



Newsletter Q3 2015

Dear Investor,

Equity markets were hit hard in Q3, with the S&P 500 posting its worst quarter since Q3 2011. Our fund was no exception, returning -6.6%, compared to -3.9% for our benchmark. However, we are pleased to report that as of the end of Q3 2015, the Desautels Global Equity Fund is up 1.5% gross of fees YTD, outperforming our benchmark by 2.2%. The outperformance was largely due to our macro call of overweighting US stocks. YTD, the US Dollar appreciated 14.5% versus the Loonie, and we have been between 10-20% overweight USD exposure for most of the year.

Equity Performance Since Inception	As of Sep 30, 2015	
	Equity Fund	Benchmark
Annualized Return	9.6%	8.2%
Annualized Std Dev	11.0%	12.0%
Annualized Sharpe Ratio	0.87	0.68
Beta	0.72	
Annualized Gross Alpha	3.0%	
Daily Tracking Error	0.48%	

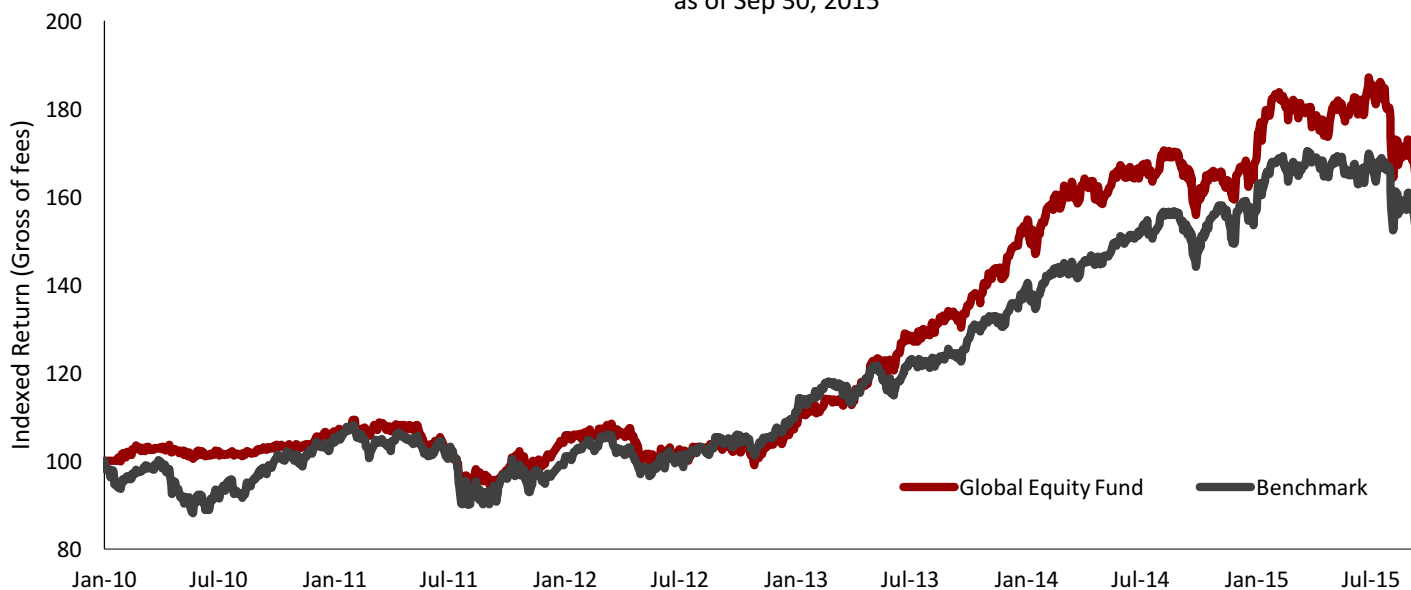
Performance metrics are calculated gross of fees.

Global Equity Fund Returns	As of Sep 30, 2015		
	Gross Return	Net Return	Benchmark
Q3 2015	(6.6%)	(7.0%)	(3.9%)
Q2 2015	0.3%	(0.1%)	(2.1%)
Q1 2015	8.3%	7.9%	5.6%
YTD	1.5%	0.3%	(0.7%)
1 year	1.4%	(0.1%)	1.9%
2 year*	12.8%	11.1%	12.6%
Since Inception*	9.6%	8.0%	8.2%

**Returns are annualized.*

Global Equity Fund - Current Sector Allocation			As of Sep 30, 2015
Sector	Global Equity Fund	Benchmark	(+/-)
Materials	10.2%	6.5%	3.7%
USD	2.4%	0.0%	2.4%
Financials	31.2%	28.9%	2.3%
Information Technology	11.1%	9.9%	1.3%
CAD	1.1%	0.0%	1.1%
Health Care	8.9%	8.8%	0.1%
Utilities	2.5%	2.6%	(0.1%)
Industrials	8.3%	9.0%	(0.7%)
Energy	12.7%	13.9%	(1.2%)
Consumer Staples	5.1%	6.6%	(1.6%)
Telecommunication Services	0.8%	4.2%	(3.4%)
Consumer Discretionary	5.8%	9.6%	(3.8%)
Total	100.0%	100.0%	0.0%

Global Equity Fund Performance Since Inception
as of Sep 30, 2015



Note: Performance is as of September 30, 2015, gross of fees. Benchmark is the MSCI World Index from inception to February 28, 2013 and a 60% S&P TSX, 40% S&P 500 (measured in CAD) blended benchmark thereafter. Fund inception date is January 20, 2010.

Market Commentary and Outlook

Entering Q3, the S&P 500 had managed to stay in the black for 2015, returning 0.2% as of June 30th. A volatile 3rd quarter, however, erased that small gain, and brought the index's return for the year to -6.7%. The TSX followed a similar suit, as Q3 brought its performance for the year down from -1.4% to -9.8%.

Headlines in the 3rd quarter were dominated by two main global macro events. The first being the selloff in the Chinese stock market, which saw the VIX spike to over 40, its highest level since 2011. Secondly, the month of June marked the end of the oil rally, as WTI peaked at just over \$60 before tumbling to \$38 by the end of August, and capping the quarter at \$45.

As we head into Q4, the key macro views that will accompany our bottom-up approach to investing are as follows:

(I) Fed Liftoff: Anybody's Guess

Fed monetary policy was arguably the most talked about financial news item of 2015 with liftoff expectations getting pushed farther and farther back as emerging market volatility overshadowed strong US economic data. It appears that aesthetics, and not fundamentals, are driving the thinking of the Federal Reserve. The decision not to hike in September suggests the Fed is waiting for the perfect backdrop to begin the hiking process.

US economic growth continued to chug along in 2015, with positive data coming in from multiple segments. The August jobs report confirmed that real wage growth is clocking in near 4%, and this goes along with a stable Consumer Price Index, excluding energy, holding at just under 2%.

Despite the strong fundamentals, the Fed once again took a pass at its September meeting, citing the recent decline in oil prices, continued rally in the US dollar, and the general softening in emerging market growth as the primary reasons for the no hike. Expectations now look to December as the next potential date for Fed liftoff, with the market pricing in a 30% chance of a rate hike. March remains the most likely bet, however, with the market pricing in a 60% chance of liftoff.

