JCClark Investments.

JC Clark Adaly Fund
July 2017

August 2, 2017

Dear Investor,

The JC Clark Adaly Fund's net asset value (NAV) decreased by approximately 4.4% per unit in July, bringing year-to-date (YTD) performance to an increase of roughly 0.3%. (Results vary slightly by Class, due to differing fee structures). Individual client statements will be mailed shortly, but in the meantime, the most widely held Class A and Class B units had month-end NAV's of $8,346.33 and $2,605.81, respectively.

In our last month's letter, we wrote: "As time goes on, it feels to us like the relationship between stock prices and true economic value is becoming more and more tenuous". We also observed: " ...what you get is widespread ignorance of and almost apathy towards the true fundamentals of publicly-traded companies".

Those comments turned out to be prescient, because we just turned in a rather sour performance despite the fact that - fundamentally - nothing happened! Among our 20 core portfolio holdings, there was not a single adverse development that might have diminished the value of the respective company. Most of them report in August or September, so there was - for the most part - a news vacuum. That, low trading volumes, and the absence of funds flow into small-to-midcap Canadian equities and equity managers - largely explain why the Fund did so poorly.

One of our positions - a former high-flying IPO (it initially rose 30% above issue price) - is now below issue price, having dropped 18% last month. The company has not made a material announcement since May. Another investment in a fast-growing social media company dropped 13.5%, despite the announcement of two huge contract wins that had initially driven the stock up 50%.

We have two of the better-quality gold stocks, combining good growth and excellent value. Yet though gold rose 2.3% last month, our two positions averaged a 2% decline. Similarly, oil was up 8.2% but our three energy holdings averaged a 3% decline. And again, these include possibly the premier energy service company in Canada (Trican), and one of the country's most respected independent oil producers (Spartan).

Most remarkably of all, our investment in MedReleaf - arguably the highest quality medical marijuana producer out there - dropped 7.2% in July, while its three direct comparables rose on average 20%! Of all the dis-connects we've borne witness to of late, this is probably the most egregious. And the only bonafide explanation is simply that the other three's average trading volume is over 1 million shares a day, while MedReleaf's is less than 100,000.

What we're hoping to make clear, by all the foregoing, is there are times when sentiment is against you, and in the absence of a change in that sentiment, or outright takeover, good stocks will languish. It's unfortunate that we cannot predict when such welcome events shall occur, but they do - eventually. Over the past five months three of our portfolio holdings were acquired (at 30%, 60%, and 80% premiums respectively), and at the rate things are going, more will follow.

The bottom line is this: we are running a diversified portfolio of 20 core businesses (hedged where we can) that are well-managed and well-positioned for growth. But the public market has limited interest in them, for various reasons, and so - at these prices - we expect more takeovers to occur. If we were running a private-equity fund, with no trading activity to distract investors from the fundamentals, we wouldn't have to write monthly letters to help explain the inexplicable. But if it's of any reassurance, it is our firm belief that Adaly's investment portfolio is currently, on average, undervalued by 50%.

As always, feel free to contact us with any questions or concerns.

Regards,

Martin Braun   Kyle McKay