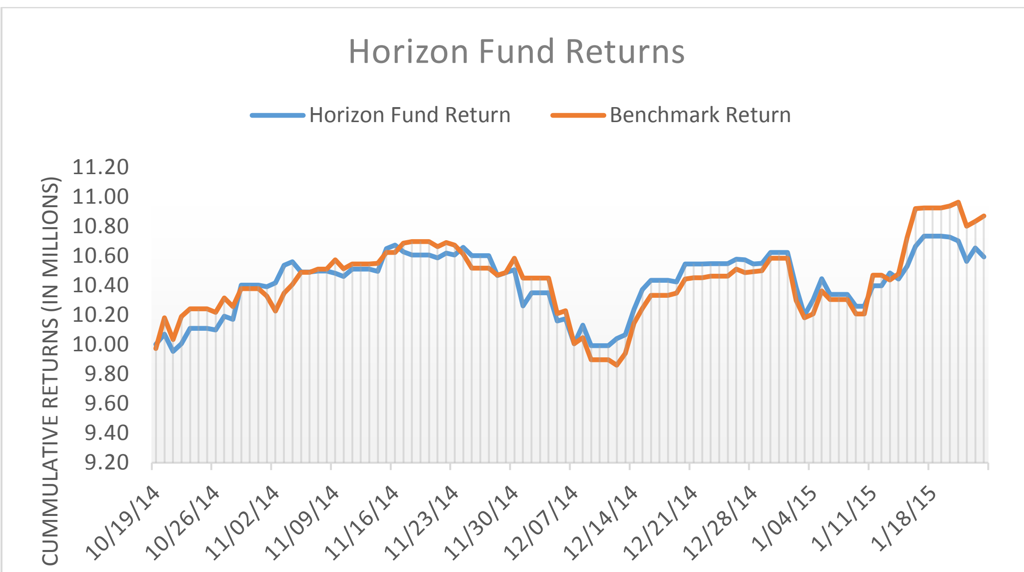
HORIZON INVESTMENT MANAGEMENT

Quarterly Letter to Shareholders
February 1st, 2015

FUND SYNOPSIS

Since October 2014, the investment management professionals at Horizon Investment Management have been managing a diversified, Canadian equity portfolio of $10 million CAD on behalf of a large endowment fund. With a portfolio time horizon of 5 years and a moderate risk appetite, our team has kept the composition of this fund constrained to Canadian equities with a market capitalization no smaller than $1 billion CAD. Furthermore, to avoid exposure to risk in any one stock or industry, a cap was set on weighting any stock greater than 10% of the value of the portfolio and any industry greater than 40% of the value of the portfolio, with positions in a minimum of 5 industries at any given time.

FUND PERFORMANCE



As of January 23rd, 2015, the fund has earned $590,000, generating an annualized return of 17.75% and an actual return of 5.91% since the portfolio's inception on October 19th, 2014. Through an innovative approach to sector allocation coupled with a comprehensive multiples analysis for stock allocation, managers at Horizon Investment Management have generated an overall return of 1.26% above the competition benchmark, the R-30.

Key Metrics		
	Horizon Fund	**R-30**
Ending Value	$10,591,682	$10,870,842
Sharpe Ratio	0.95	1.40
Beta	0.65	

Alpha	1.26%	
Tracking Error	11.24%	
Information Ratio	0.11	

With a Sharpe ratio of 0.9521 and an information error of 0.11, our portfolio has admittedly trailed the R-30 Benchmark in Q1 2015 in the face of macroeconomic headwinds, indicating a significant proportion of our portfolio's growth is explained by the riskiness of our positions at this point in time. However with a beta of 0.65, we have constructed our portfolio to mitigate volatility relative to the market. This has and will continue to provide investors with a stable and predictable return in times of market uncertainty, resulting in the strengthening key indicators of risk-adjusted returns in the near future.