At DCM, we are not taking any speculative views on how to position our portfolio in advance of a rate hike. Exhibit 1 shows the average performance of S&P 500 sectors 1 month before and 2 months after an initial Fed tightening. It is apparent that there is no correlation with the liftoff process. As such, we will continue to focus on bottom-up analysis, relying on our conviction in individual ideas as a means of determining sector weightings. As prudent risk management, however, we tend not to deviate more than 5% from benchmark sector weights.

(II) Oil Prices Still Top of Mind

The recent oil price double-dip has had a big impact on markets and investor sentiment. Whereas hopes of a "V Shaped Recovery" were maintained during the first phase of the price decline, as investors used the 2008 price drop as reference, the second decline in prices gave investors reason to believe that benchmark prices will remain lower for longer. Indeed, supply has remained resilient.

The US has taken over the mantle of the world's swing producer as OPEC, and specifically Saudi Arabia, have stayed true to their promise of increasing production to maintain oil prices at their current low level. Q2 2015 saw Saudi Arabia record its highest ever rig count, clear evidence that production in the region should not be expected to drop any time soon. In the US, marginal rigs were taken offline and new rigs left un-started. That being said, we still do not believe US supply will contract significantly in the near term due to the number of rigs which could be brought online if prices were to rebound to a more economic level.

In an attempt to adjust to what we see as the new normal in oil prices, we will be looking to diversify our Energy portfolio away from its current 100% weighting in the Oil & Gas sector. We are looking into the Power & Utilities space due to the defensive nature of these companies and our view that they will be the major beneficiaries from the ensuing era of low oil prices. Granted, a large part of our benchmark is weighted towards oil and gas, and as such we will be exploring opportunities in the Montney gas play as it continues to deliver strong results even against a difficult macro backdrop.

(III) A Significant De-Risking

Perhaps what is most interesting about the Q3 sell-off is the lack of a smoking gun behind the increased fears. Looking back over the past 10 years, volatility levels only reached the levels seen in August during major crises, such as the European financial crisis and Greek debt crisis. Despite the concerns in China, our view is that investor angst, rather than fundamentals, is most likely the culprit behind the Q3 drop in global equities. We had anticipated a normalization of volatility and as a result maintained our close to 100% equity exposure, which was a good thing since equities have recovered some 5%-10% since their August lows. The VIX is also currently at a much calmer 15.

As investors, we are reminded in times of high volatility of the importance of sticking to our guns and relying on fundamental bottom up analysis. It was evident over the past quarter that many of our holdings were punished as a result of market fears, rather than company-specific concerns. Celgene Corp., for example, was hurt in the overall decline of the US Biotech sector, which fell 22% from mid-August to the close of the quarter. The stock has since recovered 17% to start Q4, outperforming the NASDAQ Biotech index by 12%.

(IV) Valuations: More Attractive After August Sell-Off

As of quarter end, the Moody's Baa bond yield stood at 5.4%, versus the S&P 500 earnings yield of 5.9%. The 0.5% spread between the two compares to the 10-yr historical average of 0.1%, and the 20-yr average of -1.3%. The current spread suggests that equities are still relatively cheap compared to bonds.

Figure 2 shows the S&P 500 current valuation on a variety of metrics, as well as historical averages. The index currently trades at a 15.4x forward P/E multiple, versus one year ago when it traded at 16.2 times, and its 10 year average of 13.8x. While the argument can be made that equities are overvalued on a historical basis, it is important to be mindful that the current low interest rate environment justifies higher multiples for the market as a whole.

As has been the case for our Fund for the better part of 2015, individual stock selection will be crucial. We do not believe that equity valuations are at alarming levels, but do acknowledge that it will take the turning of many more stones to find the true gems in this market.

Selected Holdings

In this section, we highlight some of our key individual holdings:

New York REIT (NYSE: NYRT) – Up 1.1% in Q3

New York REIT was added to the portfolio in October 2014 and has recently seen a wave of publicity due to institutional and activist investors pressuring the company's management to evaluate strategic alternatives to realize value for shareholders.

NYRT is an office REIT focused almost entirely in Manhattan. With a market cap of \$1.8 billion, it has the highest direct exposure to Manhattan of any public REIT. We invested in the company a year ago based on its high quality lease portfolio, significant internal and external growth opportunities, and the attractive valuation at the time, with the company trading at a 15% discount to our calculated Net Asset Value. This went along with an approximate 20 – 30% discount on a comparables basis.

Recently, a number of investors have filed letters pushing for management to evaluate specific asset dispositions, or an entire sale of the company, to close the significant disparity between the value of the company's lease portfolio and the current share price.

Jonathan Litt, an activist with Land and Buildings Investment Management LLC, stated that the company is actually worth \$14 a share (versus current price of \$11.20), and that the discount is "largely a result of institutional investor concerns regarding NYRT's corporate governance, lack of appropriate board stewardship, and the legacy external management structure."

Already we have seen NYRT take steps to close this proposed valuation discount. On September 30th, the company appointed Kyle Rowan of Apollo Global Management to its Board of Directors, in an attempt to reduce the negative sentiment around the company's non-independent Board. As well, the company has hired Estdil Secured, the real estate investment banking arm of Wells Fargo, to look into potential transactions.

For DCM, the recent pressures from institutional investors have reassured our initial investment thesis of the steep valuation discount. Since the end of Q3, the stock has rallied 12%, seemingly due to the response by the company to investor pressures. Based on our updated NAV model, as well as comparable analysis, our current price target stands at \$14.06. We will continue to re-evaluate this target, watching for potential asset dispositions, while being mindful of the company's external management structure and the implications it has on the share price.

MEG Energy (TSX: MEG) – Down 59.6% in Q3

MEG Energy, DCM's lone exposure to the Canadian Oil Sands, saw a massive sell-off in Q3, as the global price of oil ended its rally in mid-June at around \$60 and fell all the way to \$38 on August 24th.

The drop in oil prices hurt MEG much more significantly this time around compared to the fall in prices that was seen from June 2014 to January 2015. This double-dip decline has had significant impacts on the market's long-term oil price outlook, dampening the hope of a quick recovery in the commodity price.

As of the end of the quarter, the WTI benchmark price stood at \$45.09, with the 4 year forward price standing at \$55.19. Comparatively, on January 23rd, 2015, the WTI price was also at \$45, but the 4 year forward price was at \$63.

This reduction in the forecast for the long term price of oil is what has mainly contributed to MEG's poor performance this past quarter. As an oil sands producer, MEG's breakeven price for a barrel of oil is upwards of \$70/bbl. With lower prices forecasted so far into the future, there have been more and more concerns about whether or not MEG will be able to grow, or even maintain, its current level of production. While its production in the short term is not significantly at risk, given that the majority of the CapEx needed to produce the oil has already been spent, MEG will be in trouble if forward long term oil prices remain at current levels.

Since the end of the quarter, MEG has rallied over 50%, thanks to the unsolicited offer made by Suncor on the outstanding shares of Canadian Oil Sands Ltd. Suncor's offer, which represented a 43% premium to the price of COS's shares as of close on October 2nd, was seen as the first domino in a hopeful wave of consolidation in the industry. Given the volatility over the summer months, M&A activity in the energy space was relatively quiet. With prices persisting at low levels, many market participants are waiting for consolidation to pick up as the larger players acquire high-quality assets from companies without the financial means to develop them.

