

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE GBC CANADIAN GROWTH FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

INCEPTION DATE
NOVEMBER 30, 1988

THE PORTFOLIO MANAGEMENT TEAM
PEMBROKE MANAGEMENT LTD.

This interim Management Report of Fund Performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-668-7383, by writing to us at 150 King Street West, Suite 1210, Toronto, Ontario M5H 1J9 or by visiting our website at www.pml.ca or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods (except on the SEDAR website) to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

THE GBC CANADIAN GROWTH FUND

Investment Objective and Strategies

The GBC Canadian Growth Fund (the “Fund”) seeks to provide investors with long-term growth through capital appreciation by investing primarily in small to mid-sized Canadian companies. To achieve the Fund’s investment objective we invest primarily in companies that have sustainable growth opportunities, a solid financial position, and a capable management team.

Risk

The overall risk of the Fund is as described in the Simplified Prospectus. There were no material changes to the Fund over the financial period that affected the overall level of risk associated with an investment in the Fund. The Fund is suitable for investors who have a medium tolerance for risk and are seeking long-term capital growth.

Results of Operations

For the six-month period ended June 30, 2018, the Fund posted a return of -0.55%. In comparison, the Fund’s benchmark index, the S&P/TSX Composite posted a return of 1.95% for the same period. For the twelve months ended December 31, 2017, the Fund posted a return of 11.17% compared to the Fund’s benchmark which posted a 9.10% return.

The Fund endured volatile Canadian equity markets in the first half of 2018. Looming international trade wars, caution regarding the impact of rising short-term interest rates, and uncertainty surrounding the effects of stricter mortgage financing rules induced a first quarter decline. Stocks recovered in the second quarter led by strength in the energy sector, which benefited from rising oil prices.

The Fund’s decline in the first half of 2018 was largely driven by weakness in its industrial, material, financial, and consumer discretionary holdings. In contrast, the Fund’s information technology and energy holdings posted notable gains during the period.

Several stocks made significant positive contributions to performance in the first half of 2018. Shares in Tamarack Valley Energy (“TVE”), an oil and gas exploration and production company with assets focused on the Cardium and Viking formations in Alberta and Saskatchewan, gained during the period. While strengthening oil prices boosted the Canadian energy sector, Tamarack’s shares outperformed its peers due to encouraging production results that highlighted the productivity and profitability of the company’s assets. The management team at Tamarack has been effective at assembling attractive land packages during the downturn in the energy industry. This success is now being reflected in both operating results and investor recognition.

Shares in Points International (“PTS”), a provider of e-commerce and technology services to loyalty program operators internationally, performed well during the period. The company generated quarterly results that exceeded expectations and provided guidance for 2018 that was ahead of analyst estimates. Points has an attractive runway for growth driven by new partner additions and programs. The company is making meaningful progress towards attaining its long-term profitability targets. The company also has a pristine balance sheet and has been directing some capital towards share repurchases.

Two stocks were significant detractors to performance in the first half of 2018. Shares in DHX Media (“DHX”), a leading owner and producer of children’s media content, underperformed during the period. The company successfully monetized a significant stake in the Peanuts franchise, thereby reducing debt levels on its balance sheet. Moreover, the company is evaluating additional strategic avenues to realize value from its portfolio of brands. Muted organic growth in the company’s content creation business and the withdrawal of financial guidance for fiscal year 2018, however, have put pressure on the shares.

Shares in CES Energy Solutions, (“CEU”), a provider of drilling fluids and specialty chemicals used in oil and natural gas production, were weak during the period. The company has built an operational footprint spanning multiple production areas across North America, including the prolific Permian basin in Texas. Recent infrastructure constraints in the Permian basin have led to a subdued near-term outlook for drilling and production activity, thereby affecting CEU’s business. These constraints are temporary in nature and should not have a longer-term impact on CEU’s prospects.

As at June 30, 2018, the total net asset value of the Fund was \$354.4 million compared with \$379.5 million as at December 31, 2017. The cash position was 1.1% of net asset value. The number of units outstanding in the Fund as at June 30, 2018 was 5.2 million compared with 5.5 million as at December 31, 2017.

Unrealized appreciation on investments as at June 30, 2018 was \$75 million as compared to \$101.9 million as at December 31, 2017 resulting in a decrease in unrealized appreciation on investments of \$26.9 million. The Fund had net realized gains on investments sold during the period of \$21.6 million.

Results of Operations (Cont'd)

Fees and Expenses

During the six-month period, the Fund paid a total of \$0.4 million in operating expenses. The management expense ratio ("MER") for shareholders was 0.04%. There are no management fees charged to the Fund starting January 1, 2018. Refer to the Management fee section for further details on this change.

Unitholder Activity

Throughout the six-month period, \$2.5 million flowed into the Fund by way of subscriptions and \$24.7 million flowed out of the Fund as a result of redemptions.

