



Matco Balanced Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
For the Period Ended June 30, 2016

Matco Balanced Fund

Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



TABLE OF CONTENTS

MANAGEMENT DISCUSSION OF FUND PERFORMANCE	3
INVESTMENT OBJECTIVE AND STRATEGIES	3
RISK	3
RESULTS OF OPERATIONS	3
RECENT DEVELOPMENTS	3
RELATED PARTY TRANSACTIONS	4
MANAGEMENT FEES.....	4
ADMINISTRATION SERVICES	4
PORTFOLIO TRANSACTION SERVICES	4
PAST PERFORMANCE	4
YEAR-BY-YEAR RETURNS	5
PORTFOLIO ASSET MIX	5
SUMMARY OF INVESTMENT PORTFOLIO (AT JUNE 30, 2015)	5
EFFECTIVE PORTFOLIO ALLOCATION	5
EFFECTIVE EQUITY SECTOR ALLOCATION.....	5
TOP 25 HOLDINGS.....	6
FINANCIAL HIGHLIGHTS	7
NAV PER SHARE NOTES	7
RATIO AND SUPPLEMENTAL DATA NOTES.....	7

This Interim Management Report of Fund Performance ("**MRFP**") contains financial highlights but does not contain either the interim or annual financial statements of the Matco Balanced Fund (the "**Fund**"). You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-877-539-5743, by writing to us at 400, 407-8th Avenue SW, Calgary AB T2P 1E5 or by visiting our website at www.matcofinancialinc.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

A NOTE ON FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact 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.

Matco Balanced Fund

Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



Management Discussion of Fund Performance

This management discussion of Fund performance presents management's view of the significant factors and developments during the period that have affected the Fund's performance and outlook. For information on the Fund's longer-term performance, please refer to the *Past Performance* section of this report. In this report, "Matco" refers to Matco Financial Inc., the manager of the Fund.

Investment Objective and Strategies

Seeking to balance current income and long-term capital appreciation, the Fund invests in Canadian dividend-paying equities and investment grade fixed income assets. The portfolio is diversified across market capitalization, asset classes, sectors and geographic regions. This "one-stop" Fund offers diversified sources of ongoing income, preserves capital based on an institutional investment risk management process and provides lower volatility performance.

Risk

The overall risks of investing in the Fund are as described in the Fund's Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk associated with an investment in the Fund.

Results of Operations

The Fund commenced operations on June 29, 2007 and was first offered to the public via prospectus on November 29, 2007. The Fund's net assets increased over the past six months to \$157.6 Million up from \$131.4 Million as at December 31, 2015. Within the period there was a net income on investments of \$5.3 Million attributable to investment performance, including both unrealized gains/losses and income. The Fund's performance is discussed below.

The fund experienced no unusual trends in redemptions or sales. From an asset mix perspective, the Fund decreased its global equity exposure from 31.9% to 16.3% while increasing its Canadian equity exposure from 26.4% to 39.2%.

In the first six months of 2016, the Fund's Series F units generated +3.0% relative to the benchmark, Globe Canadian Neutral Balanced Index, of +2.8%. Unlike the index returns, the Fund's return is net of fees and expenses paid by the Series. Please refer to the *Past Performance* section of the report for the returns of other series offered by the

Fund and to the *Related Party Transactions – Management Fees* section of the report for the varying management fees payable by each series.

Although 2016 was off to a volatile start in large part due to economic data suggesting a slowing of economic growth out of China, a subsequent rebound in energy prices and other commodities has led a resource fueled rally. This bodes well for the Canadian market, which was one of the top performing stock markets globally in the first half of 2016. The Canadian dollar was also a beneficiary of the energy and commodity rally, rebounding from a low of 0.69 USD/CAD in January to a close of 0.77 USD/CAD on June 30, 2016. Through the first half of 2016, the S&P/TSX Total Return Index has returned 9.84%.