For MEG, likely suitors for an acquisition would be either Suncor or Imperial Oil, both of whom have the financial capacity to maintain production, as well as proprietary oil sands operations and expertise to effectively develop MEG's assets. While we would not expect the same kind of premium that Suncor offered for COS, given that there were significant synergies with the Syncrude Oil Sands project, we believe that it will take a hefty premium for any management team to accept a take-out bid in the current price environment.

M&A is not, however, the sole reason that we continue to hold MEG. Through a downside and leverage ratio analysis, we determined that in a \$60 long-term oil price environment through 2018, MEG will only have to draw 48% of its revolver. Any of our liquidity or solvency concerns are alleviated further by the fact that the company is actively trying to decrease its debt levels, announcing recently that they have hired a financial advisor to consult on the potential monetization of its 50% interest in the Access Pipeline. Street estimates value the sale between \$1.6 - \$2.1 billion. With a protected downside view, we view MEG as having attractive option value to a recovery in oil prices, with the company benefiting significantly should the long term expectation of oil prices increase.

Time Warner Inc. (NYSE: TWX) – Down 21.3% in Q3

Time Warner is the most recent addition to the TMT portfolio, added in March of this year. We recently increased our position size in September, as we felt broader market conditions in the Media industry were unjustly weighing down on Time Warner's share price. The US media and entertainment company operates in 3 distinct segments: cable television, through its Turner subsidiary, premium pay television, through its HBO services, and feature film and video games, through Warner Bros. Studios.

Our view at DCM is that Time Warner is best positioned to benefit from certain industry tailwinds, which include increased content pricing driven by consumer demand for premium content. We believe the company is strategically positioned with the largest content portfolio in the industry, under both the HBO and Warner Bros. brand names, and a new innovative means to distribute this content through its launch of its HBO NOW service. The company trades at a discount on both a forward EV/EBITDA and P/E basis, and trades at a significant discount to DCM's price target of \$103.

In August, the US Media industry saw a selloff of over 16%, as Disney reported in its Q2 earnings a substantial drop off in its ESPN subscriber base. As the poster child for the American television industry, fears spiked over concerns that the cable-cutting trend seen in recent years was moving at a more accelerated pace than anticipated. These fears led to a 20% sell-off of Time Warner in the month of August.

DCM's view was that the selloff was unwarranted for Time Warner, as it is the least exposed to the declining cable television industry. Time Warner derives only 21% of its revenue from advertising fees, which are forecasted to remain flat as consumers switch away from cable television towards premium online content. This compares to 21st Century Fox and Disney who derive 27% and 32% of their revenue from advertising fees, respectively. Combining this with Time Warner's premium content library, the majority of which is not yet monetized, our team felt that the sell-off in the Media industry was an opportune time to increase our position. Time Warner now makes up 4.6% of the Global Equity Fund.

Going forward, we will be looking for the continued monetization of Time Warner's premium content library to drive outperformance relative to its US Media peers.

Recent Portfolio Transactions

During the 3rd quarter, DCM initiated a position in Industrial Alliance Group, and exited our position in YuMe Inc.

Industrial Alliance Group (TSX: IAG)

Industrial Alliance is an insurance and financial services company operating in 4 distinct segments: individual insurance (operating solely in the life insurance segment), individual wealth management, group insurance, and group savings and retirement. We initiated our position at the very end of the quarter, at a 4% overall weighting in the Fund.

DCM believes that investor sentiment towards the life insurance industry is being driven by the current macroeconomic environment, and that IAG's business fundamentals are being overlooked. We recognize the importance of the current interest rate environment on

the company's share price. However, we believe that the importance will decrease in driving future lifecos performance in Canada.

Furthermore, we believe the market is not given due credit towards stricter Canadian accounting policies. Despite stronger business fundamentals as a result of the stricter Canadian accounting regime, Canadian lifecos trade roughly in-line with their US counterparts.

We believe that a key catalyst in realizing our investment thesis will be the possibility of an acquisition in the wealth management sector to reduce the overhang that was created when IAG lost Laurentian Bank as one of their mutual fund distributors. We do not view the loss of Laurentian Bank as a cause for concern with IAG. In 2011, Laurentian acquired MRS Companies via its B2B Trust subsidiary. Included in the acquisition was a Mackenzie Investments mutual fund distribution agreement, which was ultimately where Laurentian took their business when the contract with IAG expired.

At the start of October, IAG announced the acquisition of CTL Corporation, the largest privately-owned vehicle finance company in Canada. The stock reacted +6% in the following week, and we believe this is a positive sign that management is on the M&A trail to recoup the lost business from Laurentian Bank.

YuMe Inc. (NYSE: YUME)

We exited our position in YuMe in mid-September of this year, after we were no longer able to justify the original investment thesis, and saw lack of any tangible catalyst in the near-future that could boost the current share price.

When we invested in YuMe, we believed the company was in a strong position to capitalize on secular growth in the online video advertising market at home and abroad. We have seen the industry continue to grow in all corners, yet YuMe's top line seems unaffected. Secondly, we felt that the company's superior technology and experienced management team would allow YuMe to generate sustainable revenue growth with improving operating margins. Over the past few quarters, however, we have consistently seen YuMe's management write-off revenue misses to one time mishaps, including most recently when they stated that they miscommunicated their strategic direction to a client. We no longer take faith in the "one-time mishap" excuse, and believe these revenue misses are indicative of a weak moat.

The only part of the thesis that still stood was the company's attractive valuation, trading at 0.24 EV/TTM Sales, however we believe this discount is justified and YuMe's growth prospects are not as optimistic as its peers. Our team came to the conclusion that it was time to exit our position.

DCM Company Update

The new academic year is off to a terrific start. Our onboarding process of new Juniors kicked off with our annual Boot Camp, where the new analysts presented exceptional holdings reviews and mini-pitches. Their enthusiasm and curiosity gives me great confidence in the future of the HIM program. As is tradition, we concluded the weekend with a day of team building activities at Ken's cottage.

It is an honour to welcome our new Junior analysts to the Equity Fund: Jamie Wilson (Energy), Kendyl Flinn (Energy), Olivier Babin (Financials),

Neil Corber (Financials), Tony Ren (TMT), David Marcovitch (TMT), Lambert Lefebvre (Consumers), Michael Saskin (Consumers), Andre Cote-Barch (Industrials), Meagan Prins (Healthcare), and Sercan Demirtas (Materials).

A number of new initiatives are already under way this year, as current analysts strive each and every day to improve the program. In the works are a newly designed website to improve upon transparency with potential investors as well as past HIM alumni, as well as a DCM Guidebook, which will outline all the operations and procedures of DCM from A to Z. It has been my privilege seeing the vision and motivation of the current class of analysts as they work tirelessly to better the program.

To our investors, I would like to take this opportunity to once again say thank you for your generous investment in the fund and your continuous support of the program. I speak on behalf of myself and the rest of the students here at DCM when I say that your generosity is having a profound impact on our university experience each and every day. We look forward to another exciting year.

