



Matco Canadian Equity Fund

(Formerly the Matco Canadian Equity Income Fund)*

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
For the Year Ended December 31, 2016

* Class of Shares of Matco Funds Corp.



TABLE OF CONTENTS

MANAGEMENT DISCUSSION OF FUND PERFORMANCE	3
INVESTMENT OBJECTIVE AND STRATEGIES	3
RISK	3
RESULTS OF OPERATIONS	3
RELATED PARTY TRANSACTIONS	3
MANAGEMENT FEES	3
OTHER TRANSACTIONS	4
ADMINISTRATION SERVICES	4
PORTFOLIO TRANSACTION SERVICES	4
PAST PERFORMANCE	4
YEAR-BY-YEAR RETURNS	4
ANNUAL COMPOUND RETURNS	4
SUMMARY OF INVESTMENT PORTFOLIO	5
EFFECTIVE EQUITY SECTOR ALLOCATION.....	5
TOP 25 HOLDINGS.....	5
FINANCIAL HIGHLIGHTS	6
NAV PER SHARE NOTES	6
RATIO AND SUPPLEMENTAL DATA NOTES.....	6

This annual management report of Fund performance contains financial highlights but does not contain the annual financial statements of the Matco Canadian Equity Fund (the "**Fund**"). You can get a copy of the 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.

Securityholders 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.



Management Discussion of Fund Performance

This management discussion of Fund performance presents management's view of the significant factors and developments during the year 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

The Fund's objective is to seek long-term capital appreciation and superior risk-adjusted returns by investing primarily in a portfolio of large, mid and small cap Canadian equities. This Fund utilizes Matco's investment management expertise with an overlay of non-proprietary management in pursuit of a Growth at a Reasonable Price (GARP) style. Matco seeks to maintain a portfolio that is well diversified between asset class, style and market capitalization. The Fund will generally be 100% exposed to stocks.

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 was incorporated on May 17, 2007, began operations and made its portfolio investments at June 29, 2007 and was first offered for sale to the public via prospectus on November 29, 2007. The Corporation changed the name of the Fund on June 24, 2016 from "Matco Canadian Equity Income Fund" to "Matco Canadian Equity Fund". The Fund's net assets increased over the past year to \$85.1 million at December 31, 2016. Total investment income for the 2016 year was \$13.4 million, prior to operating expenses. The Fund's performance is discussed below.

During the year the Fund made no material changes in overall asset mix and experienced no unusual trends in redemptions or sales.

In 2016, the Fund's Series F units (14.61%) underperformed the S&P/TSX Composite Total Return Index (21.08%) by 647 basis points. 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.

2016 finished strong and we believe the positive momentum will carry over into 2017. The portfolio will continue to decrease its exposure to interest rate sensitive and defensive sectors and increase its exposure to late cyclicals. Earnings revisions have likely troughed and should begin to recover in 2017, which should support valuations and drive the S&P/TSX Composite Total Return Index higher. The investment environment has changed but our investment process has not. We will continue to invest in quality companies that pay dividends, but focus on dividend growers over dividend payers. We will manage the portfolio with a lower dividend yield in exchange for improving earnings metrics that will benefit from an anticipated earnings recovery in the coming years.

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 year ended December 31 2016, the Fund paid Matco fees of \$204,732 (2015 - \$254,586) (including GST). The management and administration fee for Series O securities is negotiated with and paid by the shareholder to the manager. The sales commission under the Front Load option is negotiated with and paid by the shareholder 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 trailer fee changed from 1.25% to 1.00% effective August 12, 2011



Other Transactions

Administration Services

The Fund paid \$82,669 (2015 - \$75,103) to RBC Investor Services for valuation, custodian, recordkeeping, unit holder, 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

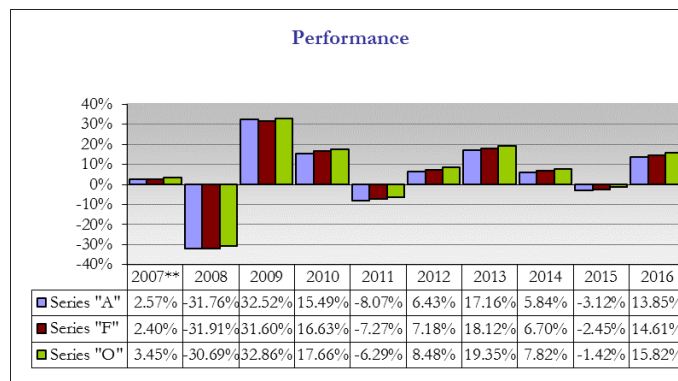
The Fund incurred trading costs of \$106,262 (2015-\$55,657) through securities transactions conducted through RBC Investor Services and TD Waterhouse Investor Services. RBC Investor Services also provides portfolio transaction services to the Fund when the Fund invests directly in securities of third 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 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 and the years ended December 31, 2008 to December 31, 2016. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by December 31 of the fiscal year (except for 2007 as noted below).



