

Financial Statements of

MATCO BALANCED FUND

For the six-month period ended June 30, 2017

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Section 2.12(2) of National Instrument 81-106, Investment Fund Continuous Disclosure, provides that if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, KPMG LLP, have not performed a review of these interim financial statements of Matco Balanced Fund.

Jason Vincent (signed)

Jason Vincent
Director

Ian Hill (signed)

Ian Hill
Chief Financial Officer

MATCO BALANCED FUND

Statements of Financial Position

(Unaudited)

As at	June 30, 2017	December 31, 2016
Assets		
Investments, at fair value (note 4)	\$ 181,045,688	\$ 167,113,884
Cash and cash equivalents	5,634,520	3,181,853
Interest receivable	345,342	335,578
Subscription receivable	187,524	970
Dividends receivable	20,744	295,281
	<u>187,233,818</u>	<u>170,927,566</u>
Liabilities		
Distributions payable	781,194	156,986
Redemptions payable	52,700	67,663
Management fee payable	32,270	28,558
Other accrued liabilities	53,948	47,751
	<u>920,112</u>	<u>300,958</u>
Net assets attributable to holders of redeemable units	\$ 186,313,706	\$ 170,626,608
Net assets attributable to holders of redeemable units:		
Series A	\$ 1,647,102	\$ 850,450
Series F	34,367,529	31,964,542
Series O	150,299,075	137,811,616
Redeemable units outstanding (note 6):		
Series A	133,157	69,474
Series F	2,828,470	2,662,585
Series O	12,413,971	11,521,788
Net asset value attributable to holders of redeemable units per unit:		
Series A	\$ 12.37	\$ 12.24
Series F	12.15	12.01
Series O	12.11	11.96

See accompanying notes to interim financial statements.

On behalf of the Manager of the Matco Balanced Fund:

Jason Vincent (signed) Director

MATCO BALANCED FUND

Statements of Comprehensive Income
Six-month periods ended June 30,

(Unaudited)

	2017	2016
Investment income:		
Interest for distribution purposes and other income	\$ 920,090	\$ 803,747
Dividends	555,690	345,410
Security lending income	26,777	1,038
Realized gain on sale of investments	3,695,679	8,099,895
Change in unrealized depreciation of investments	(1,605,033)	(3,975,504)
Total investment income	3,593,203	5,274,586
Expenses:		
Management and trailer fees (note 8)	189,946	148,689
Transaction costs (note 5)	65,787	76,687
Securityholder reporting costs	24,911	22,749
Valuation fees	18,190	17,777
Custody fees	15,015	15,924
Legal and filing fees	12,481	11,856
Audit fees	7,714	8,147
Administrative fees	5,400	7,080
Independent review committee fees	3,471	4,940
Trustee fees	2,629	2,593
Total operating expenses	345,544	316,442
Increase in net assets attributable to holders of redeemable units before tax:	3,247,659	4,958,144
Withholding tax expense	(18,665)	(33,179)
Increase in net assets attributable to holders of redeemable units	\$ 3,228,994	\$ 4,924,965
Increase in net assets attributable to holders of redeemable units:		
Series A	\$ 9,835	\$ 16,440
Series F	468,246	900,495
Series O	2,750,913	4,008,030
Weighted average number of redeemable units outstanding:		
Series A	108,363	41,316
Series F	2,768,767	2,333,697
Series O	12,106,065	9,405,370
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 0.09	\$ 0.40
Series F	0.17	0.39
Series O	0.23	0.43

See accompanying notes to interim financial statements.

MATCO BALANCED FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
Six-month period ended June 30,

(Unaudited)

2017	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 850,450	\$ 31,964,542	\$ 137,811,616	\$ 170,626,608
Increase in net assets attributable to holders of redeemable units	9,835	468,246	2,750,913	3,228,994
Transactions attributable to holders of redeemable units:				
Issue of redeemable units	849,983	4,667,622	14,903,036	20,420,641
Redemption of redeemable units	(63,387)	(2,708,036)	(4,562,262)	(7,333,685)
Redeemable units issued on reinvestment of distributions	439	55,248	522,488	578,175
Total contribution and redemption by holders of redeemable units	787,035	2,014,834	10,863,262	13,665,131
Distributions declared to holders of redeemable units:				
From investment	(218)	(80,093)	(1,126,716)	(1,207,027)
Total distributions paid to unitholders	(218)	(80,093)	(1,126,716)	(1,207,027)
Net assets, end of period	\$ 1,647,102	\$ 34,367,529	\$ 150,299,075	\$ 186,313,706
Distributions per unit to holders of redeemable units:				
From investments	\$0.00	\$0.03	\$0.09	

See accompanying notes to interim financial statements.

