



Matco Canadian Equity Fund

(Formerly the Matco Canadian Equity Income Fund)*

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

* Class of Shares of Matco Funds Corp.



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This interim management report of Fund performance contains financial highlights but does not contain either the interim or annual financial statements of the Matco Canadian Equity 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.

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.

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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

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 six months 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 six months to \$90.8 Million at June 30, 2016. Within the last six months there was a net income on investments of \$5.1 Million attributable to investment performance. The Fund's performance is discussed below. During the six months the Fund made no material changes in overall asset mix and experienced no unusual trends in redemptions or sales.

In the first six months of 2016, the Fund's Series F units generated +4.9% relative to the benchmark, S&P/TSX Composite Total Return Index, of +9.8%. 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.

The second quarter of 2016 has been accompanied by a mixed bag with respect to capital market and economic developments. On one side of the coin, we observed a continuation in the rally of the price of oil and the price of gold; up 25% and 28% respectively year to date. Oil continues to benefit from the rebalancing effects of reduced capital investment and the subsequent gradual reduction in supply. Although a transient contributor, it was also supported by the devastating wild fires of Fort McMurray which temporarily reduced Canadian based supply. We don't suspect this will have a lasting impact, but it certainly provided some interim support for the price of oil.

Mid-quarter, the markets shifted their focus to the US as slowing economic data began to garner some attention. In past quarterly reviews, we've often discussed the US economy being a bright spot globally. Although the US economy remains in healthy shape relative to the rest of the world, it has recently shown a few chinks in its economic armor; notably a modest reduction in GDP growth and a marginal slowing of the labor market. To put this in perspective, monthly job growth in the US averaged 229 thousand jobs in 2015. The same metric has been moving in a slight downward trajectory and currently averaging 150 thousand jobs monthly in 2016. The long term average (over the previous four decades) is 135 thousand, so this isn't immediate cause for concern. That said, the shift in direction is significant and will be watched closely by the markets.

The limelight near the end of the quarter was stolen by the UK referendum, leaving the people to decide if their country was to remain part of the EU. Heading into the vote, the polls showed a fairly even split between "Br-exit" and "Br-remain". However, come the morning of Friday June 24th, the people had spoken and it was voted by a narrow margin in favor of leaving the EU. Volatility ensued, with the British Pound selling off 11% and other risky asset classes feeling some of the pain as well. Gold and the US dollar were two of the main beneficiaries, up 5.4% and 3.2% respectively. The sell-off of riskier assets felt short lived but the event has certainly caused a shift in sentiment and capital markets are likely to be impacted by the "Br-exit" hangover in the months to come.

The strength experienced in the S&P/TSX Composite over the first two quarters of the year has in large part been a by-product of the materials sector and the energy sector. The materials sector was up 26% in Q2 and is up 52% year to

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date. The energy sector was up 10% in Q2 and is up 19% year to date. Other notable sectors have been telecommunication services and utilities, both which have benefitted from the downward trajectory of interest rates and have posted solid returns year to date. Health care remains the elephant in the room, down an astonishing 72% year to date. Valeant Pharmaceuticals continues to be the main story within the sector, a performance story that is permeating throughout the rest of the sector.

Last but not least, bond markets managed to post a solid quarter as the general risk-off sentiment and slower global growth continued to keep a hard-pressed lid on interest rates, which continued to move lower. Credit spreads, the amount of yield investors receive over and above government bonds, narrowed in the first quarter but came under some pressure in the second quarter. The widening of spreads was a by-product of market volatility, but was trumped by the overall reduction in interest rates and flight to safety allowing bonds to post solid results in the second quarter.

Recent Developments

With the first half of 2016 in the history books along with the uncertainty it has manifested, we are left with one thing for certain; the market's open bell will ring when the sun comes up tomorrow. As such, we look forward in anticipation of what the future has in store for the markets. With that in mind, we would like to highlight a few events that may be front and center. First and foremost, The US election will be topical over the next couple quarters. With the Democratic and Republic National conventions slated for mid-July and the presidential election to follow on November 8th, all eyes will be on who will lead one of the world's largest nations, and economies, after Obama's final term comes to an end. The contrasting platforms and ideologies of the candidates will lead to a barrage of analysis speculating on the economic impacts each candidate may cause if elected. Add to the equation the fairly radical and controversial beliefs and sound bites coming from Donald Trump's corner, headline risk may lead to added volatility. Hillary Clinton has already made her mark on the health care sector, which may have been beaten up beyond the actual fundamentals of the sector's constituents. Suffice it to say, these developments will provide some information for markets to digest. The odds of a victory appear to be leaning in favor of the Democrats, with current odds on the political website FiveThirty.com showing a 77% of victory for Hillary Clinton.