** The rate of return for the period from the date the Fund was prospectus qualified (November 29, 2007 – December 31, 2007 reinvestment of all distributions at net asset value.

Annual Compound Returns

The following table shows the historical annual compound total return of the Fund since inception. The S&P/TSX Composite Total Return (TR) is calculated in Canadian dollars on a total return basis, meaning that all distributions are reinvested.

	Class A Shares (%)	Class F Shares (%)	Class O Shares (%)	S&P/TSX Composite TR (%)
One Year	13.85	14.61	15.82	21.08
Three Years	5.30	6.05	7.17	7.06
Five Years	7.80	8.59	9.77	8.25
Ten Years	-	-	-	-
Since inception**	4.04	4.55	5.72	4.30

**The Fund was created on June 29, 2007 and operated as a private fund until November 29, 2007 when it became prospectus qualified. The return since inception is from November 29, 2007.



Summary of Investment Portfolio

Effective Equity Sector Allocation

Financials	36.3%
Energy	23.9%
Materials	15.8%
Industrials	8.4%
Consumer discretionary	7.5%
Telecommunication services	3.7%
Consumer staples	3.3%
Utilities	1.1%
TOTAL	100.0%

Top 25 Holdings

	% of NAV
1 Crescent Point Energy Corp.	6.2
2 Whitecap Resources Inc.	5.8
3 The Toronto Dominion Bank	5.3
4 Royal Bank of Canada	5.1
5 Quebecor Inc.	4.8
6 Manulife Financial Corp.	4.6
7 Bank of Nova Scotia	4.5
8 Sun Life Financial Inc.	4.1
9 CCL Industries Inc.	3.8
10 Tricon Capital Group Inc.	3.3
11 Bank of Montreal	3.3
12 ARC Resources Ltd.	3.2
13 Intertape Polymer Group Inc.	3.2
14 New Flyer Industries Inc.	3.1
15 Peyto Expl & Development Corp.	3.0
16 Hudbay Minerals Inc.	3.0
17 BCE Inc.	2.8
18 Lundin Mining Corp.	2.7
19 MainStreet Health Investments Inc.	2.7
20 Canadian Natural Resources Ltd.	2.7
21 Dollarama Inc.	2.7
22 First Quantum Minerals Ltd.	2.7
23 CIBC	2.5
24 Suncor Inc.	1.7
25 Canadian National Railway Co.	<u>1.5</u>
TOTAL	88.3

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 year.



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 last 5 years. This information is derived from the Fund's audited annual financial statements.

MATCO CANADIAN EQUITY FUND – Series A

Net Assets per Share					
	2016	2015	2014	2013	2012
Net Assets, beginning of year ^{(1) (3)}	\$ 9.97	\$ 10.58	\$ 10.19	\$ 8.96	\$ 8.58
Increase (decrease) from operations:					
total revenue	0.31	0.33	0.32	0.34	0.30
total expenses	(0.22)	(0.22)	(0.24)	(0.21)	(0.19)
realized gains (losses) for the year	0.56	0.45	1.10	(0.01)	(0.11)
unrealized gains (losses) for the year	0.14	(0.83)	(0.06)	1.42	0.55
Total increase (decrease) from operations ⁽¹⁾	0.79	(0.27)	1.12	1.54	0.55
Distributions:					
from income (excluding dividends)	-	-	-	-	-
from dividends	(0.27)	(0.28)	(0.39)	(0.31)	(0.18)
from capital gains	-	-	-	-	-
return of capital	-	-	-	-	-
Total annual distributions ⁽²⁾	(0.27)	(0.28)	(0.39)	(0.31)	(0.18)
Net Assets, end of year	\$ 11.08	\$ 9.97	\$ 10.58	\$ 10.19	\$ 8.96

Ratios and Supplemental Data					
	2016	2015	2014	2013	2012
Net asset value end of year ⁽¹⁾	136,831	353,302	613,555	744,600	759,013
Number of shares outstanding ⁽¹⁾	12,351	35,444	58,000	73,036	84,660
Management expense ratio (%) ⁽²⁾	1.96	1.93	2.09	2.16	2.13
Management expense ratio before waivers or absorptions (%)	1.96	1.93	2.09	2.16	2.13
Portfolio turnover rate (%) ⁽³⁾	64.31	61.14	51.78	34.88	22.83
Trading expense ratio (%) ⁽⁴⁾	0.13	0.09	0.12	0.05	0.05
Net asset value per share end of year	11.08	9.97	10.58	10.19	8.97