MATCO BALANCED FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
Six-month period ended June 30,

(Unaudited)

2016	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 333,709	\$ 25,650,175	\$ 105,419,856	\$ 131,403,740
Increase in net assets attributable to holders of redeemable units	16,440	900,495	4,008,030	4,924,965
Transactions attributable to holders of redeemable units:				
Issue of redeemable units	491,641	6,510,006	26,443,582	33,445,229
Redemption of redeemable units	(242,759)	(1,900,146)	(9,492,170)	(11,635,075)
Redeemable units issued on reinvestment of distributions	-	49,635	506,232	555,867
Total contribution and redemption by holders of redeemable units	248,882	4,659,495	17,457,644	22,366,021
Distributions declared to holders of redeemable units:				
From investment	(131)	(104,307)	(997,444)	(1,101,882)
Total distributions paid to unitholders	(131)	(104,307)	(997,444)	(1,101,882)
Net assets, end of period	\$ 598,900	\$ 31,105,858	\$ 125,888,086	\$ 157,952,844
Distributions per unit to holders of redeemable units:				
From investments	\$0.00	\$0.04	\$0.09	

See accompanying notes to interim financial statements.

MATCO BALANCED FUND

Statements of Cash Flow
Six-month periods ended June 30,

(Unaudited)

	2017	2016
Cash flow from (used in) operating activities:		
Dividends received	\$ 811,562	\$ 391,379
Interest and other income received	937,103	752,421
Proceeds from sale of investments	64,599,331	80,389,145
Purchase of investments	(76,474,970)	(98,254,347)
Operating expenses paid	(269,848)	(224,380)
	<u>(10,396,822)</u>	<u>(16,945,782)</u>
Cash flow from (used in) financing activities:		
Proceeds from issue of redeemable units	20,234,087	33,430,554
Payments on redemption of redeemable units	(7,348,648)	(11,746,666)
Dividends paid to holders of redeemable units	(4,644)	(9,765)
	<u>12,880,795</u>	<u>21,674,123</u>
Net increase in cash	2,483,973	4,728,341
Effect of exchange rate changes on cash	(31,306)	(279,536)
Cash, beginning of year	3,181,853	3,330,314
Cash, end of period	<u>\$ 5,634,520</u>	<u>\$ 7,779,119</u>

See accompanying notes to interim financial statements.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

1. Reporting entity:

Matco Balanced Fund (the "Fund") was established by way of a Declaration of Trust under the laws of Alberta on June 29, 2007 and changed its name from MFi Balanced Fund on August 12, 2011. The Fund's principal place of business is Suite 400, 407-8th Ave SW Calgary, Alberta. Matco Financial Inc. ("Matco") is the Manager and Portfolio Adviser of the Fund ("Manager"). RBC Investor Services Trust supplies trustee, custodian and record keeping services to the Fund. The Fund has multiple redeemable units; A, F, N and O all of which can be issued in unlimited number. The Fund has not issued any series N units to date.

2. Basis of presentation:

(a) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements have also been prepared in accordance with the International Accounting Standards ("IAS") 34, interim financial reporting.

These interim financial statements were approved by the board of directors on August 23, 2017.

(b) Basis of measurement

These interim financial statements have been prepared on the historical cost basis except for investments and derivative financial instruments which are measured at fair value through profit or loss.

(c) Functional and presentation currency

These interim financial statements are presented in Canadian dollars, which is the functional currency of the Fund.

(d) Use of estimates and judgments

The preparation of the interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3. Significant accounting policies:

The significant accounting policies set out below have been consistently applied to all periods presented in these interim financial statements.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

3. Significant accounting policies (continued):

(a) Financial assets and financial liabilities:

(i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date on which the Fund becomes party to contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets and financial liabilities not at fair value through profit or loss are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently measured at amortized cost.

