PATHFINDER

Equally Invested™

Our uniquely managed funds, fee transparency, and exceptional personal service allow our clients to maximize asset growth, focus on long-term objectives, and have a better understanding of where their money is invested and why.

EQUALLY INVESTED… WHAT THIS MEANS:

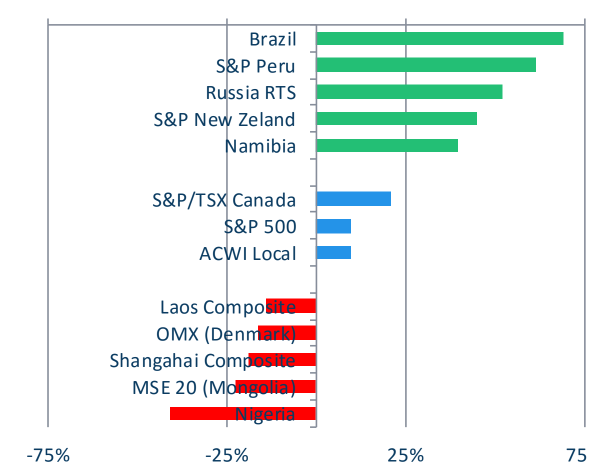
We believe that we have created a better platform for money management. Our inception as a family office led to the creation of our Equally Invested™ culture: What this means is that *everyone* at Pathfinder invests in the same portfolios and funds and pays the same fee as all of the clients. Also, we (employees), along with our families are the largest investors at Pathfinder so your portfolios are invested right alongside ours, making every client relationship we have equally important.

DECEMBER 2016

At Pathfinder, we draw a clear distinction between our "Core Portfolios", segregated stocks, bonds and cash and the "Pathfinder Funds", our private pooled funds. The risk profiles of the two "buckets" are quite different. The Core Portfolios are managed to produce broad, equity-like market returns but with less risk. Broad, equity-like market returns, for us, means the general price change of stocks plus dividends across many different types of equities and over many years. If one were to consider the idea of "stocks returns" for a minute, they could come up with some materially different numbers.

This year, Brazil IBOVESPA Index returned 69.0% (all data in this paragraph is price data only) while other primarily commodity based countries were up greater than 40% as well (Russia, Kazakhstan, Peru, Namibia etc.). This was in sharp contrast to last year, when this same list was down -41% or more. The commodities drop in 2015 and the reversal from the beginning of this year were the biggest driver of returns for investment portfolios, particular in a country like Canada where 33.2% of our publicly traded companies are directly commodity related (much more if you consider the 2nd derivative of that commodity cash flow in our country). The worst performing market last year was Nigeria All Share index which experienced a -40.8% loss and there are a number of other emerging market countries that have -20% losses as well, including the Shanghai Composite Index which tracks the largest

Global Equities Markets Movers (USD) December 31, 2016

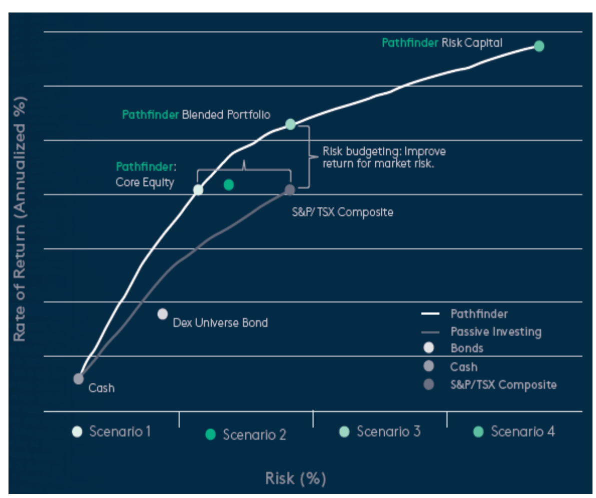


Source: Bloomberg Markets LP, Pathfinder Asset Management companies in China and was the worst performing index in Asia. Closer to home, the S&P/TSX Venture Index gained 45.0% for the year which reverses last year's loss of -24.4% and the S&P/TSX Composite Index gained 17.5% for the year, also reversing a loss of -11.1% last year. Developed global stocks gained 6.7% in local terms this year but 5.6% in US dollar terms. As you can see, depending on how you look at the data, there are a variety of ways to judge what broad equity returns look like over the very short-term (1-2 years). The interesting thing is that if you look at the same return statistics over 2 years, the best returning countries contain none of the same names. This was because of the big swings and is why, when we form investment theories, we look at very long-run returns of developed global stocks. The MSCI World Equity index in US dollars over 40 years has returned about 9%. It is also similar in other major currencies. So that is what we are shooting for: 9%... but with less risk.

How do we actually do this? We use a combination of security selection, sector rotation and allocations to cash when we feel there is too much risk in financial markets or when stock prices are too high (the two are not the same). Security selection is driven by investing in quality companies sourced from the Core 100 -- please see Page 4 below for more information. We also use that long run cost of capital (9%) as one of the more significant valuation tests when we consider adding a company as an investment into our portfolios. Sector rotation and cash allocation come naturally from the stock valuation framework and our investment management process. Here we allocate away from cyclical sectors in favor of defensive equities and of cash during periods of economic uncertainty and into cyclicals and away from cash during extended periods of trending global growth.