Related Party Transactions

Pembroke Private Wealth Management Ltd. ("PPW") is the Fund's Manager. The Fund Manager provides the day-to-day management of the business and operations of the Fund. The fees paid to the Fund Manager are shown in the "Management Fees" section of this report. Pembroke Management Ltd. ("Pembroke") is the portfolio manager of the Fund. Pembroke is the parent company of the Fund Manager, PPW. Pembroke's fees are paid by the Fund Manager, for services including investment, management, administration, advisory and accounting. The related party transactions take place in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Recent Developments

Outlook

Recent trade actions implemented by the United States have created a cloud of uncertainty regarding potential impacts to businesses, such as input cost inflation and reduced accessibility of foreign markets. Nonetheless, Pembroke continues to seek and identify companies with agile business models and management teams that can adjust accordingly. While the geopolitical and economic environment is dynamic and ever-changing, the small cap universe continues to afford investors the opportunity to deploy capital into attractive risk/reward situations.

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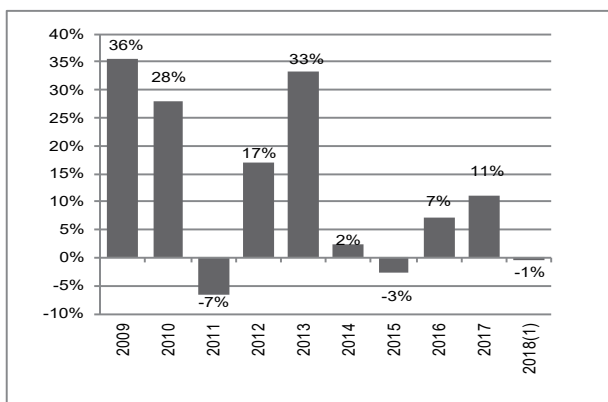
Past Performance

The indicated rates of return are the historical annual compounded total return changes in unit values and reinvestment of all distributions and do not take into account sales, redemptions, distributions or other optional charges that would have reduced returns. Mutual funds are not guaranteed, their values may increase or decrease and past performance may not be repeated.

The Fund's performance numbers have been prepared under the assumption that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes, whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gains or increase your capital losses when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-year returns

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year. The percentage figures indicated have been rounded to the nearest whole number due to space constraints.



(1) Six-month return to June 30, 2018

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Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly.

Industry Sector	% of Net Asset Value
Information Technology	20.9%
Industrials	17.7%
Energy	17.5%
Consumer Discretionary	14.3%
Financials	9.7%
Real Estate	8.1%
Materials	6.7%
Consumer Staples	1.8%
Health Care	1.0%
Telecommunication Service	0.8%
Cash	1.1%
Other Net Current Assets	0.4%
Total	100.0%

Top 25 Holdings

Company	% of Net Asset Value	Industry Sector
1 Solium Capital	3.9%	Information Technology
2 Badger Daylighting	3.8%	Industrials
3 Descartes Systems Group	3.3%	Information Technology
4 Tamarack Valley Energy	3.2%	Energy
5 Canadian Western Bank	3.2%	Financials
6 Stella Jones	2.9%	Materials
7 Kelt Exploration	2.9%	Energy
8 Kinaxis	2.9%	Information Technology
9 The Westaim Corporation	2.8%	Financials
10 Tricon Capital Group	2.5%	Real Estate
11 Evertz Technologies	2.4%	Information Technology
12 Tucows	2.4%	Information Technology
13 Boyd Group Income Fund	2.4%	Industrials
14 Hardwood Distribution	2.3%	Industrials
15 Colliers International	2.3%	Real Estate
16 IMAX Corporation	2.2%	Consumer Discretionary
17 BRP	2.1%	Consumer Discretionary
18 Nuvista Energy	2.1%	Energy
19 Sleep Country Canada	2.0%	Consumer Discretionary
20 Equitable Group	2.0%	Financials
21 Altus Group	2.0%	Real Estate
22 Enerflex	1.9%	Energy
23 Sylogist	1.9%	Information Technology
24 Jamieson Wellness	1.8%	Consumer Staples
25 Gildan Activewear	1.8%	Consumer Discretionary
Top 25 Holdings	63.0%	

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the financial periods indicated. This information is derived from the Fund's audited annual financial statements (excluding June 30, 2018 information). The information presented is based on prescribed regulations and, as a result, is not expected to add up due to the increase (decrease) in net assets attributable to holders of redeemable units being based on the average units outstanding during the period and all other numbers being based on the actual units outstanding at the relevant point in time. The June 30, 2018 interim financial statements are unaudited.