(ii) Classification

The Fund classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- Held for trading: derivative financial instruments
- Designated as fair value through profit or loss: debt and equity investments:

Financial assets at amortized cost:

- Loans and receivables: Cash and cash equivalents, dividends receivable, subscriptions receivable, and interest receivable

Financial liabilities at amortized cost:

- Other liabilities: Management fee payable, redemptions payable, distributions payable and other accrued liabilities

A financial instrument is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- it is a derivative, other than a designated and effective hedging instrument

The Fund designates all debt and equity investments at fair value through profit or loss on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

3. Significant accounting policies (continued):

(a) Financial assets and financial liabilities (continued):

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the last trade price.

If there is no quoted price in an active market, the Fund uses valuation techniques that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

There is no difference between the net asset value ("NAV") used for pricing and NAV calculated for accounting purposes.

(iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Specific instruments

Cash is comprised of deposits with banks.

Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. The units represent the residual interest in the Fund's net assets. There are no difference between net asset value for accounting purposes and transaction purposes.

(b) Revenue recognition:

(i) Interest recognized in profit or loss represents the coupon interest received by the Fund accounted for on an accrual basis. Income received from income trusts is recorded on the ex-

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

distribution date and allocated between income, capital gains and return of capital when the information necessary for such an allocation becomes available.

(ii) Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

(iii) Realized gains and losses on investments and unrealized appreciation (depreciation) in value of investments are calculated with reference to the average cost of the related investments.

(c) Transaction costs:

Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

(d) Foreign exchange:

Foreign currency amounts are expressed in Canadian dollars on the following basis:

(i) Market value of investments, other assets and liabilities at the rate of exchange prevailing at the period end date.

(ii) Value of investment transactions, income and expenses at the rates prevailing on the respective dates of such transactions.

(e) Net assets attributable to holders of redeemable units per unit and increase (decrease) in net assets per unit:

Net assets attributable to holders of redeemable units per unit represents the net asset value for each series divided by the number of outstanding units of that series at period end. The increase (decrease) in net assets attributable to holders of redeemable units per unit in the statement of comprehensive income represents the increase (decrease) in net assets from operations attributable to each series for the period, divided by the weighted average number of outstanding units of that series during the period. Each series is allocated its specific costs for management fees based on the Prospectus and all other operating costs are allocated based on each Series A, F and O pro-rata share of closing net asset value on a daily basis.

(f) Income taxes:

The Fund qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to holders of redeemable units. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

3. Significant accounting policies (continued):

(f) Income taxes (continued):

Certain dividend and interest income received by the Fund is subject to withholding tax imposed in the country of origin. During the period the average withholding tax rate was 15%.

(g) Future accounting change:

IFRS 9 "Financial Instruments", published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating the impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Based on initial assessment, this standard is not expected to have a material impact on the Fund.

4. Financial instruments:

a) Investments:

The fair values of financial assets and financial liabilities that are traded on active markets are based on quoted market prices. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as price) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Inputs for the instruments that are not based on observable market data (unobservable inputs) (Level 3). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but of which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

4. Financial instruments (continued):

a) Investments (continued):

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred.

The fair values of other financial instruments approximate their costs due to the short term nature of these items.

b) Fair value hierarchy:

The following is a summary of investments measured at fair value as at June 30, 2017:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Public securities	\$ 111,721,841	\$ -	\$ -	\$ 111,721,841
Bonds	-	69,323,847	-	69,323,847
Total investments	\$ 111,721,841	\$ 69,323,847	\$ -	\$ 181,045,688

The following is a summary of investments measured at fair value as at December 31, 2016:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Public securities	\$ 103,470,134	\$ -	\$ -	\$ 103,470,134
Bonds	-	63,643,750	-	63,643,750
Total investments	\$ 103,470,134	\$ 63,643,750	\$ -	\$ 167,113,884

There were no transfers between levels during the period ended June 30, 2017 and year ended December 31, 2016.

5. Commission and other transaction costs:

During the period ended June 30, 2017, the Fund paid \$65,787 (2016 – \$76,687) in brokerage commissions and other transaction costs for portfolio transactions.

6. Redeemable units:

The Fund may issue an unlimited number of units of each series.

The authorized capital of the Fund consists of an unlimited number of redeemable units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are three

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

6. Redeemable units (continued):

series outstanding, Series A, Series F, and Series O. Each series ranks equally with respect to dividends and return of capital in the event of liquidation, dissolution or winding up based on their respective series' net asset values. Each series pays its own fees and expenses.