HORIZON FUND PHILOSOPHY

We at Horizon Investment Management have developed a creative, innovative approach to structuring and managing our fund. Our philosophy can be summarized as follows:

> *A top-down, bottom-up blend, allocated among moderate-risk, large-cap stocks, weighted by our industry risk rating.*

Critical to our approach is a top-down, macroeconomic-level industry analysis. In designing the Horizon Fund, we first reached a consensus on how the macroeconomic environment would evolve throughout the 5-year time horizon of the funds. We then assigned each industry a ranking based on this macroeconomic view which, using a weighted average, determined the dollar proportion of our portfolio allocated to each industry.

After determining our industry allocation, we then incorporated our bottom-up approach, selecting a handful of stocks from each industry. These stocks were generally large-cap given the requirement that they have a market capitalization of $1 billion CAD or greater. Selections were made through an extensive multiples analysis.

Another key cornerstone of our philosophy is to hold frequent rebalancing meetings to discuss any changes relating to a particular stock or discuss current events which would require us to modify our stock or industry allocation.

TOP-DOWN: MACROECONOMICS AND INDUSTRY ANALYSIS

Before deciding our industry allocation, we made several key assumptions about macroeconomic trends in the next 5 years. We have categorized these in the table below.

Canada & US	**International**
• CAD will weaken vs USD as US economy improves • Winding down of QE will lead to inflation and interest rate increases • Decreasing unemployment will continue apace	• Further slowing of emergent economy growth (China) • Increasing downward pressure on price of oil • Ukraine Crisis continues • Japanese and European weakness expected to hold steady in near future

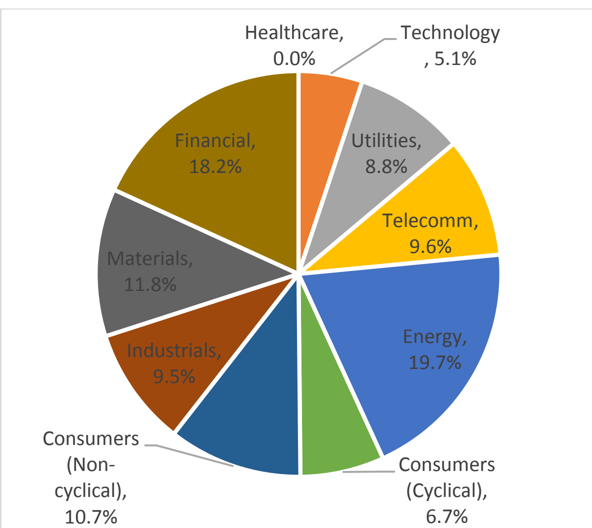
As we have seen, these macro-economic trends have largely held true. Consequently, our portfolio consistently outperformed the R30 throughout 2014 Q4. The steep decline in the price of oil however was one exception – while our team had expected prices to decline since the portfolio's inception, we expected the extent of the decline to be far less severe, necessitating several rebalances of the portfolio throughout Q4.

Considering the above macroeconomic trends, we assigned industry rankings as follows, with the larger the number meaning a greater amount of investment as a share of the fund's value.

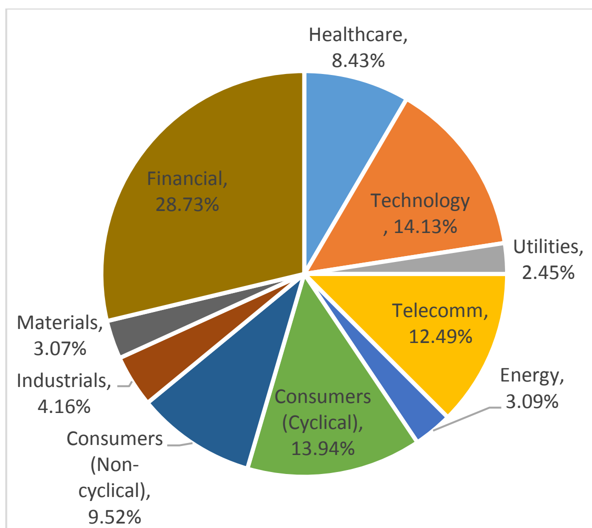
Industry	Rating (0-4.0)	Reason
Consumer Goods (Cyclical)	4.0	Increasing discretionary income
Technology	4.0	Increasing discretionary income
Financials	3.0	Increasing interest rates - boon to insurers
Consumer Goods (Non-cyclical)	2.0	Neutral outlook
Healthcare	2.0	Neutral outlook
Telecommunications	2.0	Neutral outlook
Energy	1.0	Oil supply glut
Industrials	1.0	Slowing GDP growth
Materials	0.5	Slowing GDP growth
Utilities	0.5	Increasing interest expense on large debts