THE FUND'S NET ASSETS PER UNIT						
	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net assets attributable to holders of redeemable units, beginning of period ⁽¹⁾	68.99	64.88	61.72	63.39	66.62	56.41
Increase (decrease) in net assets attributable to holders of redeemable units:						
Total revenue	0.55	0.89	1.01	0.84	1.12	0.89
Total expenses	(0.07)	(1.38)	(1.11)	(1.31)	(1.49)	(1.28)
Realized gains (losses) for the period	4.05	8.01	4.17	0.39	7.75	12.35
Unrealized gains (losses) for the period	(5.06)	(0.39)	0.36	(1.46)	(5.57)	6.65
Total increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	(0.53)	7.13	4.43	(1.54)	1.81	18.61
Distributions to holders of redeemable units:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(3.01)	(1.27)	-	(4.53)	(7.63)
Return on capital	(0.01)	(0.08)	(0.08)	(0.06)	(0.08)	(0.05)
Total distributions to holders of redeemable units ⁽³⁾	(0.01)	(3.09)	(1.35)	(0.06)	(4.61)	(7.68)
Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾	68.61	68.99	64.88	61.72	63.39	66.62

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets attributable to holder's of redeemable units is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash and/or reinvested in additional units of the Fund.

(4) This table is not intended to be a reconciliation of beginning to ending net assets per unit.

RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)

	June 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total net asset value (\$) (000's) ⁽¹⁾	354,434	379,490	391,840	391,530	419,904	423,498
Number of redeemable units outstanding (000's) ⁽¹⁾	5,166	5,501	6,040	6,343	6,624	6,357
Management expense ratio (%) ⁽²⁾⁽⁵⁾	0.04	1.88	1.92	1.90	1.92	1.96
Management expense ratio before waivers or absorptions (%) ⁽²⁾⁽⁵⁾	0.04	1.88	1.92	1.90	1.92	1.96
Trading expense ratio (%) ⁽³⁾	0.17	0.18	0.16	0.14	0.16	0.18
Portfolio turnover rate (%) ⁽⁴⁾	21.75	28.75	26.08	34.84	33.19	32.53
Net asset value per unit (\$)	68.61	68.99	64.88	61.72	63.39	66.62

(1) This information is provided as at June 30 or December 31 of the period shown, as applicable.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated period (including Harmonized Sales Tax, Goods and Service Tax, income tax and interest) but excluding foreign withholding taxes, commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. PPW may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. The GBC Canadian Growth Fund did not have any expenses waived or absorbed in any of the periods presented.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(5) As a comparative, if the New Fee Payment Model change, effective January 1st, 2018, would have been in effect throughout fiscal year 2017 the adjusted MER of the Fund would be 0.05%

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Financial Highlights (Cont'd)**Management Fees**

Further to the special meetings of holders of the GBC Mutual Funds held on January 8, 2018 (the "Meetings"), PPW announced that unitholders of the Fund approved a New Fee Payment Model. Under this new fee payment structure effective January 1, 2018, management fees are no longer charged to the Fund. Instead, the management fees are charged directly to unitholders. Subject to the maximum fees set forth below, unitholders will be charged management fees based on their assets under management. Such management fees will be payable directly to PPW by the redemption (without charge) of a sufficient number of units of the Fund held. This new approach results in enhanced fee transparency, aligns the mutual fund fee structure with the pooled fund fee structure and in certain cases results in reduced fees.

Following this approval, the amount of management fees unitholders pay will be determined based on the amount of assets under management, subject to the following maximum annual management fees:

Name of the Fund	Assets under management		
	Under \$1 million	Between \$1 million and \$5 million	Above \$5 million
The GBC Money Market Fund	0.10%	0.10%	0.10%
The GBC Canadian Bond Fund	0.65%	0.50%	0.40%
The GBC Growth and Income Fund	1.30%	1.20%	0.85%
The GBC Canadian Growth Fund	1.70%	1.50%	1.00%
The GBC American Growth Fund Inc.	1.50%	1.50%	1.00%
The GBC International Growth Fund	1.50%	1.50%	1.00%

Management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, and providing other services. For the period ended June 30, 2018, none of the management fees received by the Manager were used to fund commission payments and other dealer compensation (collectively "distribution-related costs") paid to registered dealers and brokers for units of the Fund bought and held by investors.

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Caution Regarding Forward-looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Further, it should be noted that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

P E M B R O K E

P R I V A T E W E A L T H M A N A G E M E N T

150 King Street West, Suite 1210
Toronto, Ontario M5H 1J9, Canada
Tel. 416-366-2550 800-668-7383 Fax 416-366-6833

1002 Sherbrooke Street West, Suite 1700
Montreal, Quebec H3A 3S4, Canada
Tel. 514-848-0716 800-667-0716 Fax 514-848-9620

Pembroke Private Wealth Management Ltd.
is a mutual fund dealer and manager of the GBC Funds.
Pembroke Management Ltd. is an investment adviser.

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