The best performing sectors in the first half of 2016 were materials, energy, and utilities. The rally in the price of crude oil and gold has led to the strong performance of the energy sector and the materials sector, leaving other sectors hard pressed to keep up. Although the rebound in oil is contributing positively to the economic growth in Canada as measured by GDP, the overall modest growth and the still troubled labor markets of resource rich provinces is lending itself to a fairly conservative Bank of Canada. As such, the outlook for interest rates in Canada is fairly neutral, with no rate hikes expected for the remainder of 2016. This is also lending some positive support to the income trade in Canadian equities, with telecommunications, utilities and financials being the main beneficiaries. The healthcare sector remains troubled from the hangover of the Valeant effect, which continues to permeate negative sentiment through the sector. As a whole, the Canadian health care sector has returned -72% year-to-date, driven predominantly by Valeant Pharmaceuticals. Although Canada feels to be at a pivotal point with respect to growth and US economic fundamentals remain fairly strong, capital markets continue to be troubled by globally borne volatility.

Recent Developments

On June 23rd 2016, history was made as the British voted for the United Kingdom to leave the European Union. It was far from a landslide victory, as 51.9% of the voters checked the "leave" box, while the other 48.1% checked the "remain" box. Although there is still work to be done before an official exit occurs, the people have spoken and it appears likely that the U.K. will no longer conduct itself in economic accordance with the European Union. Although the polls looked fairly even heading into the vote, the markets were certainly caught by surprise and were

Matco Balanced Fund

Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



roiled the Friday morning following the vote. The British Pound, as a poster child for the volatility, plunged 10% to a three decade low of \$1.3229 (per USD). Generally speaking, the surprising vote and exit of the U.K. from the E.U. caused a pronounced “risk-off” sentiment in the capital markets, with gold, interest rates and the US dollar being the only few benefactors.

In the couple months leading up to the aforementioned referendum, the US economy seemed to be poised for strength and the capital markets began to price in a potential rate hike from the Federal Reserve. However, it was the dismal US jobs report (Non-Farm Payrolls) released for the month of May that caught markets off-guard and removed the expectations for a rate hike. This was only further re-enforced by the economic uncertainty caused by the U.K. referendum.

Another development the markets are in the process of digesting is the ongoing US presidential race. With Donald Trump being the likely Republican candidate and Hillary Clinton the likely Democratic candidate, markets are beginning to assess what the economic impacts of each candidate’s potential victory may be. As we approach the US election on November 8th, we expect this election to also cause some uncertainty in markets.

Here in Canada, although the election noise appears to be in the rear view mirror, the devastating wild fires experienced in Fort McMurray impacted the lives of many, causing evacuations, relocations and a cessation of economic activity. This will likely cause a modest reduction in economic growth here in Canada, although the impacts should prove to be somewhat transient as the re-development of the region will eventually off-set the negative impacts to an extent.

The combination of these economic events left the markets in a dizzied state to end the quarter, with negative sentiment lingering in the minds of market participants.

We are constructive on the prospects for the Canadian economy going forward. It continues to work through some structural rebalancing, namely in the energy sector. It’s safe haven status, political stability and positive interest rate landscape will also provide some support from a capital markets perspective. The US economy is also in relatively healthy shape, although it certainly feels as though we are approaching the later stages of the long term economic growth and job cycle.

Related Party Transactions

Management Fees

Matco provides the Fund with investment management services, including managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. In return, Matco receives a management fee based on the net assets of the Fund, calculated on a daily basis. For the period ended June 30, 2016, the Fund paid Matco management fees of \$148,349,272 (2015 - \$120,272) (including GST). The management and administration fee for Series O units is negotiated with and paid by the unitholder to Matco as manager. The sales commission under the Front Load option is negotiated with and paid by the holder directly to the dealer.

Annual Rate	Series A (FL)	Series F
Management fees	1.75%	1.00%
Trailer (included in management fee)	1.00%	Nil
Front Load (FL) sales commission – up to 6%		

Note: The serving commission changed from 1.25% to 1.00% effective August 12, 2011

Administration Services

The Fund paid \$61,132 (2015 - \$56,973) to RBC Investor Services Trust for valuation, custodian, recordkeeping, unitholder, and trustee services. This amount excludes costs paid through the Fund’s investment in other mutual funds and portfolios managed by third parties.