How do we do all of this with less risk? Most people think of risk in terms of losing money. Other more institutionalized investors think of risk in more relative terms - i.e. their portfolio's return against a benchmark. They are asking the question: "Did my portfolio beat an index or combination of indexes?" In this case, the absolute return is less important than the relative return. For example, a return of -20% would be very good if the comparative index dropped -30% but a return of +20% would be a failure if the market was up 25%. If you have read much of what Pathfinder has written over the years, you would know that we are not big believers in benchmarking. We are more concerned about managing to avoid the destruction of capital and taking a real investment positon, rather than hugging widely published index weights (investors can do this cheaply without paying a manager by using Exchange Traded Funds). Thus, risk minimization for us comes from our process. We buy lower risk stocks by definition, focus on valuation and are not averse to selling stocks to create cash or not investing if we cannot find good value. This discipline in our process decreases overall standard deviation of returns and measurable downside risk (i.e. capital destruction) during periods of stress. This is how we work towards the "less risk" part of the statement above.

Pathfinder Investment Philosphy December 31, 2016



Source: Pathfinder Asset Management

The Pathfinder Funds are more aggressive by comparison and are managed for performance (either absolute or relative). Furthermore, each of the risk profiles are quite different. Please see the fact sheets about each fund to get a feeling for how the portfolio managers approach their management. The spread of risk profiles among each of the mandates at Pathfinder allows our Portfolio Managers and Investment Counsellors to custom blend a portfolio structure along the risk/return spectrum, depending on the needs and goals of our clients. A low-risk portfolio would consist of more "large-cap blue chip" equities, investment grade fixed income positions and cash, while a higher risk portfolio would remove the fixed income and some of the individual stock positions in favor of a blend of the three Pathfinder Funds. Less risk taken in the Core Portfolios allows for more risk to be taken within the Pathfinder Funds. This combination should provide the synergy to produce a higher return for a given level of risk. The image above demonstrates what we are trying to accomplish in graphic form (ask Nigel if you would like a copy mailed to you). The dots present the risk and return of various asset classes and portfolios. Less risk taken allows for a budget of risk to be spent elsewhere. Much of this is accomplished by diversifying asset classes, management strategy and differentiation within risk capital. Recently, capital markets have become more correlated, mostly because of government policy and debt activity and especially during periods of financial stress. In our opinion, the traditional model of remaining fully allocated to risky assets during multiple periods of volatility has been made obsolete for the time being.

PERFORMANCE:

A summary of the Pathfinder mandates and their performance follows:

Pathfinder Core and Risk Capital — December 31, 2016

Pathfinder Core	2016	2015	2014	2013	2012	5 Yr.	Std Dev	Incpt*
Pathfinder Core: Equity	8.9	3.6	5.3	15.0	6.3	7.9	5.9	8.2
Pathfinder Core: High Income	9.5	-0.7	4.9	14.4	7.5	7.0	5.7	8.1
Pathfinder Risk Capital								
Pathfinder Partners' Fund	40.3	4.3	18.1	14.7	-28.2	7.3	19.0	1.1
Pathfinder Real Return Plus Fund	10.3	-2.4	2.8	na	na	na	na	5.8
Pathfinder Core Plus Fund	-1.1	-1.9	na	na	na	na	na	-0.7
Risk Capital Benchmarks								
S&P/TSX Venture Index (C$)	43.5	-24.4	-25.4	-23.7	-17.7	-12.7	20.8	-17.9
Custom Cost of Living Index	5.2	4.3	-6.5	na	na	na	na	0.6
MSCI World Total Return (Local)	5.5	0.2	na	na	na	na	na	3.4
Selected Stock and Bond Indices								
Bloomberg Canada Composite Bond Index (C$)	2.1	3.2	7.5	-1.2	3.7	3.0	3.2	
S&P/TSX Composite Total Return Index (C$)	21.7	-8.3	10.6	13.0	7.2	8.4	8.3	
S&P 500 Total Return Index (US$)	11.3	1.4	13.7	32.4	16.0	14.5	10.3	
MSCI EAFE Total Return Index (US$)	-4.2	-3.3	-7.3	19.4	13.6	3.1	13.4	
MSCI Emerging Markets Total Return Index (US$)	9.8	-17.0	-4.6	-5.0	15.1	-1.0	16.1	

Source: Bloomberg Markets LP, Pathfinder Asset Management

CORE: EQUITY

This is the blue chip part of your portfolio. It should generate long-run equity returns with less volatility.

CORE: HIGH INCOME

While most of the stocks in the Core Equity portfolio pay dividends (an important component of our selection process), we also build income-based portfolios for those investors who desire regular cash flow.

PARTNERS FUND

This fund invests in high-torque, early-stage companies that have the potential to generate superior returns.

REAL RETURN PLUS FUND

This fund was created to protect and grow purchasing power.

CORE PLUS FUND

This fund exploits global themes and hedging with an objective to generate superior risk-managed returns.

Please watch for our Core Portfolio Review and Outlook next week and our Pathfinder Fund Reviews and Outlooks the week after.

Pathfinder Asset Management Ltd. | Equally Invested™

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Sources: Bloomberg, Pathfinder Asset Management Limited

Disclosure

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are insiders of companies periodically mentioned in this report. Please visit www.paml.ca for full disclosures.

*All returns are time weighted and net of investment management fees. Performance returns from the Pathfinder Partners' Fund and Partners' Real Return Plus Fund are presented based on the masters series of each fund. The Pathfinder Core: Equity Portfolio and the Pathfinder Core: High Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder CEO (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder Core: Equity Portfolio (January 2011), Pathfinder Core: High Income Portfolio (October 2012) Partners' Fund (April 2011), Partners' Real Return Plus Fund (April, 2013), and Partners' Core Plus Fund (November 2014).

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