Sincerely,

Drew Allen

Global Equity Strategist

Exhibit 1: S&P 500 Performance Before & After Last 3 Rate Hike Cycles

	1994		1999		2004	
	Before	After	Before	After	Before	After
S&P 500	0.6	-6.6	-4.1	1.7	1.8	-3.7
Energy	0.7	-1.5	-1.1	-0.5	3.3	3.7
Materials	3.9	-0.4	-3.2	-0.4	3.1	2.6
Industrials	2.4	0.3	1.2	-1.5	4	0.7
Discretionary	0.7	0.1	-0.7	-4.8	-1.3	-0.6
Staples	-2	1.5	3.4	-4.6	-1.6	0.2
Health Care	-4.1	-4.2	-0.3	-3	-2.1	-0.9
Financials	0.5	-0.2	-4.4	-4.1	-1.5	3.8
Technology	-1.3	7.9	0.1	11.2	0.9	-8.6
Telecom	0.7	0.2	4.4	3.3	1.2	7.3
Utilities	-4.4	-3.5	7.4	-5.3	-0.6	7.6

Best Performers	Worst Performers
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Exhibit 2: S&P 500 Current vs. Historical Valuations

Current S&P 500 Valuations			Historical Perspective			
Measure	Description	Latest	1-Year Ago	5-Year Avg.	10-Year Avg.	25-year Avg*
P/E	Forward P/E	15.4x	16.2x	13.5x	13.8x	15.7x
CAPE	Shiller's P/E	25.2x	25.5x	22.5x	22.9x	25.5x
Div. Yield	Dividend Yield	2.3%	1.9%	2.0%	2.0%	2.3%
P/B	Price to Book	2.5x	2.9x	2.3x	2.4x	2.5x
P/CF	Price to Cash Flow	10.9x	11.4x	9.3x	9.7x	10.9x
EY Spread	EY Minus Baa Yield	1.2%	1.5%	2.2%	1.3%	-0.6%

*P/CF ratio shown as a 20-year avg. due to cash flow data availability

Exhibit 3: DCM Current Holdings

Global Equity Fund - Holdings List as of (30-09-2015)									
#	Security Name	Sector	Currency Exposure	Size	# of Units	Local Cost / Unit	Local Price / Unit	Base Market Value	Position Size %
1	ISHARES S+P/TSX 60 INDEX ETF	ETF	CAD	ETF	20,500	\$20.96	\$19.72	\$404,260	14.8%
2	ISHARES S+P/TSX CAPPED FINAN	Financials	CAD	ETF	12,310	30.26	29.36	361,422	13.2%
3	GENERAL MOTORS CO	Industrials	USD	Large	3,690	32.01	30.02	148,514	5.4%
4	WELLS FARGO + CO	Financials	USD	Large	2,011	32.68	51.35	138,447	5.1%
5	VASCULAR SOLUTIONS INC	Health Care	USD	Small	3,150	28.11	32.41	136,874	5.0%
6	NEW YORK REIT INC W/D	Financials	USD	Mid	9,300	11.06	10.06	125,433	4.6%
7	WESTROCK CO	Materials	USD	Mid	1,817	55.08	51.44	125,311	4.6%
8	TIME WARNER INC	Information Technology	USD	Large	1,350	81.07	68.75	124,434	4.6%
9	ISHARES GLOBAL CONSUMER STAPLE	Consumer Staples	USD	ETF	920	87.21	88.86	109,604	4.0%
10	PULSE SEISMIC INC	Energy	CAD	Small	40,973	2.89	2.33	95,467	3.5%
11	TERADATA CORP	Information Technology	USD	Mid	2,184	43.28	28.96	84,797	3.1%
12	INTEL CORP	Information Technology	USD	Large	2,065	25.32	30.14	83,444	3.1%
13	INTESA SANPAOLO SPON ADR	Financials	EUR	Large	2,705	19.23	21.27	77,138	2.8%
14	PAREX RESOURCES INC	Energy	CAD	Mid	8,060	7.30	9.25	74,555	2.7%
15	TJX COMPANIES INC	Consumer Discretionary	USD	Large	700	62.98	71.42	67,027	2.5%
16	WESTERN FOREST PRODUCTS INC	Materials	CAD	Small	36,191	1.98	1.80	65,144	2.4%
17	US DOLLAR	USD	USD	Cash	48,445	1.00	1.00	64,951	2.4%
18	PERFORMANCE SPORTS GROUP LTD	Consumer Discretionary	CAD	Small	3,485	12.96	17.88	62,312	2.3%
19	BMO EQUAL WEIGHT UTIL IDX ET	Utilities	CAD	ETF	4,065	15.76	14.65	59,552	2.2%
20	MARATHON PETROLEUM CORP	Energy	USD	Large	940	44.14	46.33	58,388	2.1%
21	CELGENE CORP	Health Care	USD	Large	400	108.85	108.17	58,009	2.1%
22	MCEWEN MINING INC	Materials	CAD	Small	45,000	1.50	1.17	52,650	1.9%
23	PANGAEA LOGISTICS SOLUTIONS	Industrials	USD	Small	10,749	5.38	3.18	45,828	1.7%
24	MEG ENERGY CORP	Energy	CAD	Mid	5,195	33.15	8.24	42,807	1.6%
25	CANADIAN DOLLAR	CAD	CAD	Cash	29,242	1.00	1.00	29,242	1.1%
26	LANNETT CO INC	Health Care	USD	Mid	500	61.17	41.52	27,833	1.0%
27	COLABOR GROUP INC	Consumer Staples	CAD	Small	9,640	4.27	1.11	10,700	0.4%
Total								\$2,734,142	100.0%

Dear Investor,

In the third quarter of 2015, the Desautels Fixed Income Fund returned 3.7% (gross of fees), bringing YTD performance to 8.4%, just 0.1% below that of our blended benchmark. The fixed income asset class' continued strong performance in Q3 was due to falling interest rates amid renewed macro volatility coming out of China and Greece, and as Fed rate liftoff expectations got pushed out to 2016. We slightly underperformed our benchmark's 4.5% Q3 return due to our shorter duration position in the US. We did, however, increase our Canadian duration to that of the benchmark prior to the July BoC rate cut, and were not adversely affected by the cut.

Fixed Income Fund

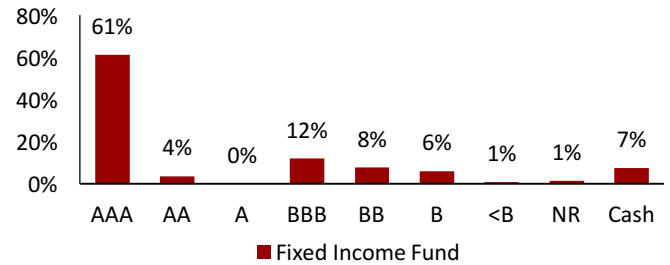
Fixed Income Fund Returns		As of Sep 30, 2015	
Time Period	Gross Return	Net Return	Benchmark
YTD	8.4%	7.9%	8.5%
Q3 2015	3.7%	3.6%	4.5%
Q2 2015	(1.8%)	(1.9%)	(3.0%)
Q1 2015	6.4%	6.3%	7.0%
1 year	10.6%	10.1%	12.0%
2 year*	9.2%	8.5%	9.0%
Since Inception*	5.2%	4.7%	4.7%

*Returns are annualized.