Portfolio Transaction Services

The Fund incurred trading costs of \$76,687 (2015 - \$30,083) through securities transactions conducted through RBC Investor Services and TD Waterhouse Investor Services. RBC Investor Services also provides portfolio transaction services to the Fund when the Fund invests directly in securities of third party mutual funds. The Fund paid no brokerage commissions on these investment transactions.

Past Performance

The indicated rates of return are the historical annual compound total returns, including changes in unit value and assuming reinvestment of all distributions. They do not take into account sales, redemption, and distribution or optional charges, or income taxes payable by any investor

Matco Balanced Fund

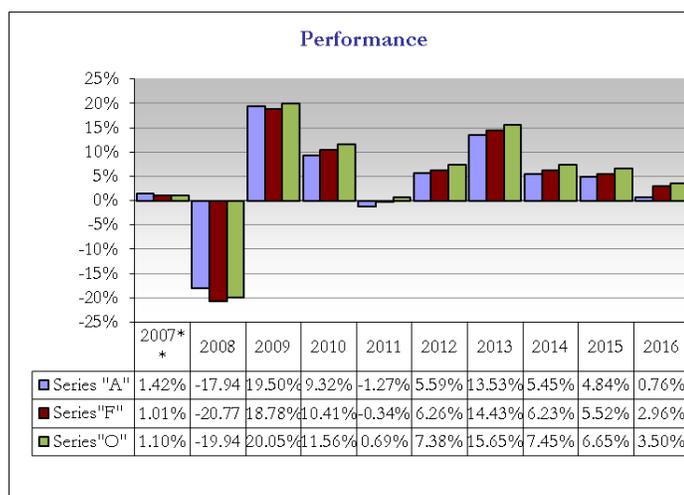
Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future. As the Fund may not currently be held inside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss 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. The past performance of the Fund is set out in the following charts and the compound returns table.

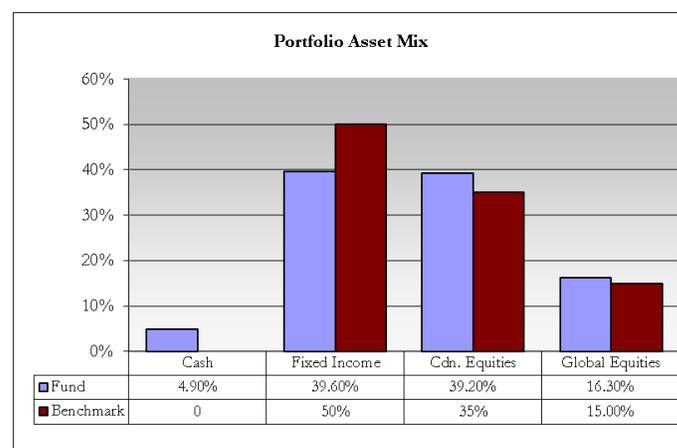
Year-By-Year Returns

The bar charts that follow show the performance of each series of the Fund for the period ended December 31, 2007, the years ended December 31, 2008 to December 31, 2015, plus the interim period to June 30, 2016. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by the end of the period in each fiscal year and June 30, 2016 (except for 2007 as noted below) after all fees and expenses.



** The rate of return for the period from inception (June 29, 2007 – December 31, 2007). The Fund was prospectus qualified as at November 29, 2007. Rates of Return are after all fees and expenses assume reinvestment of all distributions at net asset value.

