FIQ Managed Portfolios

QUARTERLY REPORT

2018: First Quarter Highlights

The first quarter of 2018 saw the model portfolio decline by 0.9%. This was much better than the results of the TSX, which tumbled by 4.52%. Our 'alts' helped us sleep better at night by rising another 1.4%, continuing their strong performance since inception in 2016.

We entered 2018 seeing the 9th straight year of global economic expansion where the valuations of all kinds of assets were becoming increasingly rich. Stock market volatility was at an all-time low giving the appearance that investors were somewhat complacent.

	2018 Q1	Since Inception (Aug 2016)
FIQ Model Portfolio*	**-0.90%**	**13.53%**
S&P / TSX-TR*	-4.52%	9.22%

Last quarter we reported that these factors as well as few others, led us to believe it was the right time to reduce overall risk to our portfolio. We accomplished this by adding some short-dated fixed income ETFs, and rebalancing our stock holdings. And we are glad we did! Beginning on January 26th, global securities markets entered a period of extreme volatility for no readily obvious reason. While markets have stabilized since then, the predictable days of consistently increasing assets prices seem to have ended. And while the world economy continues to grow, the pace of that growth is slowing. As we get closer (continued next page)

FIQ Model Portfolio Performance

Since inception of the FIQ Model Portfolio in August 2016

*DISCLAIMER: Net returns are stated in Canadian dollars and are the actual returns of the first portfolio in our FIQ Managed Portfolio Program (the Model Account). This account is charged a 1% per year management fee, accrued monthly (standard on investments over C$ 1.0 mil). Different portfolios' performance in this program will be higher or lower than the above reported performance of the program depending on several factors, such as fee levels, starting point, investment amount, asset allocation, government taxes (if any).

The S&P/TSX Composite Total Return Index (S&P/TSX-TR) is a capitalization-weighted index of stocks traded on the TSX. It is not an investable index and as such is not a direct comparison to an investment in the FosterIQ program, and should therefore the returns should be considered hypothetical in nature and for illustrative purposes only.

(we aren't there yet) to the end of this investment cycle, an investment strategy becomes extremely valuable. We feel wise to be navigating these markets with a clear plan rather than having to react like others do, by instinct and gut feeling.

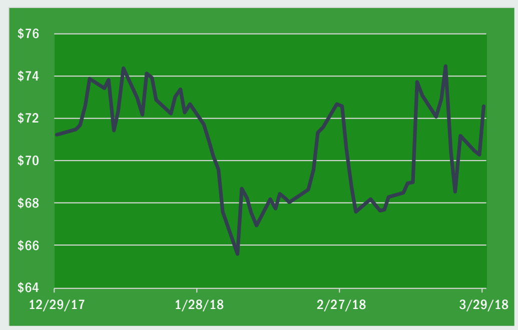
EQUITY MARKETS

Equities currently account for 55.3% of the overall model portfolio. US market exposure is currently 57.85%, with Canada at 35.15% and International exposure at 7.0%. Please be reminded that this equity exposure is designed for our more aggressive investors. An investor with a shorter time horizon or lower risk appetite would have a lower exposure to equities.

A few choices from Q1:

Magna International (MG-TSX) $72.50

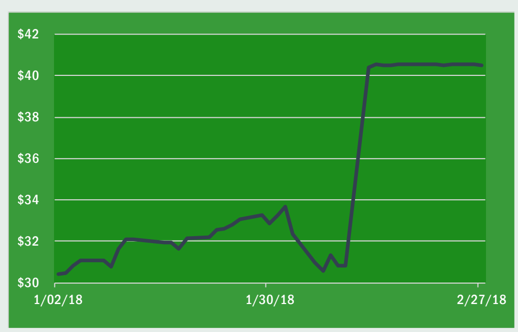
The global automotive supplier Magna continues to be one of our best investments by returning almost 40% since it was bought in 2016. This quarter we learned that some of the largest car manufacturers on Earth (such as Jaguar, Mercedes and Dodge) will continue to rely on Magna for the foreseeable future. But the news that really got the investment community excited was learning of a partnership to develop and manufacture self-driving cars for Lyft - the main emerging Uber competitor.



All amounts in C$

CSRA (CSRA-NASDAQ) $41.25

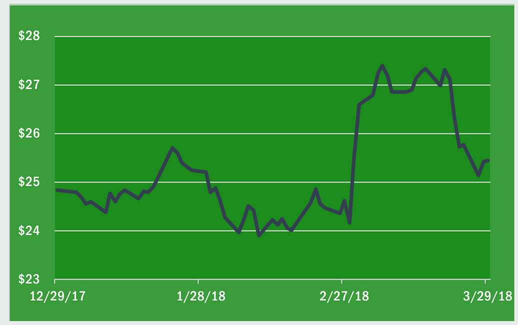
On February 12th it was announced that General Dynamics was purchasing CSRA (an IT company that services the civil and military branches of the US Government) for $40.75 per share. The offer was ultimately increased to $41.25, but we were pleased to sell the stock before it hit that price. Because we don't believe we have any 'edge' in determining if an acquisition will close or not, we're usually happy to move on to the next (hopefully) profitable investment.