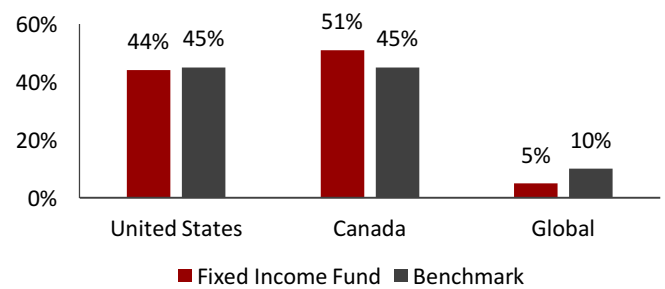
Fixed Income Metrics Since Inception		As of Sep 30, 2015	
	Fixed Income Fund	Benchmark	
Annualized Return	5.20%	4.70%	
Annualized Std Dev	4.50%	6.80%	
Annualized Sharpe Ratio	0.62	0.33	
Beta	0.54	-	
Annualized Alpha	1.60%	-	
Tracking Error	0.68%	-	

*Performance metrics are calculated gross of fees.

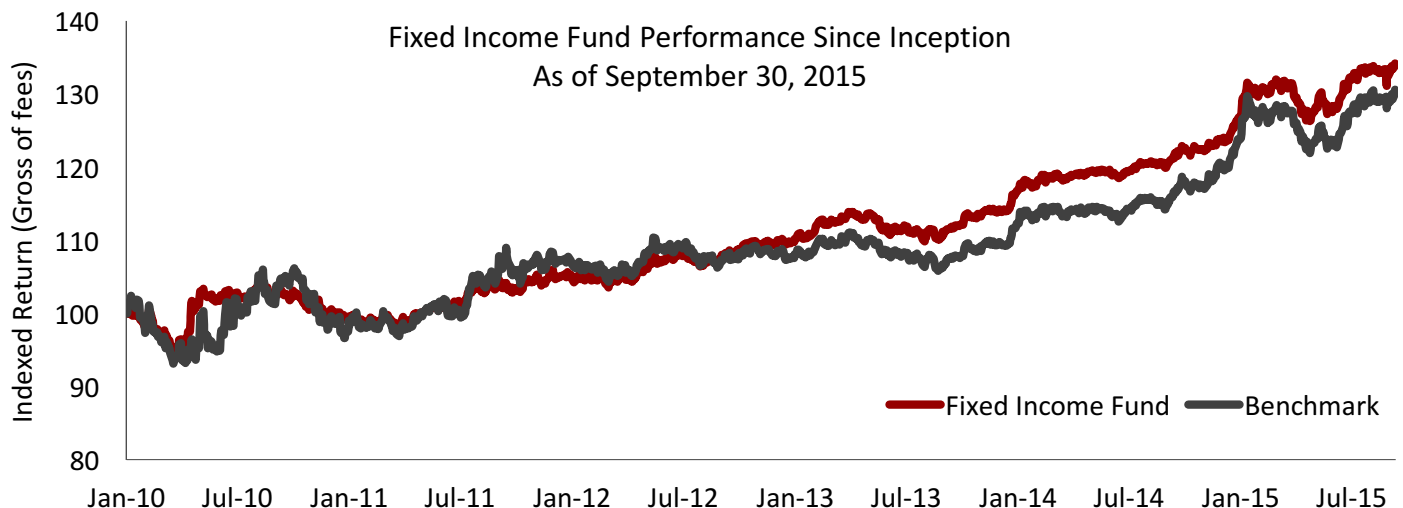
Credit Distribution
As of September 30, 2015



Currency Allocation Versus Benchmark
As of September 30, 2015



Duration Versus Benchmark
As of September 30, 2015



Note: Benchmark is a blended Barclays US Aggregate Total Return Value Index (45%), Dex Universe Bond Index (45%) and S&P/Citigroup International Treasury Bond Ex-U.S. Index (10%). All indices are measured in CAD. Inception date is January 20, 2010.

US Macro and Duration

In Q3, the US treasury yield curve continued to flatten significantly, with the 2Y yield down 1 bp and yields on key maturities beyond 5Y down about 30 bp (Figure 1). In the second half of September alone, the 5Y yield fell 26 bp and touched a six-month low of 1.29% in the first week of October, driven by continued weakness in risky assets and a weak September non-farm payrolls release (142K actual vs. 200K expected). Given this backdrop, the market continued to push back the Fed liftoff date. Indeed, the market is now only pricing a mere 30% probability of a rate hike in December.

Over the near term, DCM believes that risks are skewed towards the downside for the UST market for two reasons. First, comments from the FOMC members in the week following the September meeting appear consistent with a liftoff in December, with Yellen suggesting that recent weakness in inflation and the labour market is transitional and that a “more prudent strategy is to begin tightening in a timely fashion and at a gradual pace.” Second, the market seems to have shaken off the negative sentiment around the Chinese equity rout and the VIX is back down to a calmer 15, after having reached a panicky high of 40 at the end of August and averaging around 25 over the past two months (see the *International Macro* section for more on our take on China).

Despite some near term bearish factors, we retain our belief that the US economy is at an early stage of a long economic expansion and that it will grow slowly but surely. With that being said, DCM’s conviction in rising yields in 2015 has diminished compared to our outlook at the end of Q2. Accordingly we recently increased our US duration. At the end of Q2, we were 2 years short duration, but cut this figure to 0.7 years just prior to the September 17 Fed meeting. The most recent FOMC minutes, released on October 28, highlights that a December hike is well left on the table, but the Fed Funds futures market barely reacted. We are comfortable with our current US duration position going into year end, where we see the probability of a December rate hike to be higher than the 30% the market is pricing in.

Canada Macro and Duration

The Canadian yield curve also flattened in Q3, with the 2Y-10Y slope decreasing by 29 bp (Figure 2). Nevertheless, from the BoC’s 25 bp cut in July up until late August, the shorter end of the yield curve had been in a free fall along with the oil sell-off as WTI fell from \$60 to \$38 on August 24th. Short-term yields increased, however, following the surprise MoM GDP beat in June (0.5% actual vs. 0.2% expected) and Net Change in Employment beat in August (12K actual vs -5K expected). In fact, the 2Y yield actually ended up 4 bp higher in Q3 and the 5Y yield only 2 bp lower.

What caught our attention most in Q3 was declining inflation expectation. 10 year average inflation expectations implied by Real Return Bonds dropped from 1.63% on June 30th to 1.30% on September 30th. This drop approximately matched the 10Y yield’s drop over the same time period. An obvious, but only partial explanation is the resumed oil price decline. More importantly, it reflects the market’s pessimism over the BoC’s ability to deliver a 2% inflation target.

At the moment, the market is only pricing in a 13% chance of another rate cut by January 2016. This sounds about right to us, and accordingly we remain neutral duration in Canada. While the economy is under pressure from low oil prices, we do see a silver lining in the non-resource component of the Canadian economy, which contributes 83% of GDP and has been growing steadily at 2% annually post-crisis. In April, the BoC pointed to exports as the growth driver in H2 2015 and 2016, but it did not have compelling arguments to back up its claims. However, in the BoC Monetary Policy Report published in July, we see more convincing arguments for growth from the BoC’s surveys which show that “*gains in non-resource employment have averaged almost 20,000 jobs per month since the beginning of the year. [...] Many businesses plan to increase their investment [...] and have increased their borrowing.*” For this reason, DCM believes that over the next quarter, there would be limited further downside to Canadian yields and that another BoC rate cut is unlikely. At the same time, we do not feel comfortable betting on rising yields as we have yet to see significant growth pick up from the non-resource sector that can overshadow the steadily declining energy sector. This is in accordance with our view that oil prices will hover around current low level for the next few quarters. In short, we feel comfortable matching the duration of our Canadian holdings to that of our benchmark and will look for outperformance in individual credit names.