Portfolio Asset Mix



Summary of Investment Portfolio (at June 30, 2015)

Effective Portfolio Allocation

Equities	55.5%
Canada	39.2%
United States	9.8%
Asia	1.9%
United Kingdom	1.2%
Germany	0.5%
Other	2.9%
Fixed Income	39.6%
Canada	39.6%
Cash and equivalents	4.9%
TOTAL	100.0%

Effective Equity Sector Allocation

Financials	29.5%
Energy	21.3%
Materials	6.6%
Consumer Discretionary	7.8%
Information Technology	5.1%
Industrials	12.0%
Telecommunication Services	4.2%
Consumer Staples	7.1%
Health Care	4.2%
Utilities	2.2%
TOTAL	100.0%

Matco Balanced Fund

Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



Top 25 Holdings

	% of NAV
1 Matco Canadian Equity Fund - Series O	27.4
2 Matco Small Cap Fund - Series O	9.8
3 iShares Core S&P 500 Index ETF	8.8
4 iShares MSCI EAFE ETF	6.5
5 Province of Ontario - 1.026% 30MA18	3.4
6 Canada Housing Trust No. 1 - 2.400% 15DE22	3.2
7 Government of Canada - 1.500% 1JN26	2.9
8 Canada Housing Trust No. 1 - 2.900% 15JN24	2.6
9 Province of Manitoba - 3.250% 5SE29	2.2
10 Province of Alberta - 3.100% 1JN24	2.0
11 Government of Canada - 2.500% 1JN24	2.0
12 Royal Bank of Canada - 1.968% 2MR22	2.0
13 Bank of Montreal – 3.400% 23AP21	2.0
14 Toronto-Dominion Bank – 2.563% 24JN20	2.0
15 Bank of Nova Scotia – 2.898% 3AU22	2.0
16 iShares S&P/TSX Capped Energy Index ETF	2.0
17 Province of British Columbia - 2.850% 18JN25	1.4
18 Toronto-Dominion Bank – 3.226% 24JL24	1.4
19 Manulife Financial Corp. - 7.768% 8AP19	1.4
20 Brookfield Asset Management 5.300% 1MR21	1.2
21 Cadillac Fairview Finance Trust - 3.640% 9MA18	1.2
22 iShares Dow Jones US Financial ETF	1.0
23 Province of Alberta - 0.918% 17JN19	1.0
24 Canadian Utilities Ltd. – 3.122% 9NO22	0.8
25 Enbridge Pipelines Inc. – 4.490% 12NO19	<u>0.8</u>
TOTAL	91.0

The simplified prospectuses and other information about the underlying funds are available on such funds' websites or on the SEDAR website at www.sedar.com.

The investments and percentages outlined herein may have changed by the time you purchase units of this Fund. The top 25 holdings are made available quarterly, 60 days after quarter-end and may be obtained by contacting your registered representative or by contacting Matco toll free at 1.877.539.5743 or by email at matco@matcofinancial.ca.

The Fund held no short positions at the end of the period.

Matco Balanced Fund

Interim Management Report of Fund Performance
For the Period Ended June 30, 2016



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 over the past four periods. This information is derived from the Fund's audited annual and unaudited interim financial statements.

MATCO BALANCED FUND – Series A

Net Assets per Unit				
	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 12.28	\$ 11.76	\$ 11.21	\$ 9.95
Increase (decrease) from operations:				
total revenue	0.10	0.28	0.30	0.30
total expenses	(0.14)	(0.25)	(0.25)	(0.22)
realized gains (losses) for the year	0.79	0.35	1.19	0.49
unrealized gains (losses) for the year	(0.35)	0.15	0.16	0.74
Total increase (decrease) from operations ⁽¹⁾	0.40	0.53	1.40	1.31
Distributions:				
from income (excluding dividends)	-	(0.02)	(0.04)	(0.05)
from dividends	-	(0.01)	(0.02)	(0.04)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	-	(0.03)	(0.06)	(0.09)
Net Assets, end of year	\$ 12.60	\$ 12.28	\$ 11.76	\$ 11.21

Ratios and Supplemental Data				
	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	598,900	333,709	374,340	287,966
Number of units outstanding ⁽¹⁾	47,533	27,186	31,837	25,693
Management expense ratio (%) ⁽²⁾	1.57	2.04	2.00	2.06
Management expense ratio before waivers or absorptions (%)	1.57	2.04	2.00	2.06
Portfolio turnover rate (%) ⁽³⁾	136.06	115.30	237.24	138.62
Trading expense ratio (%) ⁽⁴⁾	0.02	0.02	0.07	0.05
Net asset value per unit end of year ⁽⁵⁾	12.60	12.28	11.76	11.21

