.

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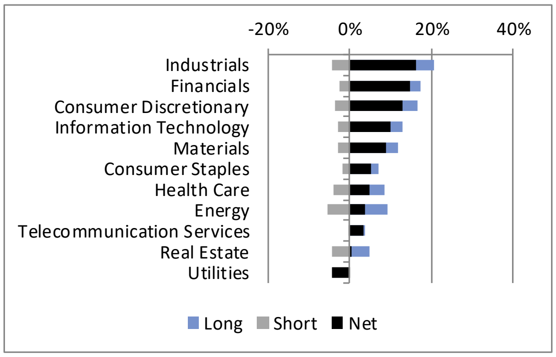
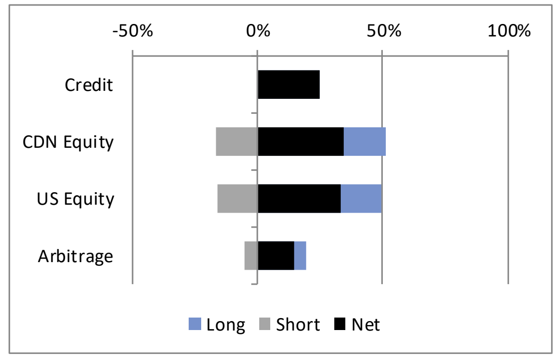
EHP Advantage Fund

Fund Structure

Sector Allocations % of NAV



Capital Allocations % of NAV



Canadian Equity - Top 10 Longs

Colliers International Group I	1.7%
Methanex Corp	1.5%
Enghouse Systems Ltd	1.5%
BRP Inc/CA	1.4%
TFI International Inc	1.4%
Transcontinental Inc	1.4%
Canadian Pacific Railway Ltd	1.4%
Magna International Inc	1.4%
Parex Resources Inc	1.3%
Rogers Communications Inc	1.3%

U.S. Equity - Top 10 Longs

Valero Energy Corp	1.3%
Best Buy Co Inc	1.2%
Mastercard Inc	1.1%
UnitedHealth Group Inc	1.1%
S&P Global Inc	1.1%
Avery Dennison Corp	1.1%
Progressive Corp/The	1.1%
Texas Instruments Inc	1.0%
WW Grainger Inc	1.0%
Applied Materials 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	Fund Risk Rating:	Low to Medium
Fund Structure:	Mutual Fund Trust	Reporting Frequency:	Weekly
RSP Eligible:	Yes	Fund Codes:	$CAD: EHP100A / EHP100F
Fee Structure:	A, UA: 2% Mgmt Fee, 20% Perf Fee		$USD: EHP100UA / EHP100UF
	F, UF: 1% Mgmt Fee, 20% Perf Fee	High Water Mark:	Yes, Perpetual
Subscription Amounts:	$25,000 Minimum	Fund Administrator:	SS&C CommonWealth
Subscriptions:	Weekly, Friday 4pm deadline	Prime Brokers:	Bank of Nova Scotia, BMO
Redemptions:	Weekly, 1 day notice A/F, 2 day UA/UF	Legal / Auditors:	McMillan LLP / KPMG LLP

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