



## REPORT TO UNITHOLDERS

Dear Fellow Unitholders,

In this letter, we will provide an overview of the returns for the worldwide markets and how this compares to the performance of the Canadian equity market. In addition, we will comment on the current status of the “high yield equity sector” and our expectations for this sector in the future. We will also explain the investment performance for the twelve-month period ended December 31, 2017 and share our outlook for 2018.

### MARKET OVERVIEW

During the twelve months ended December 31, 2017, the Canadian market provided a 9.1% rate of return. While the Canadian market performed well during 2017, it underperformed both the U.S. and world markets. The U.S. and world markets provided rates of return of 21.8% and 23.1%, respectively.

Index	2017 ROR
S&P/TSX Composite	9.1%
S&P 500	21.8%
Dow Jones Industrial Average	24.5%
MSCI EAFE (Europe, Australasia, Far East)	25.6%
MSCI World	23.1%

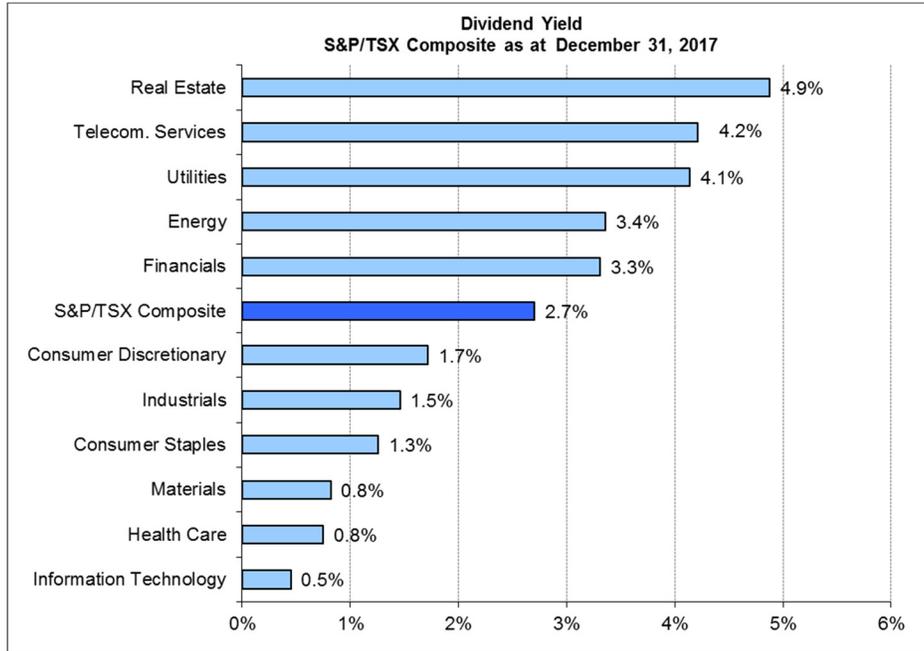
### Canadian High-Yield Market

The S&P/TSX Composite provides investors with an opportunity to generate income and enhance their total rate of return. The Canadian market, as measured by the S&P/TSX Composite, provided a dividend yield on market of 2.70% as at December 31, 2017. This compared favourably against available Government of Canada bond yields. The 10-year Government of Canada bond yield for the period ended December 31, 2017 was 2.05%, up 32 basis points over the twelve-month period. Bond yields increased through the second half of 2017 from historically low levels. Despite recent increases, on an absolute basis, bond yields remain very low.



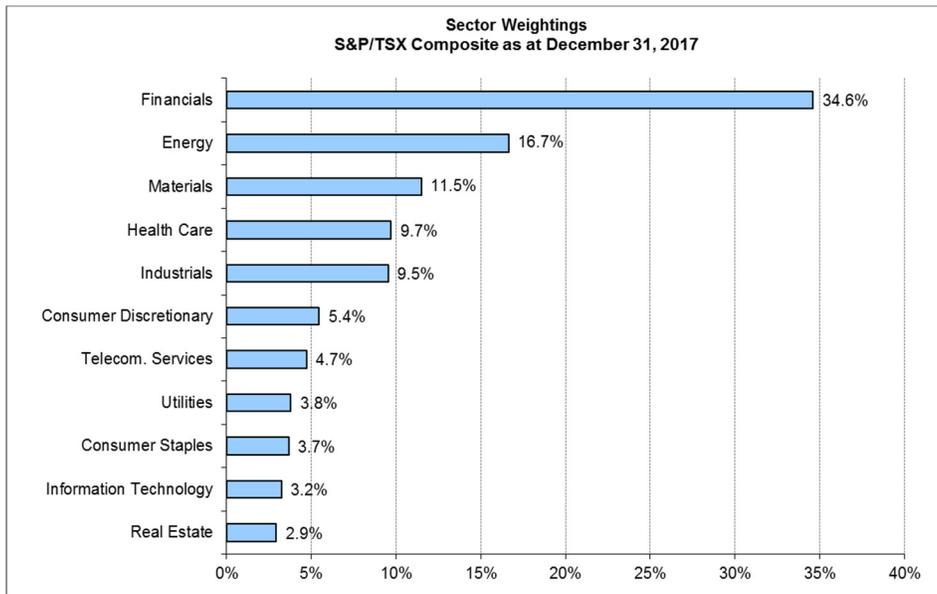


Canada's dividend yield universe is broad and diversified, with five of the eleven sectors within the index providing overall yields in excess of 3.0%. The Real Estate, Telecom Services and Utilities sectors provided the highest dividend yields, with 4.9%, 4.2% and 4.1%, respectively. The Financials sector, which is dominated by the big banks, also provides a healthy yield, ending the year with a 3.3% yield while the Energy sector continues to provide an attractive 3.4% yield.



