

# THE MATCO SMALL CAP FUND

MARCH 2017

## SMALLER COMPANIES BUT GREATER GROWTH POTENTIAL

### RISK PROFILE



### COMPANY OVERVIEW

Independent Canadian Investment Management Firm dealing with:

- » Private Clients
- » Institutions (Not-For-Profit) & Condo Boards
- » Advisors

Specializes in Canadian Investments

AUM	\$500 Million
INCEPTION	2006
EMPLOYEES	14

### FUND OVERVIEW

Seeks to provide long-term capital appreciation and income by investing primarily in small and mid capitalization Canadian companies

CONCENTRATED PORTFOLIO 25-40 Securities

TOTAL FUND ASSETS ~\$60 Million  
INCEPTION March 2010

### PURCHASE OPTIONS

Series A (MAT400), F (MAT401) and O(MAT402)

### PORTFOLIO CONSTRAINTS

- » Ability to invest up to 30% in US Small & Mid-cap companies
- » Minimum 6 of 10 GICS sectors
- » Maximum 10% weight in any security

### TEAM

Everett Knight, B.Comm  
Jill Angevine CA, CFA  
William Dickie, CFA

### MATCO FINANCIAL INC.

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

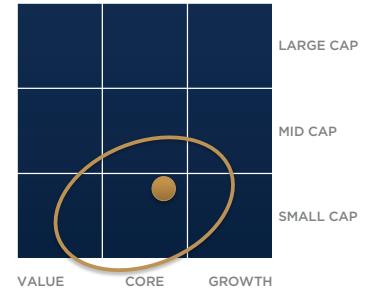
## OBJECTIVE

- » To focus on long-term capital appreciation through investments in small to mid-cap Canadian companies that have strong balance sheets, are attractively priced, and reinvest excess earnings back into the company.

## INVESTMENT STYLE

- » Maximize Return, Minimize Volatility

GROWTH  
AT A  
REASONABLE  
PRICE



## INVESTMENT CHARACTERISTICS

### PRIMARY - PORTFOLIO CHARACTERISTICS

	Matco Small Cap	TSX Small Cap Index	Checklist
Market Capitalization	1,859	1,097	N/A
Return on Equity (%)	12.0	6.1	✓
Reinvestment Rate (%)	4.3	-1.6	✓
Yield (%)	2.1	2.4	
Bottom-Line Growth (%)	22.0	30.9	
Price-to-Earnings (Trailing)	22.5	77.5	✓
Price-to-Earnings (Forward)	17.5	26.3	✓
5 Year Beta (vs TSX)	0.7	1.0	✓

\*Sources CPMS, Bloomberg

### SECONDARY - KEY PERFORMANCE METRICS

Metrics	Matco Small Cap Fund
5 Year Cumulative Return	62.6%
Dividend Paying Companies	71.1%
Canadian Revenue Exposure	48.0% ↑
US Revenue Exposure	39.7% ↑
Global Revenue Exposure (Ex Canada/US)	12.7% ↓
Current Q1 2017 EPS Beat Ratio	66.0%
Debt/Assets	24.7%
Annual Management Teams Meetings	70+

\* Sources: Bloomberg, Morningstar, RBC NAV, Matco Financial Inc

For more information contact:

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## ACTIVITY

- » During Q1, we increased our health care weight by adding to 2 Canadian medical cannabis companies. We believe they are the best positioned to capture this rapidly growing industry.
- » We also bought the global leading e-commerce supplier of delivery mechanisms to medical and recreational cannabis users. This company operates in 26 countries around the world and we expect will exit this year with more than 10 million in revenue. We increased our staples weight by purchasing Andrew Peller, a leading Canadian producer and marketer of wines with over 37.1% domestic market share.

## OUTLOOK

- » The earnings profile of the Matco Small Cap Fund remains attractive with 22% Quarterly Earnings Momentum (QEM) for the portfolio. We expect QEM to be stable in Q2 but believe that it will start to level off in the back half of the year as year over year numbers become tougher comparable. We are shifting our focus to increasing yield and decreasing our already attractive beta to better perform if volatility were to increase when earnings normalize to a more healthy pace.