On our home soil here in Canada, we struggle to find any tangible events or dates that the market will be eyeing closely. The Bank of Canada will continue to meet and discuss the economic trajectory of our home land, and we

will continue to see GDP estimate revisions as the data flows in. We are constructive on our outlook for the Canadian economy, but the shuffle in its step is likely to be occasionally side-tracked by globally borne volatility. Now that Canada's 149th birthday is behind us, we are hopeful that Canada will maintain its economic stride into 2017 and the 150th year will be one to celebrate in the markets and otherwise.

Our outlook for interest rates in Canada remains relatively unchanged. In the past, we have been in the camp that the US is likely to undergo one or two rate hikes in 2016, however the economic landscape and global developments have impacted our outlook and reduced the probability of two hikes. Although still a possibility, global economic shocks continue to hold the Federal Reserve captive in turn slowing the process of interest rate normalization. As such, we have updated our forecast to just one rate hike by the Federal Reserve in 2016. We are beginning to question whether or not the US economic expansion has enough run way to allow for a full normalization of rates before the Federal Reserve needs to play defense again.

A combination of the sluggish US economic data along with the outcome of the UK referendum have certainly dampened the global economic outlook and removed some of the enthusiasm from the capital markets. The spike in volatility was evident in the VIX, but does pale in comparison to the spikes witnessed during passed European debt crisis, or even the recent geo-political energy events that caused the sell-off in oil prices.

Looking out for the remainder of the year, the possibility of further global events and the pending US election causing turmoil are likely to provide support for some of the defensive sectors, something we've already experienced year to date. On the other side of the coin, earnings estimates for the S&P/TSX Composite appear to be at an inflection point, and are looking to move higher. In the first quarter of 2016, earnings estimates took a dive, starting the quarter at \$885 and finishing the quarter at \$768, down 13%. Although earnings estimates finished the second quarter down 4%, the most recent data in July shows the first monthly increase in earnings estimates this year. We've witnessed significant positive earnings revisions in the materials sector this year and we expect the same in the energy sector in the second half of 2016 and into 2017. This analysis contributes to our constructive outlook for the Canadian market place.



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 six months ended June 30 2016, the Fund paid Matco fees of \$96,682 (2015 - \$138,521) (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 serving commission changed from 1.25% to 1.00% effective August 12, 2011

Other Transactions

Administration Services

The Fund paid \$42,062 (2015- \$37,241) 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 \$52,944 (2015-\$32,401) 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.

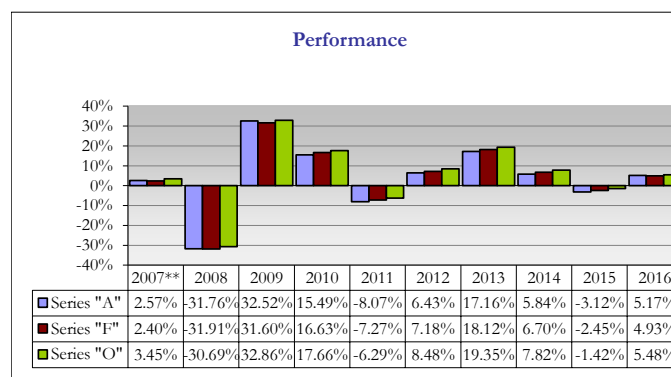
Past Performance

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, 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 December 31 of the fiscal year and June 30, 2016 (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.



Summary of Investment Portfolio (at June 30, 2016)

Effective Equity Sector Allocation

Financials	37.7%
Energy	25.3%
Industrials	10.5%
Telecommunication services	6.5%
Consumer discretionary	6.1%
Consumer staples	6.0%
Materials	5.0%
Information technology	1.9%
Utilities	1.0%
TOTAL	100.0%

Top 25 Holdings

	% of NAV
1 Crescent Point Energy Corp.	6.7
2 Whitecap Resources Inc.	6.6
3 Royal Bank of Canada	5.9
4 Toronto-Dominion Bank	5.3
5 Bank of Nova Scotia	5.0
6 Manulife Financial Corp.	4.9
7 Sun Life Financial Inc.	4.3
8 Alimentation Couche-Tard Inc.	4.1
9 BCE Inc.	3.4
10 ARC Resources Ltd.	3.2
11 Quebecor Inc.	3.1
12 Peyto Explr & Development Corp.	3.1
13 Bank of Montreal	3.1
14 Dollarama Inc.	3.0
15 Canadian Natural Resources Ltd.	2.9
16 CIBC	2.6
17 Brookfield Asset Management Inc.	2.5
18 Canadian National Railway Co.	2.3
19 Mainstreet Health Investments Inc.	2.1
20 Goldcorp Inc.	2.1
21 New Flyer Industries Inc.	2.0
22 Rogers Communications Inc.	1.7
23 Suncor Energy Inc.	1.6
24 TELUS Corp.	1.4
25 Canadian Pacific Railway Co.	<u>1.3</u>
TOTAL	84.2

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.