Source: TD Newcrest Market Statistics & Returns

The Canadian equity market as represented by the S&P/TSX Composite is dominated by three main sectors, Financials (34.6% weighting), Energy (16.7%) and Materials (11.5%). The three sectors' combined weighting was 62.8% at year end.



Source: TD Newcrest Market Statistics & Returns

## FUND PERFORMANCE

---

The Fund's investment strategy is to invest its net assets in a diversified portfolio of securities consisting primarily of common and preferred shares of Canadian issuers, income securities, including bonds and debentures, income trusts, real estate investment trusts ("REITs"), Canadian mortgage-backed securities, and cash and cash equivalents. The Fund may also invest up to 20% of the value of the portfolio in any other security at the discretion of the Investment Advisor.

For the twelve-month period ended December 31, 2017 the Fund's published net asset value per unit, which is used for purchases and redemptions, decreased 3.05%, resulting in a total return, including distributions, of negative 1.06%. During the same timeframe, the S&P/TSX Composite increased 9.10%.

For the twelve-month period ended December 31, 2017, the Fund generated net realized gains of approximately \$876 thousand. Sales were executed to attain desired weightings within the Fund. Net gains were realized from sales in BrightPath Early Learning Inc. (\$146 thousand), First National Financial Corp. (\$134 thousand), Brookfield Renewable Energy Partners (\$130 thousand), Tricon Capital Group Inc. (\$78 thousand), Artis REIT (\$76 thousand), WPS Global, Inc (\$73 thousand), Allied Properties REIT (\$62 thousand), Algonquin Power and Utilities Corp. (\$57 thousand) and Parkland Fuel Corporation (\$51 thousand). There were no net losses realized from sales.

### Distributions

The Fund declared and paid a distribution of \$0.10 for the twelve-month period ended December 31, 2017 and \$0.10 for the 12-month period ended December 31, 2016.

## OUTLOOK

---

The U.S. economy has continued to perform well, supported by strong employment, a robust housing market and a recently introduced bill reducing corporate and individual taxes. The U.S. consumer should continue to drive economic strength as they realize the "wealth effect" benefits from rising home prices and equity market valuations, lower income taxes and relatively cheap borrowing rates. Overall, the U.S. economy continues to enjoy a number of tailwinds. The key question that many are asking is whether the tailwinds outweigh potential headwinds. With equity markets in the U.S. reaching all-time highs, some are expressing concern given that both economic growth and inflation readings remain moderate. The core headwind on a go-forward basis, while well telegraphed and explained, is the expectation that the FOMC will continue its balance sheet and federal funds rate normalization process, which may potentially slow economic growth if borrowing rates continue to trend upwards.

The Canadian economy was strong throughout 2017 as economic growth surprised to the upside, supported by improving employment and a stable housing market. The housing market remained resilient as new mortgage rules were introduced. Western Canada started to show signs of life as energy prices increased while both business and consumer spending provided a welcomed boost. Much like the U.S., Canada's economy has enjoyed low borrowing costs and the benefit of the "wealth effect" as both home and equity valuations have increased materially on average. While we do not have a "bearish" outlook, it should be noted that ongoing NAFTA negotiations and the expectation that the BOC will continue to adjust its overnight rate upwards could potentially lead to lower growth as the economy adjusts to these changes.

We do not know what returns the stock market will provide in any given year. What we do know is the following: buying reasonably priced shares of companies with well-constructed balance sheets, honest and able management who continue to grow their company's earnings, dividends and intrinsic value over time should reward the shareholders of such companies as the years roll forward.

Thank you for your continued support.



Kevin Charlebois  
On behalf of the Manager and the Investment Advisor



**Caution Regarding Forward-Looking Statements**

*The Report to Unitholders and Management Report of Fund Performance contain forward-looking information within the meaning of Canadian provincial securities laws. The words “may,” “will,” “continue,” “resume” and other expressions that are predictions of or indicate future events, trends or prospects and that do not relate to historical matters, identify the above-mentioned and other forward-looking statements. These forward-looking statements include, among others, statements with respect to the future performance of the high-yield Canadian equity market and particular market sectors, the ability and likelihood of certain companies to increase or decrease their distributable cash, acquisition trends in the equity market, the Fund’s annual distribution targets and portfolio weightings, future positioning of the Fund, equity market yields and distribution levels in the future, and other statements with respect to our beliefs, outlooks, plans, expectations and intentions. Although the Manager believes that these forward-looking statements and information are based on reasonable assumptions and expectations, the reader should not place undue reliance on them or any other forward-looking statements or information in these reports. The future performance and prospects of the Fund are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of the Fund to differ materially from those contemplated or implied by the statements in these reports include general economic conditions in Canada and elsewhere, changes in legislation including tax laws and regulations and other risks and factors described in the documents filed by the Manager with the securities regulators in Canada, including under “Risk Factors” and other risks and factors described in the Fund’s prospectus and the Fund’s most recently filed Management Report of Fund Performance, Annual Information Form and other continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) or [www.soundvestcapital.com](http://www.soundvestcapital.com). Except as required by law, the Manager undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.*