MATCO BALANCED FUND – Series B

Net Assets per Unit				
	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 12.05	\$ 11.58	\$ 11.04	\$ 9.79
Increase (decrease) from operations:				
total revenue	0.09	0.31	0.29	0.29
total expenses	(0.09)	(0.14)	(0.15)	(0.14)
realized gains (losses) for the year	0.69	0.28	0.79	0.45
unrealized gains (losses) for the year	(0.30)	0.18	(0.26)	0.83
Total increase (decrease) from operations ⁽¹⁾	0.39	0.63	0.67	1.43
Distributions:				
from income (excluding dividends)	(0.03)	(0.12)	(0.09)	(0.09)
from dividends	(0.01)	(0.06)	(0.06)	(0.07)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	(0.04)	(0.18)	(0.15)	(0.16)
Net assets, end of year	\$ 12.35	\$ 12.05	\$ 11.58	\$ 11.04

Ratios and Supplemental Data				
	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	31,105,858	25,650,175	20,346,555	30,931,655
Number of units outstanding ⁽¹⁾	2,518,330	2,128,089	1,757,267	2,802,352
Management expense ratio (%) ⁽²⁾	1.18	1.18	1.21	1.27
Management expense ratio before waivers or absorptions (%)	1.18	1.18	1.21	1.27
Portfolio turnover rate (%) ⁽³⁾	136.06	115.30	237.24	138.62
Trading expense ratio (%) ⁽⁴⁾	0.02	0.02	0.07	0.05
Net asset value per unit end of year ⁽⁵⁾	12.35	12.05	11.58	11.04

MATCO BALANCED FUND – Series O

Net Assets per Unit				
	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 12.00	\$ 11.53	\$ 10.99	\$ 9.75
Increase (decrease) from operations:				
total revenue	0.09	0.30	0.30	0.30
total expenses	(0.01)	(0.02)	(0.03)	(0.03)
realized gains (losses) for the year	0.69	0.28	0.70	0.42
unrealized gains (losses) for the year	(0.34)	0.16	(0.15)	0.89
Total increase (decrease) from operations ⁽¹⁾	0.43	0.72	0.82	1.58
Distributions:				
from income (excluding dividends)	(0.08)	(0.20)	(0.17)	(0.16)
from dividends	(0.02)	(0.10)	(0.11)	(0.11)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	(0.10)	(0.30)	(0.28)	(0.27)
Net assets, end of year	\$ 12.31	\$ 12.00	\$ 11.53	\$ 10.99

Ratios and Supplemental Data				
	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	125,888,086	105,419,856	94,858,536	70,146,599
Number of units outstanding ⁽¹⁾	10,229,399	8,781,664	8,229,959	6,382,053
Management expense ratio (%) ⁽²⁾	0.13	0.13	0.17	0.20
Management expense ratio before waivers or absorptions (%)	0.13	0.13	0.17	0.20
Portfolio turnover rate (%) ⁽³⁾	136.06	115.30	237.24	138.62
Trading expense ratio (%) ⁽⁴⁾	0.02	0.02	0.07	0.05
Net asset value per unit end of year ⁽⁵⁾	12.31	12.00	11.53	10.99

NAV per Share Notes

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) For June 2015 and December 2013 the information is prepared in accordance with IFRS which uses the last trade price for investments that are traded in an active market where quoted prices are readily and regularly available. For year 2013 and prior years, investments that are traded in an active market, are fair valued based on bid prices (for investments held) or ask prices (for investments sold short). For investments that are not traded in an active market, the Fund uses valuation techniques that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Ratio and Supplemental Data Notes

- (1) This information is provided as at June 30, 2016 and as at December 31 for the other years.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages 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.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (5) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.