

CELERNUS ABSOLUTE GROWTH FUND (CAGF)



As at December 31, 2017

CLASS A

WHY INVEST IN THIS FUND

- Target equity-level returns over a market cycle.
- Ability to provide protection during bear market.
- Lower volatility than broad-based indices over a market cycle.

FUND DETAILS

Manager:

Celernus Investment Partners Inc.

Inception Date: May 2012

AUM: 19.2 million

Minimum investment: \$25,000

Advisory fee: 0.85%

Performance fee:

20%, after 6% hurdle

High water mark: Yes

Subscriptions: Weekly

Redemptions: Weekly

Prime Broker:

National Bank Correspondent Network (NBCN)

Auditor: BDO Canada LLP

Administrator:

Convexus Managed Services Inc.

Lawyer: WeirFoulds LLP

Eligible accounts:

RSP, RESP, RRIF, TFSA, cash

FUND CODES

CIP100A - No Load

INVESTMENT TEAM



Chris Grant, CFA
Senior Partner

*Full Bio can be found at
www.celernus.com/people

FUND OVERVIEW

The Celernus Absolute Growth Fund (CAGF) aims to provide long term growth of capital with below average volatility. The fund seeks to actively protect capital and manage risk. Equity selection combines a value-orientation with a robust quantitative framework. Net equity and currency exposure are dynamically managed to further mitigate risk.

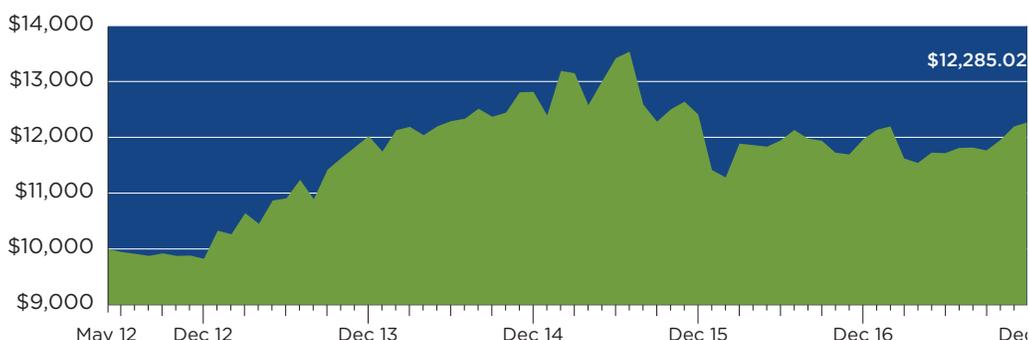
COMPOUND RETURNS (%) CLASS A

1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	INCEPTION ¹
0.63	4.32	4.75	2.62	-1.16	4.29	3.76

MONTHLY RETURNS (%) CLASS A

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	1.46	0.53	-4.72	-0.70	1.61	-0.08	0.80	0.06	-0.45	1.58	2.06	0.63	2.62
2016	-8.08	-1.06	5.43	-0.22	-0.24	0.94	1.67	-1.36	-0.31	-1.80	-0.27	2.28	-3.65
2015	-2.48	6.57	-0.39	-4.38	3.55	3.11	0.87	-7.03	-2.43	1.79	1.11	-1.83	-2.37
2014	-2.54	3.31	1.39	-1.81	1.06	0.92	-1.69	3.46	-2.08	1.56	2.95	-0.61	5.81
2013	3.17	-0.02	3.52	-1.24	3.42	0.40	3.50	-3.50	4.57	1.84	1.97	1.91	21.04
2012	-	-	-	-	-0.22	-0.32	-0.46	-0.27	0.48	-0.33	-0.11	1.00	-0.24

HISTORICAL PERFORMANCE - GROWTH \$10,000



PUBLIC MARKET EXPOSURE

Long Exposure	99.7%
Short Exposure	-29.9%
Net Exposure	69.8%

PRIVATE MARKET EXPOSURE

Private Real Estate Debt	9.5%
Private Real Estate Equity	23.8%

PUBLIC SECTOR ALLOCATION

SHORT		LONG
-3.6%	Consumer Staples	21.1%
-0.7%	Financials	14.8%
-4.2%	Health Care	12.6%
-3.8%	Information Technology	11.2%
-6.5%	Industrials	10.6%
-5.0%	Consumer Discretionary	10.4%
-1.8%	Materials	7.9%
-1.4%	Utilities	6.8%
-0.7%	Telecommunications	2.3%
-1.5%	Real Estate	1.9%
-0.7%	Energy	0.0%
-29.9%	Total	99.7%

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COMMENTARY

The Celernus Absolute Growth Fund returned 4.32% for the fourth quarter of 2017. The fund's nearest benchmark, the HFRX Equity Hedge Index, returned 2.72% over the same period. For context, the S&P 500 and S&P/TSX Composite Indices returned 6.63% and 4.44% respectively over the course of the fourth quarter.

Over the period, short- and mid-dated U.S. bond yields rose. The Institute of Supply Management Manufacturing Index continued to reflect positive economic activity and the U.S. unemployment rate continued to decline. Citigroup's Economic Surprise Index rose significantly during the last half of 2017, suggesting that the U.S. economy was performing better than existing estimates.

The broad-based rebound in U.S. equities contributed to the Fund's performance, as it helped to boost the performance of equities generally. A rise in lower-volatility consumer products equities over the last two months was another contributor. Individual holdings that contributed most to performance included Wal-Mart Stores Inc., ANSYS Inc. and The Clorox Co.

Most of the Fund's short positions detracted from its performance. Rising yields at the short end of the yield curve tend to benefit cyclical stocks and, as such, we intentionally maintain a lower relative exposure to cyclical equities, such as those in the information technology and consumer discretionary sectors. The Fund's position in General Electric Co. was another detractor from performance.

Overall trading activity was light during the period, with only a few minor weighting adjustments made over the quarter.

We believe that the demand for U.S. equities is expected to continue into the coming period. In our view, the level of economic activity remains consistent with higher equity prices. However, higher short-term interest rates could eventually provide an attractive yield-oriented alternative to the "short volatility" trade, which does not favour equities. The yield curve is flattening and, in the past, a significantly flattened yield curve has historically proven to be a precursor to lower equity prices, with a lead-time of 18 to 24 months. There has been a notable rise in the spread between the U.S. dollar London Interbank Offered Rate and the overnight indexed swap rate, considered to be a measure of the banking system's general health. While not heavily extended at this time, this widening spread can be an early indicator of looming instabilities in the institutional funding markets. We also note that equity valuations have continued to move higher, with the S&P 500 Index appearing expensive compared to historical levels.

ABOUT US

Celernus manages investment funds for high-net-worth individuals and institutions. Our lineup of actively managed, low-fee solutions are built to help investors achieve long-term financial success. We manage our portfolios with a lower-volatility approach while also focusing on alpha generation and absolute returns.

CONTACT US

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DISCLAIMER

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