

**Unit Price**

Series A	\$ 3.77
Series F	\$ 13.98
AUM	\$ 43,796,753
Distributions	Annually

**Date of Inception**

Series A	January 29, 2000
Series F	February 25, 2005
Series IS	October 8, 2015
Series N	September 30, 2016

**Management Fee**

Series A	2.50%
Series F	1.50%
Series IS	0.85%
Series N	1.50%

**Risk Rating**

High

**Style**

Medium Blend

**Annual Compound Returns (%)**

	YTD	1 month	3 month	6 month	1 year	3 year	5 year	10 year	Inception
Series A	21.7	3.7	5.8	18.0	26.9	12.6	14.5	0.8	-1.2
Series F	22.5	3.9	6.1	18.7	28.4	13.9	15.9	2.1	9.3

**About the Fund**

The Excel China Fund (the "Fund") seeks long-term superior growth of capital by investing in equity securities of companies located in China, Hong Kong, Taiwan and other Far East countries. The Fund may also invest in Canadian equity securities which focus on companies doing business in the China region, debt securities of Canadian issuers, derivatives (futures, options and forward contracts) and cash or cash equivalents.

**Portfolio Manager: Excel Investment Counsel Inc. ("EIC")**

EIC provides investment advisory and portfolio management services to the mutual funds managed by Excel Funds Management Inc. ("EFM"), Canada's only emerging markets focused mutual fund provider.

**Sub-Adviser: China Asset Management Company Limited ("China AMC")**

China AMC is the largest asset manager in China with total assets under management of approximately US\$173 billion. China AMC provides services to both domestic and foreign clients in equity and fixed income markets, and has a wide client base consisting of more than 200 institutional investors and 16 million retail investors.

**Growth of \$10,000 Since Inception\***

**Top Portfolio Allocations**

Information Technology	28.2%
Consumer Discretionary	21.0%
Financials	20.6%
Industrials	9.8%
Energy	5.2%
Other Net Assets (Liabilities)	4.4%
Real Estate	3.8%
Materials	3.2%
Health Care	2.8%
Telecommunication Services	1.0%

**Top Ten Holdings**

Tencent Holdings Limited	10.6%
Alibaba Group Holdings Limited ADR	9.8%
CITIC Limited	5.2%
China Construction Bank Corporation "H"	4.5%
Guangzhou Automobile Group Company Limited "H"	4.2%
Haitian International Holdings Limited	4.2%
ASM Pacific Technology Limited "H"	3.8%
TAL Education Group ADR	3.2%
Naspers Limited	3.1%
Industrial and Commercial Bank of China Limited "H"	3.0%

**Country Allocations**

China	94.8%
South Africa	3.0%
Canada	1.1%
Singapore	1.0%
United States	0.1%

Fund Codes	Front End		Deferred		Low Load		Series F		Series IS		Series N	
	C\$	US\$	C\$	US\$	C\$	US\$	C\$	US\$	C\$	US\$	C\$	US\$
	EXL 103	EXL 813	EXL 203	EXL 823	EXL 303	EXL 833	EXL 603	EXL 803	EXL 1100	EXL 1203	EXCHE	EXCHE.U

**Calendar Performance\***

Series A	43.4%	-3.2%	-23.1%	12.3%	19.9%	5.6%	12.2%	0.3%
Year	2009	2010	2011	2012	2013	2014	2015	2016

**Commentary**
**Market Synopsis**

During the quarter, China's Manufacturing Purchasing Managers' Index (PMI) and Non-Manufacturing PMI continued to hold steady within the expansion range as domestic demand continues to grow. Meanwhile, as the inventory cycle approaches the latter stage, the Consumer Price Index (CPI) increased even as the Producer Price Index (PPI) fell. The current dynamics between CPI and PPI is consistent with previous expectations. While CPI in May alluded to the relief of inflationary pressures over the short-term, it is likely to increase in the near future.

The central government has intensified its de-leveraging efforts with the medium and long-term goal of tightening liquidity. However, during the quarter, market liquidity was loosened for the Belt and Road Summit. The CNY/USD exchange rate remained range-bound from March until early June when the US Fed gave indications of further interest rate hikes and balance sheet normalization. We believe that the People's Bank of China (PBoC) is committed to targeting its mid-to-long-term exchange rate targets by tightening money supply.

Within the MSCI China Index, quarterly performance was positive across sectors except for energy. The Fund kept a relatively balanced position in the second quarter. The Fund was overweight industrials, financials, telecommunication and utilities. Information technology was the best performing sector. Top contributing performers were: Tencent, Alibaba, Autohome, Guangzhou Automobile, Shandong Chenming PA, Yichang HEC Changjia, Haitian International, CSPC Pharmaceutical, and New Oriental Education. High quality auto, education, and healthcare companies will continue to benefit from the consumption upgrade trend and are expected to deliver sustainable growth. Haitian International and

Shandong Chenming PA are industrial companies which benefited from the recent increase in the manufacturing investment. The insurance sector benefited from interest rate hike. Negative contributors were: ASM Pacific, Zhuzhou CRRC Times, and the energy sector. ASM Pacific was dragged down by Apple news in June while Zhuzhou CRRC Times was hurt by disappointing railway investments in 2017.

**Market Outlook and Investment Strategy**

Year-to-date, attractive valuations and a global rotation encouraged large inflows into emerging markets. The Hang Seng China Enterprise Index and the Hang Seng Index also continued to benefit from southbound capital inflows. With the catalyst of President Xi's visit to the Hong Kong 20th anniversary repatriation, magnitude of fund flow and linkage between Hong Kong and the mainland is expected to further increase.

Low valuation and sustained inflow from onshore Chinese and global investors are expected to benefit Hong Kong large caps positively in the next few months. Sector-wise, we are bullish on technology and undervalued consumer names. Cyclical stocks are also recovering as confidence improves. We continue to prefer high quality companies benefiting from a consumption upgrade but also have exposure to select quality cyclical businesses that will benefit from a recovery in capital investment.


**The units of the fund are qualified investments for**

RRSPs, LIRAs, RRIFFs, LIFs, LRIFs, DPSPs, RESPs, RDSPs and TFSA's.

[www.excelfunds.com](http://www.excelfunds.com)

**EXCEL FUNDS**

1-855-EXCEL30

\*Data provided representative of Excel China Fund, Series "A". The inception date of the Fund's Series A is January 29, 2000.

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. The indicated rates of return are the historical annual compounded total return including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The rates of return shown are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the returns on investment in Excel Funds.

All statements in this update, other than statements of historical fact, and including statements regarding the future economic effects of events, are "forward-looking statements". These forward-looking statements reflect the current beliefs of the Fund's portfolio manager and are based on information available to the Fund as of the date of this update. Actual results may differ materially as they are subject to a number of significant risks and uncertainties. The Fund has no obligation to update or revise the forward-looking statements in this update.