## TOP 10 HOLDINGS



## PERFORMANCE

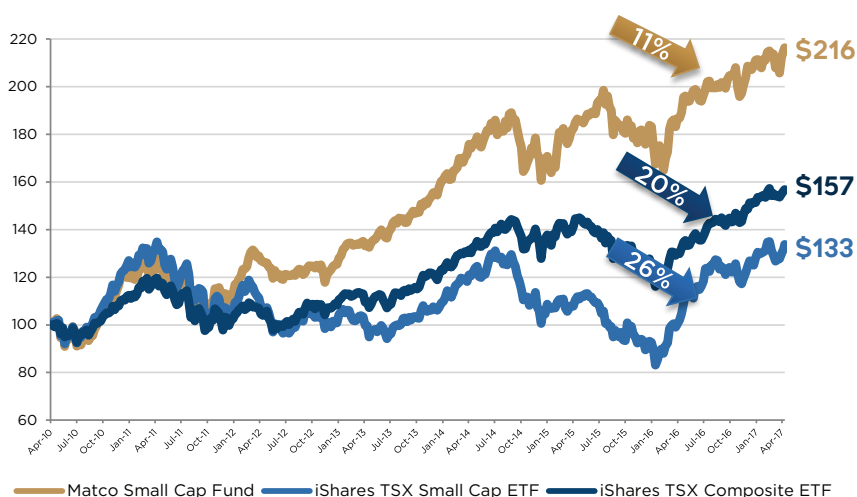
	3 Mtn.	YTD	1 Year	3 Year	5 Year	7 Year	Incept.
Matco Small Cap Fund	0.0%	0.0%	12.7%	4.7%	9.0%	9.1%	10.0%
TSX Small Cap Index	1.5%	1.5%	29.4%	3.5%	3.4%	4.3%	4.8%
TSX Composite Index	2.4%	2.4%	18.6%	5.8%	7.8%	6.8%	7.3%

As of March 31, 2017  
Index Values = Total Return

	2016	2015	2014	2013	2012	2011	2010
Matco Small Cap Fund	15.1%	5.9%	1.4%	25.1%	12.1%	-12.8%	29.7%*
TSX Small Cap Index	38.5%	-12.6%	-2.6%	8.7%	-3.7%	-16.4%	28.8%**
TSX Composite Index	21.1%	-8.3%	10.6%	13.0%	7.2%	-8.7%	17.6%**

\*Not Full Year - Matco Small Cap Fund Series F inception is March 1, 2010  
\*\*Index Data is Full Year Return

## GROWTH OF \$100 SINCE INCEPTION



As of March 31, 2017

		5 Year
Matco Small Cap Fund Series F vs. TSX Composite Total Return Index	Upside Capture	82.33
	Downside Capture	44.13
Canadian Small/ Mid Cap Equity Category vs. TSX Composite Total Return Index	Upside Capture	88.58
	Downside Capture	76.36

As of March 31, 2017

SHARPE RATIO	3 Year Risk Adjusted Return	5 Year Risk Adjusted Return
Matco Small Cap	0.42	0.84
TSX Small Cap Index	0.24	0.26

\*Sources CPMS, Bloomberg

As of March 31, 2017

Matco Fund Returns are Series F. Matco Fund returns are calculated after management fees and operating expenses have been deducted. In comparison, the index returns do not incur management fees or operating expenses. Index returns are supplied by a third party. We believe the data to be accurate, however, we cannot guarantee its accuracy.

Mutual funds are not guaranteed, their values change frequently, and past performance is not indicative of future performance. The commentary is intended for information purposes only and does not constitute an offer to buy or sell our products or services, nor is it intended as investment and/or financial advice on any subject matter and is provided for your information only. Every effort has been made to ensure the accuracy of its contents.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Performance returns for the Matco Mutual Funds are calculated by Matco Financial Inc. These returns are historical simple returns for the 3 month, YTD and 1 year periods, and annualized compounded total returns for periods after 1 year. They include 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.

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