Furthermore, below is a comparison of the composition of our portfolio as compared to the R-30 benchmark.

R-30 Benchmark



Horizon Fund



The significant differences in the composition of our portfolio, particularly the underweighting of the battered energy sector, meant that our portfolio saw significant gains even as the R-30 Benchmark and the TSX index posted losses. This positive momentum saw returns in excess of the R30 and which far outstripped the TSX throughout 2014 Q4. However, fallout from fears of an oil supply glut, an unexpected 0.25% rate cut by the Bank of Canada, and unfavourable earnings reports from several of our key positions have seen a portion of these gains erased through 2015 Q1.

BOTTOM-UP: MULTIPLES ANALYSIS

After arriving at our industry allocation, stocks received a portion of this allocation based on their rating derived from a multiples analysis, described below. The more favourable these multiples, the greater a proportion of that industry's allocation was assigned to buying shares of that stock.

As the above diagram indicates, there are several factors that were considered in valuing stocks including:

- The price premium of the company relative to its earnings and book value
- Previous earnings growth and consistency of this growth
- Debt level of the company
- Projected price of the company based on its current earnings and book value
- Relevant qualitative news about the company

CURRENT HOLDINGS

Name	Industry	ALLOCATION
AUTOCANADA INC	Consumers (cyclical)	4.6%
GILDAN ACTIVEWR	Consumers (cyclical)	9.3%
ALIMENT TD B	Consumers (non-cyclical)	6.7%
LOBLAW COS LTD	Consumers (non-cyclical)	2.8%
SUNCOR ENERGY	Energy	1.3%
NATL BK OF CAN	Financials	5.2%
ROYAL BK CAN	Financials	6.6%
SUN LIFE FINL	Financials	5.6%
TORONTO DOM BK	Financials	5.3%
CATAMARAN CORP	Healthcare	6.7%
ENDO INTERNATION	Healthcare	1.8%
STANTEC INC	Industrials	2.3%
DH CORPORATION	Technology	5.5%
OPEN TEXT CORP	Technology	8.7%
BCE INC	Telecomm	4.5%
ROGERS COMM B	Telecomm	5.2%

Representative holdings of the Horizon Fund are shown in above table. This list represents the top 16 holdings of 29 positions in our fund. Further detail on these positions is given below.

TOP HOLDINGS

Alimentation Couche-Tard Inc. (TSE:ATD.B)

This company is a top-in-class stock in the consumer (non-cyclical) category, a low-beta segment which we expect will benefit from uncertainty in the markets. In addition, the depreciating CAD will bolster the company's expanding business in the U.S. The company also has an attractive valuation, in spite of having an impressive 22% annual growth over the last 5 years and a return on equity of 21% annually over the last 5 years. It is the management's ability to make attractive investments over time and incorporate them into their own operations that convinced us to take a large position in this company.

Catamaran Corp. (***TSE:CCT)***

This company has been the top performer in our fund, returning an incredible 43.6% over the past quarter. The stock has benefited from a rotation out of the energy and materials sectors and into the healthcare sector. The company's innovative IT software is being increasingly adopted by different healthcare players looking to increase efficiency. The company has a higher valuation, but has enjoyed 25% annual earnings growth over the last 5 years and an 11.6% return on equity over the last 5 years.