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

MATCO CANADIAN EQUITY FUND – Series A

Net Assets per Share

	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 9.97	\$ 10.58	\$ 10.19	\$ 8.96
Increase (decrease) from operations:				
total revenue	0.16	0.33	0.32	0.34
total expenses	(0.01)	(0.22)	(0.24)	(0.21)
realized gains (losses) for the year	0.26	0.45	1.10	(0.01)
unrealized gains (losses) for the year	(0.36)	(0.83)	(0.06)	1.42
Total increase (decrease) from operations ⁽¹⁾	0.05	(0.27)	1.12	1.54
Distributions :				
from income (excluding dividends)	-	-	-	-
from dividends	-	(0.28)	(0.39)	(0.31)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	-	(0.28)	(0.39)	(0.31)
Net Assets, end of year	\$ 10.48	\$ 9.97	\$ 10.58	\$ 10.19

Ratios and Supplemental Data

	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	174,722	353,302	613,555	744,600
Number of shares outstanding ⁽¹⁾	16,666	35,444	58,000	73,036
Management expense ratio (%) ⁽²⁾	1.97	1.93	2.09	2.16
Management expense ratio before waivers or absorptions (%)	1.97	1.93	2.09	2.16
Portfolio turnover rate (%) ⁽³⁾	30.69	61.14	51.78	34.88
Trading expense ratio (%) ⁽⁴⁾	0.14	0.09	0.12	0.05
Net asset value per share end of year	10.48	9.97	10.58	10.19

MATCO CANADIAN EQUITY FUND – Series F

Net Assets per Share

	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 10.32	\$ 10.88	\$ 10.40	\$ 9.06
Increase (decrease) from operations:				
total revenue	0.17	0.34	0.32	0.35
total expenses	(0.07)	(0.15)	(0.16)	(0.14)
realized gains (losses) for the year	0.32	0.39	0.81	(0.03)
unrealized gains (losses) for the year	0.08	(0.83)	(0.29)	1.46
Total increase (decrease) from operations ⁽¹⁾	0.50	(0.25)	0.68	1.64
Distributions :				
from income (excluding dividends)	-	-	-	-
from dividends	-	(0.29)	(0.30)	(0.32)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	-	(0.29)	(0.30)	(0.32)
Net Assets, end of year	\$ 10.83	\$ 10.32	\$ 10.88	\$ 10.40

Ratios and Supplemental Data

	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	19,585,410	18,450,291	27,577,637	25,127,010
Number of shares outstanding ⁽¹⁾	1,807,829	1,787,022	2,534,171	2,415,160
Management expense ratio (%) ⁽²⁾	1.23	1.26	1.30	1.36
Management expense ratio before waivers or absorptions (%)	1.23	1.26	1.30	1.36
Portfolio turnover rate (%) ⁽³⁾	30.69	61.14	51.78	34.88
Trading expense ratio (%) ⁽⁴⁾	0.14	0.09	0.12	0.05
Net asset value per share end of year	10.83	10.32	10.88	10.40

MATCO CANADIAN EQUITY FUND – Series O

Net Assets per Share

	2016	2015	2014	2013
Net Assets, beginning of year ^{(1) (3)}	\$ 11.66	\$ 12.16	\$ 11.50	\$ 9.92
Increase (decrease) from operations:				
total revenue	0.19	0.39	0.36	0.39
total expenses	(0.02)	(0.04)	(0.05)	(0.04)
realized gains (losses) for the year	0.39	0.15	0.83	(0.06)
unrealized gains (losses) for the year	0.28	(0.74)	(0.38)	1.73
Total increase (decrease) from operations ⁽¹⁾	0.84	(0.24)	0.76	2.02
Distributions :				
from income (excluding dividends)	-	-	-	-
from dividends	-	(0.33)	(0.28)	(0.35)
from capital gains	-	-	-	-
return of capital	-	-	-	-
Total annual distributions ⁽²⁾	-	(0.33)	(0.28)	(0.35)
Net Assets, end of year	\$ 12.30	\$ 11.66	\$ 12.16	\$ 11.50

Ratios and Supplemental Data

	2016	2015	2014	2013
Net asset value end of year ⁽¹⁾	71,104,860	38,114,403	28,532,598	22,072,422
Number of shares outstanding ⁽¹⁾	5,779,777	3,267,908	2,345,560	1,917,893
Management expense ratio (%) ⁽²⁾	0.18	0.20	0.25	0.31
Management expense ratio before waivers or absorptions (%)	0.18	0.20	0.25	0.31
Portfolio turnover rate (%) ⁽³⁾	30.69	61.14	51.78	34.88
Trading expense ratio (%) ⁽⁴⁾	0.14	0.09	0.12	0.05
Net asset value per share end of year	12.30	11.66	12.16	11.51

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 shares outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional shares of the Fund, or both.
- (3) For June 2016, December 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 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 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 or year. The higher a fund's portfolio turnover rate in a period or year, the greater the trading costs payable by the fund in the period or 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.