International Macro

China

China grabbed the world’s attention in Q3 as its main stock market tanked 29%, spilling risk-off sentiment across the globe, taking the S&P 500 down 7% and the TSX down 8%. We believe concerns over the impact of the Chinese economic slowdown and asset sell-off on North America are overstated. For example, only 16 companies in the S&P 500 index generate 10% or more of their sales in China, with most of those in the technology sector. In addition, the US and Canada’s exports to China only consists of 8% and 4% of their respective total exports, so diminished Chinese demand has little impact through this channel. Of course, the main concern is that, lower Chinese commodity demand influences global commodity prices and through this channel could have a more serious impact on the North American oil & gas industry, for example. However, such an impact on the US is limited given that the US is a net energy importer. To be sure, sustained low oil prices is of concern to the Canadian economy, but China is only one contributing factor to low oil prices, with an oversupply of crude oil being the main impediment to an oil price recovery.

In summary, we are not overly concerned with the uncertainty in China with regards to the impact it could have on North American economies. This supports our view that the US will grow slowly but surely despite potentially muted global growth, and supports our view of being relatively short duration in the US.

International

In Q3, we continue to see a global race to the bottom as 9 central banks across the world lowered their policy rate as a response to macro uncertainties. YTD, 19 central banks have done so (Figure 3). This

contrasts strongly with rate hike expectations in the US and confirms our longstanding view that the US is well ahead of the economic cycle.

Our sole international position, WisdomTree Indian Rupee Strategy ETF, returned 16% YTD in CAD terms. Details are provided in the Selected Holdings Update section below. We are currently exploring macro investment ideas with a focus on opportunities in currency or treasury of non-US developed countries.

Credit

Credit spreads blew out in Q3 driven by deteriorating credit fundamentals and record debt issuance. Macro volatility out of China and Greece did not help either. More recently, idiosyncratic risks like Glencore and VW as well as major credit downgrades like at Teck Resources also drove spreads wider. For American credit, the 5Y IG and HY CDS indices widened 24bp and 145bp respectively in Q3, ending the quarter at 94bp and 505bp.

In the US, one of the main risks for bondholders is the re-leveraging of corporate America and the increasing popularity of shareholder capital return programs. Firms are taking advantage of historical low yields to take on leverage for the purposes of inorganic growth and returning capital to shareholders, instead of reinvesting back into their operations. To illustrate this point, note that American M&A volume is up 26% YoY to \$1.8 Trillion, total dividends in the S&P500 are up 65% YoY and share buybacks amount to \$556 Bn TTM, while the annual growth of Durable Goods Orders has been decelerating to ~0%. As a result, the net leverage (net debt / EBITDA) of the S&P 500 now stands at 1.9x compared to 1.6x from a year ago (Figure 4).

In Canada, the change in corporate credit profiles looks much better. Firms are indeed taking advantage of lower yields and issuing record amount of debt – YTD Canadian corporate issuance is up 59% YoY – but companies remain conservative with their cash balance amid challenging economic conditions. Canadian M&A value is down 35% YoY, and the TSX is still undergoing a deleveraging phase as the net leverage is down to -0.5x from -0.1x from a year ago (Figure 4). This negative net leverage is due to the TSX's large banking sector which holds a high cash balance.

Given that we remain relatively bullish on the US economy, we will keep an eye on specific names despite the overall deteriorating credit condition. In comparison, the recent cheapening of Canadian credit despite improving credit fundamentals represents an interesting opportunity to add IG or HY names to our portfolio, although we will remain diligent on name selection. We reckon that it is increasingly difficult to find value in a volatile growth environment and that the margin of safety is becoming increasingly thin, but we retain the belief that the default rates in the broad HY space will not rise materially above 2%-3% in 2015 and 2016.

Our HY holdings consist of Newalta 2021, Rona 2016, and DirectCash Payments 2019 in addition to the Barclays HY Bond ETF. With 14.5% currently allocated to HY securities, we have nearly maxed out our allowed HY allocation of 15% under our mandate. Looking ahead, we plan to rotate out of the HY ETF and into an individual name where we have strong conviction.

Selected Holdings Updates

DirectCash Payments 8.125% 2019

On September 11th, we initiated a 4% position in DCI 2019 at a G-spread of 672 bp and Yield to Worst of 7.05%. It is a senior unsecured bond rated B+ by S&P and it ranks under a revolver and a term loan, both due in 2017.

DirectCash is the leading ATM network operator in Canada, UK, and Australia. It makes most of its money through two fees: 1) surcharge fees, which are charged to the ATM user and 2) interchange fees, which are charged to the ATM user's bank for processing the transaction. Both fees are based on market rates.

Our first investment thesis is that DirectCash has an attractive business model that involves stable revenue sources and healthy margins in a difficult-to-enter industry. The ATM industry is expected to decline by 1-3% each year, but it is a remarkably fragmented industry (for instance, as the biggest player in Canada, DirectCash has only 12% of market share) with considerable fixed costs involved. This market structure allows DirectCash to continuously acquire ATM assets (~5% of revenues annually) to make up for the industry decline and achieve economies of scale at the same time. We view this type of growth as a safe and stable way of maintaining free cash flow generation.

A potential area of concern is DirectCash's aggressive dividend payout policy. As a C\$ 75mm EBITDA business, the firm pays out ~C\$ 25mm in dividends. This is understandable, however, as DirectCash's founder and CEO owns an ~18% stake in the firm together with his wife. They do not own other significant assets or business ventures and we don't believe the payout policy is irresponsibly exploitative of bondholders. Our view is that management have a high incentive to keep the firm far from bankruptcy to maintain those cash flows.

Our final investment thesis revolves around our financial analysis that shows repayment of the 2019 bond remains highly likely even under the following very conservative assumptions:

Assumptions	2013	2014	2015-19 Fore cast
Sales Growth	25%	15%	-2%
SG&A / Sales	18%	16%	21%
EBITDA Growth	28%	9%	-1% to -7%
Capex / Sales	4%	5%	8%
Dividends per share	\$1.38	\$1.44	\$1.44 to \$1.62

1) DirectCash needs to spend much more Capex on new ATM assets, but such efforts fail to translate into more sales due to faster than expected industry decline, 2) operating margin deteriorates and dividend payout continues to be aggressive. Even under such a pessimistic scenario, the EBITDA needs to drop by 19% in order to breach the covenants on the revolver and the term loan that are due in 2017. This gives us comfort that these debts will be renewed. Our forecasted debt and covenant schedules are shown as below:

Debt (C\$ mm)	Limit	2014	2015E	2016E	2017E	2018E	2019E
Revolver 2017	115	30	27	24	10	4	113
Term Loan 2017	85	47	43	39	64	54	54
Bond 2019	-	125	125	125	125	125	-
Total Debt		202	196	188	199	183	167

Covenant	Limit	2014	2015E	2016E	2017E	2018E	2019E
Sr. Secured Debt Leverage	< 2.00x	< 1.3x	< 1.0x	< 0.9x	< 1.1x	< 0.9x	
Total Debt Leverage	< 3.50x	< 3.2x	< 2.7x	< 2.6x	< 2.8x	< 2.6x	< 2.4x
Fixed Charge Coverage	> 1.35x	< 3.6x	< 3.2x	< 3.6x	< 3.5x	< 3.5x	< 3.6x

In summary, we like DirectCash because it is a stable cash machine in a high barrier-to-entry industry; its aggressive dividends have been weighing on its creditors but we believe there is a comfortable margin of safety in being repaid. Since our purchase, the G-spread has compressed by 22 bp to 650 bp.