MATCO CANADIAN EQUITY FUND – Series F

Net Assets per Share					
	2016	2015	2014	2013	2012
Net Assets, beginning of year ^{(1) (3)}	\$ 10.32	\$ 10.88	\$ 10.40	\$ 9.06	\$ 8.62
Increase (decrease) from operations:					
total revenue	0.33	0.34	0.32	0.35	0.30
total expenses	(0.15)	(0.15)	(0.16)	(0.14)	(0.13)
realized gains (losses) for the year	0.64	0.39	0.81	(0.03)	(0.12)
unrealized gains (losses) for the year	0.67	(0.83)	(0.29)	1.46	0.57
Total increase (decrease) from operations ⁽¹⁾	1.49	(0.25)	0.68	1.64	0.62
Distributions:					
from income (excluding dividends)	-	-	-	-	-
from dividends	(0.28)	(0.29)	(0.30)	(0.32)	(0.18)
from capital gains	-	-	-	-	-
return of capital	-	-	-	-	-
Total annual distributions ⁽²⁾	(0.28)	(0.29)	(0.30)	(0.32)	(0.18)
Net Assets, end of year	\$ 11.55	\$ 10.32	\$ 10.88	\$ 10.40	\$ 9.06

Ratios and Supplemental Data					
	2016	2015	2014	2013	2012
Net asset value end of year ⁽¹⁾	21,019,238	18,450,291	27,577,637	25,127,010	23,160,843
Number of shares outstanding ⁽¹⁾	1,819,627	1,787,022	2,534,171	2,415,160	2,552,313
Management expense ratio (%) ⁽²⁾	1.21	1.26	1.30	1.36	1.42
Management expense ratio before waivers or absorptions (%)	1.21	1.26	1.30	1.36	1.42
Portfolio turnover rate (%) ⁽³⁾	64.31	61.14	51.78	34.88	22.83
Trading expense ratio (%) ⁽⁴⁾	0.13	0.09	0.12	0.05	0.05
Net asset value per share end of year	11.55	10.32	10.88	10.40	9.07

MATCO CANADIAN EQUITY FUND – Series O

Net Assets per Share					
	2016	2015	2014	2013	2012
Net Assets, beginning of year ^{(1) (3)}	\$ 11.66	\$ 12.16	\$ 11.50	\$ 9.92	\$ 9.33
Increase (decrease) from operations:					
total revenue	0.37	0.39	0.36	0.39	0.34
total expenses	(0.04)	(0.04)	(0.05)	(0.04)	(0.04)
realized gains (losses) for the year	0.72	0.15	0.83	(0.06)	(0.13)
unrealized gains (losses) for the year	0.97	(0.74)	(0.38)	1.73	0.68
Total increase (decrease) from operations ⁽¹⁾	2.02	(0.24)	0.76	2.02	0.85
Distributions:					
from income (excluding dividends)	-	-	-	-	-
from dividends	(0.32)	(0.33)	(0.28)	(0.35)	(0.20)
from capital gains	-	-	-	-	-
return of capital	-	-	-	-	-
Total annual distributions ⁽²⁾	(0.32)	(0.33)	(0.28)	(0.35)	(0.20)
Net Assets, end of year	\$ 13.19	\$ 11.66	\$ 12.16	\$ 11.50	\$ 9.92

Ratios and Supplemental Data					
	2016	2015	2014	2013	2012
Net asset value end of year ⁽¹⁾	63,968,584	38,114,403	28,532,598	22,072,422	13,986,262
Number of shares outstanding ⁽¹⁾	4,851,116	3,267,908	2,345,560	1,917,893	1,407,778
Management expense ratio (%) ⁽²⁾	0.16	0.20	0.25	0.31	0.36
Management expense ratio before waivers or absorptions (%)	0.16	0.20	0.25	0.31	0.36
Portfolio turnover rate (%) ⁽³⁾	64.31	61.14	51.78	34.88	22.83
Trading expense ratio (%) ⁽⁴⁾	0.13	0.09	0.12	0.05	0.05
Net asset value per share end of year	13.19	11.66	12.16	11.51	9.93

Net Assets 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 shares outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional shares of the Fund, or both.
- (3) For 2016, 2015, 2014 and 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 years 2012 the information is prepared in accordance with Canadian GAAP, where 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 December 31st.
- (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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, 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 share 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 shares then outstanding.