All amounts in US$

Transcontinental (TCL.A-TSX) $25.50

The transformation of Transcontinental Inc is going full steam ahead! Canada's largest printing company has seen its reliable newspaper business decimated by the internet. Such bad news naturally concerned and worried its investors. As a result, management announced a plan to enter the packaging business - the market reacted with a wait and see attitude. Transcontinental then alleviated fears by announcing the $1.3 billion purchase of Coveris Holdings, a global packaging company with deep roots in the United States. This new mix of business should have Transcontinental on much better footing in today's high tech world.



All amounts in C$

ALTERNATIVES

Our Alternatives allocation remains at 30%, which is close to our preferred target exposure.

Our approach to alternatives is what makes FIQ Managed Portfolios an institutional-style program. While many investors are attracted to alternative investments for the high-octane returns they can sometimes offer, our interest is in the protection and diversification they can provide. So, while we obviously want to make money, we look to them to moderate declines in our overall account values during times of stress.

For that reason, you typically won't see any double-digit returns in our alternative investments. But ideally, we will see slow and steady returns through thick and thin. Before we allocate to any alternative investment, we subject the manager to a thorough due diligence process before being approved by our Investment Committee. Currently, our allocations are to the following funds:

- Polar Multi-Strategy Fund LP
- Westboro Mortgage Company Inc.
- Kensington Private Equity Fund
- Timbercreek Four Quadrant Fund
- Ninepoint Bridging Income Fund LP*

*The Sprott Bridging Income Fund was renamed to Ninepoint Bridging Income Fund this quarter. There was no change to the management or holdings of the fund.

BOND MARKETS

Our overall fixed income exposure is 11.7%. We are invested in two short-dated fixed income ETFs which provide the diversifying benefits we require. The ETFs are a mix of government and corporate bonds. We do not have any high yield exposure.

MONEY MARKETS

At the end of the quarter cash was about 2.7% of our portfolio. Cash is expected to fluctuate between 1-3% of portfolios. Our preferred cash instrument is currently the NBC200 which yields 1.2% per annum.

Our core beliefs

We pride ourselves in a disciplined and rigorous approach to Portfolio Management. While Foster continuously invests in technology, we're not robots. Politics, market trends, and the business cycle will all cause us to think differently about the way we invest our clients' money. However, there are a few things you can count on from us, through good markets and bad, through recessions and bouyant recoveries.

Asset Allocation is Key. While some individual securities will do well, and some less well, most of what will make or break your portfolio over time is asset allocation. Of course, we all remember our great buys, and mourn our missteps, but the key to how well you do in the markets will come from how much you owned of various asset classes, and when you owned them.

Markets are Efficient, but not completely. Just buying an index can sometimes be the right decision, especially in far flung markets, but there are still some market inefficiencies that even retail investors can take advantage of. Small companies tend to do better than very large ones, and the market tends to under-price value stocks, to name but two.

Costs matter a Great Deal. Over time, even small increases in costs can lower returns. If you pay us to manage your money, we will pinch your pennies for you. That means wherever possible we will own securities directly, and not use third party fund managers to invest for you. If for whatever reason we need to buy a fund, low-cost ETFs will be the way we go.

We Love Canada, but... it's not where we want to put all your money. The Canadian stock market is heavy on banks and resource companies, making True Diversification hard to achieve. Venturing abroad can improve returns and lower volatility. You'll also find companies where Canada isn't as strong, such as in consumer staples and biotechnology.

Alternatives aren't that Scary. Sure, some hedge funds can be dangerous, but there's more to the Alternatives space than hedge funds. There's private debt, real estate, infrastructure and market-neutral funds, all of which can provide a place of refuge during periods of excessive market volatility.

Liquidity is good, but Illiquidity isn't always Bad. What we mean by that is that investors are often rewarded for a lack of liquidity. Private Equity, for example, has had great returns over the years, and is a good diversifier. Problem is, it can be hard to get out of a private equity investment on short notice. Of course, this is not great if you need access to your money right away. But for a portion of your portfolio that you DON'T need access to right away, the trade-off can be well worth it.

What defines an FIQ Managed Portfolio?

Our Portfolio Managers take both an Intelligent and strong Quantitative approach to investing. We never invest on emotion.

The FIQ Managed Portfolio program isn't a fund. It's an overall approach that can be implemented across a variety of different client accounts – RRSPs, TFSAs, taxable accounts etc. It's a carefully selected, diversified portfolio of traditional assets and alternative investments, all designed to provide our clients with a customized balance of risk and stability.

We carefully divide our asset allocations through the Foster 4, four specific investment pillars:

Equities;

Alternatives;

Fixed Income; and,

Cash.

New investors may be surprised by the prominence we give to Alternatives, but it's our belief that carefully selected alternative investments can provide much-needed shelter in times of stress, and thereby improve investor outcomes.

Our Quantitative approach to stock selection and portfolio building uses a proprietary equity selection model that anlayzes both US and Canadian equities to find the best investments for your portfolio.

FIQ Managed Portfolio Investment Definitions

Traditional Investments:

- Stocks
- Bonds
- Notes and preferred shares
- Money market instruments

Alternative Investments:

- Real Estate
- Alternative Lending
- Multi-Strategy Funds
- Mortgage Investment Companies
- Precious Metals
- Private Equity

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