Home Capital Group 3.4% 2018: 0.7% YTD, -1.7% Q3 return

Home Capital Group (HCG) is a provider of mortgage lending, retail credit and deposit services in the Canadian Alt-A market, targeting individuals whose credit scores are not reflective of their true credit worthiness. We took a position in HCG 2018 in December 2014 with the investment theses that its shift to more stable revenue streams, strong credit fundamentals, and an attractive valuation relative to peers indicated market under-recognition of HCG's core strengths.

HCG continues to justify our first investment thesis on two fronts. Firstly, steady sales of its securitized loans off-balance sheet remain unaffected by more cyclical loan originations, allowing HCG to lower its leverage ratio and expand lending capacity for more profitable mortgages. This has led Q2 net interest income to increase 8.5% YoY. Secondly, servicing fees, which are recurring and contract-based in nature, continue to grow significantly, achieving a 23.3% CAGR over the past 6 quarters.

Looking at our second investment thesis, we see that HCG's loan performance metrics remain strong. Provision for credit losses continued to decline in Q2, and non-performing loans were consistent. Furthermore, in August 2015, HCG made a significant step towards further reducing funding risk by announcing its acquisition of CFF Bank, which would grant HCG Schedule 1 status and thus allow it to offer a greater range of CDIC-based deposits through its new funding programs. Finally, looking at our third thesis, we see that though HCG's 2018 bond continues to trade at a discount to prime lenders despite comparable profitability and loan credit quality metrics, it now trades at a premium to other Alt-A lenders, indicating an improving valuation for our holding.

As discussed in our previous newsletter, after initially indicating a 2nd quarter decline in mortgage originations, HCG's Q2 release revealed that 45 brokers had been terminated after falsifying income information on originations. As a result, the G-spread widened 60bp in Q3. However, closer examination reveals this issue does not materially affect HCG's credit risk profile. Not only are the loans in question an immaterial portion of HCG's portfolio, but over 60% of them are insured, and HCG's active monitoring has not revealed any

irregularities in credit performance. We thus believe our investment thesis is not considerably altered by this development. Furthermore, the market was impressed with HCG's proactiveness in mitigating any impact on credit risk going forward, including an accelerated process to collect real income information from current borrowers and the hiring of a dedicated team for income verifications of new applications. For these reasons, DCM will continue to hold onto HCG 2018.

WisdomTree Indian Rupee Strategy ETF: 16.0% YTD, 5.6% Q3 return

We look to soon sell our Indian Rupee ETF position, up 15% in CAD terms since its initiation in November 2014. The position is in essence a currency carry trade, where the ETF raises USD and invests in higher yielding Indian Rupee money markets, earning an interest margin and with a positive exposure to the Rupee exchange rate. The trade is profitable if the Rupee appreciates or if the interest spread is enough to cover a mild Rupee depreciation. We note that the ETF's CAD appreciation YTD was driven by a stronger USD versus CAD, and that the ETF is actually down 2% in USD terms.

Of note, the Reserve Bank of India adopted an inflation-targeting mandate in March 2015 and has cut its policy repo rate 4 times this year by a total of 125bp. This has materially trimmed the higher yield we get at Indian Rupee money market.

On the currency front, the ongoing correction in fiscal and current account balances is counteracted by the weight from the slowing pace of structural reforms. So far, Prime Minister Modi's strategic GST tax reform and infrastructure land acquisition bill have been put off multiple times on the legislative agenda. Considering his economic emphasis on manufacturing shown in the campaign slogan "Make in India", we expect Indian Rupee to continue its gradual depreciation against USD.

Most importantly, our break-even analysis, which takes into account ETF expenses and tracking errors, suggests that this position only offers us a 3% expected annual return, which is not enough to compensate for the risk exposure. We are looking to exit this position and reallocate to investment opportunities in non-US developed market countries.

Fund Update

As a new school year starts, the Fixed Income Fund has welcomed four juniors to the team: Michael Fishman, Anish Shah, Jonathan Kamel and Adam Marcovitz. In the past two months, they have already made significant contributions in revising the Fund's current holdings and adding investment ideas to the pipeline.

Thank you once again for your continued support and commitment, without which this real world learning opportunity would not be possible. Looking forward to a great year!

Sincerely,

Peter Huo
Fixed Income Strategist

Fixed Income Fund Exhibits

Figure 1: US Treasury Yield Curve – Q3

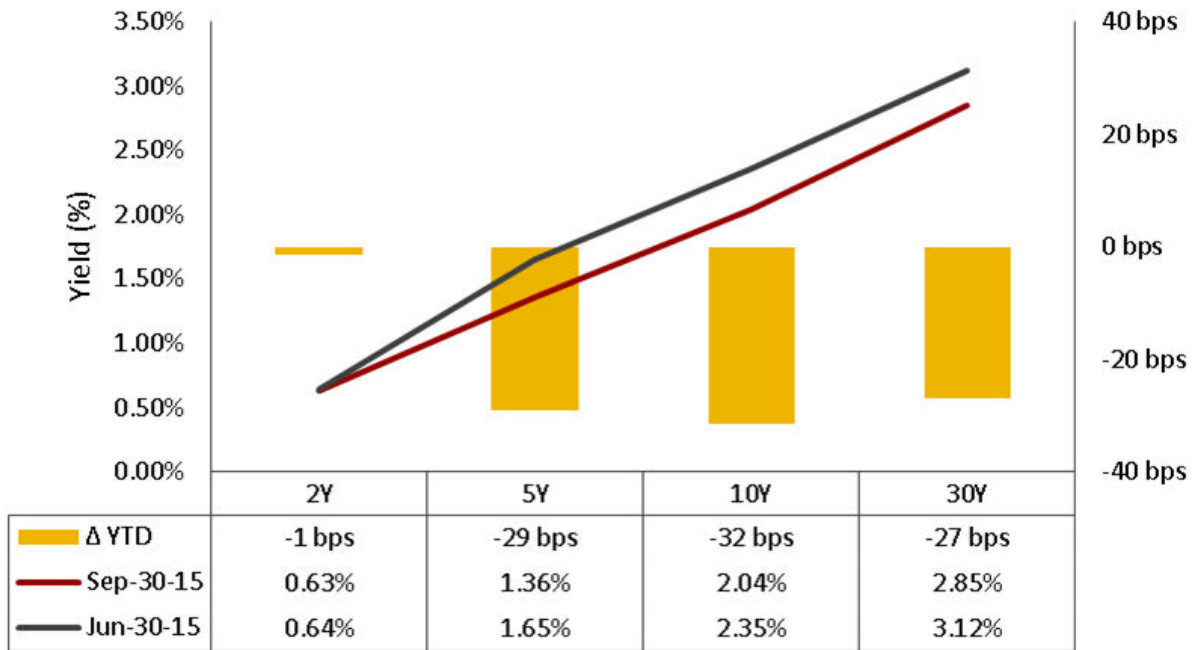


Figure 2: Canada Treasury Yield Curve – Q3

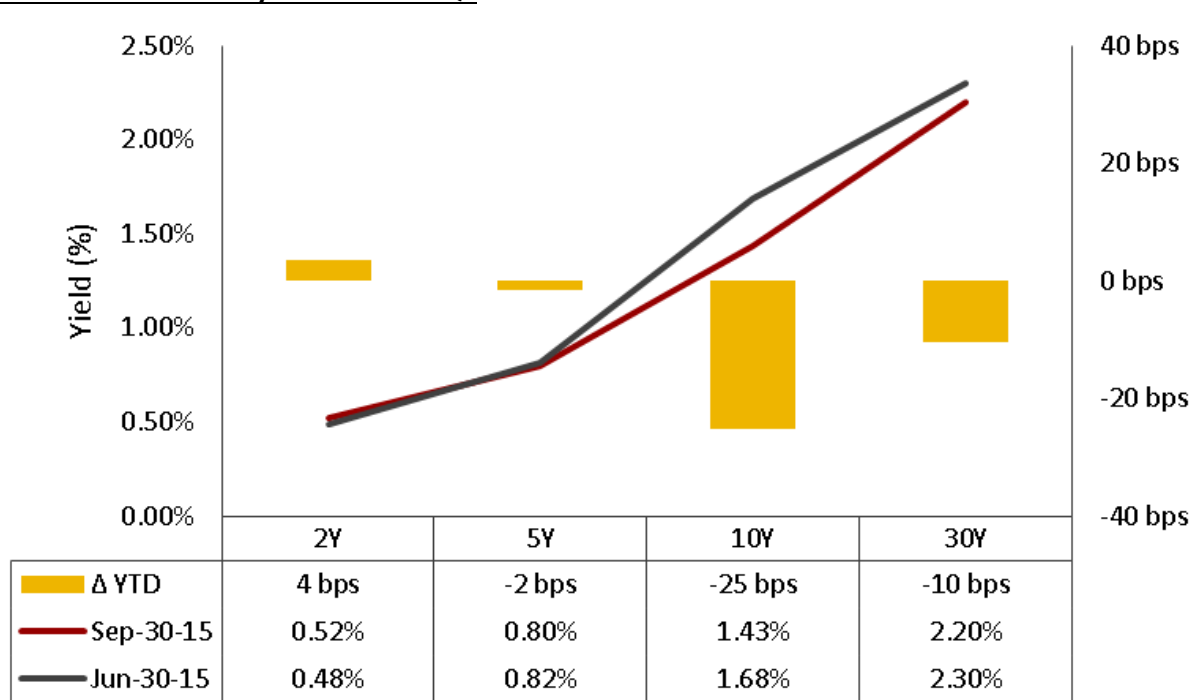
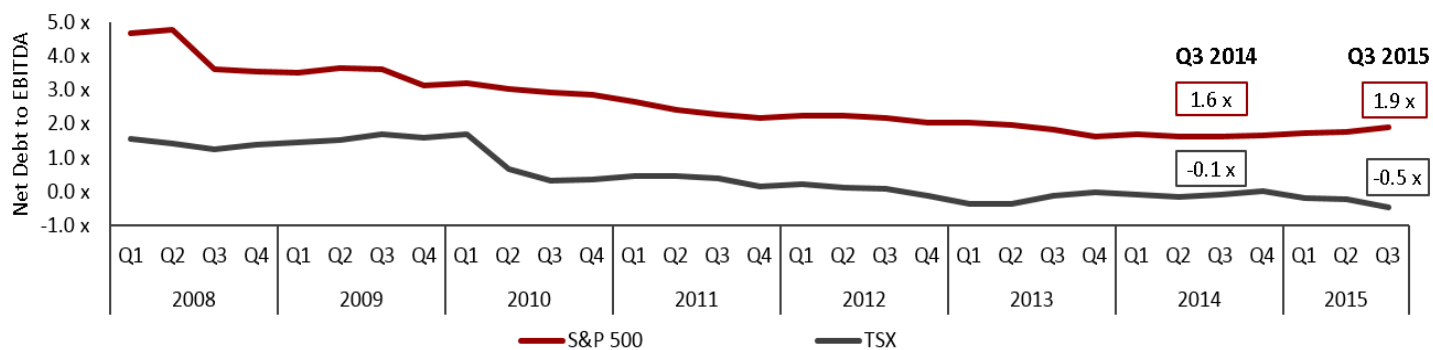


Figure 3: Global Central Banks Rate Cuts in 2015 (as of September 30, 2015)

	Policy Rate	Last Change	Change
The Americas			
Canada	0.50%	Jul 2015	-25 bps
Peru	3.50%	Sep 2015	-25 bps
Europe/Africa			
Norway	0.75%	Sep 2015	-25 bps
Sweden	-0.35%	Jul 2015	-10 bps
Hungary	1.35%	Jul 2015	-15 bps
Israel	0.10%	Feb 2015	-15 bps
Poland	1.50%	Mar 2015	-50 bps
Romania	1.75%	May 2015	-25 bps
Asia/Pacific			
Australia	2.00%	May 2015	-25 bps
New Zealand	2.75%	Sep 2015	-25 bps
China	4.60%	Aug 2015	-25 bps
Korea	1.50%	Jun 2015	-25 bps
Indonesia	7.50%	Feb 2015	-25 bps
India	6.75%	Sep 2015	-50 bps
Thailand	1.50%	Apr 2015	-25 bps

Figure 4: Diverging Leverage Profiles between US and Canada



Fixed Income Fund Holdings

Fixed Income Fund - Holdings List as of (30-09-2015)							
#	Security Name	Currency	# of Units	Purchase Price	Market Price	Base Market Value	Position Size %
1	ISHARES MBS ETF	USD	550	106.74	146.97	80,832	16.30%
2	BMO LONG FEDERAL BOND INDEX	CAD	4,300	18.61	18.11	77,873	15.70%
3	ISHARES 3 7 YEAR TREASURY BOND	USD	300	125.39	167.12	50,135	10.10%
4	PROVINCE OF ALBERTA	CAD	400	99.54	103.55	41,421	8.30%
5	ISHARES CORE U.S. AGGREGATE	USD	270	143.28	146.91	39,667	8.00%
6	WISDOMTREE INDIAN RUPEE STRATE	USD	886	23.95	27.95	24,767	5.00%
7	NEWALTA CORP	CAD	150	103.13	94.54	14,181	2.90%
8	HOME TRUST CO	CAD	240	102.31	101.03	24,247	4.90%
9	SPDR BARCLAYS HIGH YIELD BOND	USD	500	39.40	47.81	23,905	4.80%
10	DIRECTCASH PAYMENTS INC	CAD	190	102.75	102.00	19,380	3.90%
11	BANK OF AMERICA CORP	CAD	170	95.70	105.19	17,882	3.60%
12	AIMIA INC	CAD	160	111.14	105.78	16,925	3.40%
13	CANADA HOUSING TRUST	CAD	130	111.43	112.92	14,680	3.00%
14	RONA INC	CAD	140	103.75	102.48	14,348	2.90%
15	US DOLLAR	USD	18,166	1.15	1.34	24,355	4.90%
16	CANADIAN DOLLAR	CAD	11,548	1.00	1.00	11,548	2.30%
Total						\$496,146	100.00%

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