The general expenses that are not series specific are allocated in the proportion to the annual weighted average units of each series.

Series A are sold under the front end sales charge option. A commission ranging from 0% to 6% is paid by the investor to the dealer with a 2% redemption fee being charged if the shares are redeemed in the first 90 days. A switch fee of up to 2% is payable upon an exchange of redeemable shares within 90 days of original purchase.

Series F is sold without commission provided the purchaser is enrolled in a fee-for-service or wrap program with the dealer. A 2% redemption fee is charged if the Series F is redeemed in the first 90 days. A switch fee of up to 2% is payable upon an exchange of redeemable shares within 90 days of original purchase.

Series O are sold without commission and are available to certain investors at the Portfolio Manager's discretion. A 2% redemption fee is charged if the units are redeemed in the first 90 days. A switch fee of up to 2% is payable upon an exchange of redeemable shares within 90 days of original purchase.

The attributes attached to the redeemable units are as follows:

- The units may be redeemed daily at the net asset value per share of the respective series;
- Redeemable units have no voting rights; and
- The holders of redeemable units are entitled to receive all dividends declared by the Fund. Each series will rank equally with respect to the distributions based on their respective series net asset values.

Changes in outstanding units of the Fund for the period ended June 30, 2017 and the year ended December 31, 2016, were as follows:

Period ended June 30, 2017	Series A	Series F	Series O
Redeemable units, beginning of period	69,474	2,662,585	11,521,788
Subscriptions	68,773	383,277	1,223,534
Redemptions	(5,126)	(221,948)	(374,383)
Reinvestment of distributions	36	4,556	43,032
Redeemable units, end of period	133,157	2,828,470	12,413,971

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

6. Redeemable units (continued):

Year ended December 31, 2016	Series A	Series F	Series O
Units, beginning of year	27,186	2,128,089	8,781,664
Subscriptions	436,127	871,812	3,281,684
Redemptions	3,961	155,099	866,125
Reinvestment of distributions	(397,800)	(492,415)	(1,407,685)
Redeemable units, end of year	69,474	2,662,585	11,521,788

7. Financial instruments and associated risk:

Financial instrument risk:

The investment objective of the Fund is to seek a balance of long-term capital appreciation and current income by investing in a portfolio that is diversified by manager, asset class, geographic location and market capitalization. The amount of capital invested in each asset class is subject to a minimum and maximum range and will vary relative to the Manager's view of the markets.

Asset Class Ranges:

Cash	0%-10%
Fixed Income	40%-60%
Canadian Equities	25%-45%
U.S. Equities	5%-25%
International Equities	5%-25%

The Manager's approach is strategic and incorporates active investment management allowing for asset class movements within the ranges above.

No one individual security holding (excluding a mutual fund holding which is subject to NI 81-102 and government backed securities) can be greater than 7% of the net asset value of the Fund. The Fund can invest in proprietary and/or non-proprietary mutual funds and individual security portfolios to achieve its objective.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

7. Financial instruments and associated risk (continued):

Market risk (continued):

At June 30, 2017, the Fund's market risk is affected by two main components: changes in actual market prices and interest rates. Of these securities at fair value through profit or loss, 60% (December 31, 2016 – 61%) represent assets that were subject to market risk, while 40% (December 31, 2016 – 39%) of these assets have market risks discussed below in other risk areas. If the global stock exchanges at June 30, 2017 had increased or decreased by 5%, with all other variables held constant, this would have increased or decreased the net assets of the Fund by approximately \$5,966,483 (December 31, 2016 - \$5,563,109).

Interest rate risk:

At June 30, 2017 the fund held 40% of its investments in assets that are subject to interest rate risk (December 31, 2016 – 39%). Any excess cash and cash equivalents are invested in short-term money market instruments.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. A decrease in market interest rates will generally result in an increase in fair value of fixed income securities.

The table below summarizes the Fund's exposure to interest rate risks, categorized by the earlier of contractual re-pricing or maturity dates.

As at June 30, 2017	< 1 year	1-5 year	>5 year	Total
Interest rate exposure	\$ -	\$ 39,984,459	\$ 29,339,388	\$ 69,323,847

As at December 30, 2016	< 1 year	1-5 year	>5 year	Total
Interest rate exposure	\$ -	\$ 23,567,195	\$ 40,076,555	\$ 63,643,750

As at June 30, 2017, if the prevailing interest rate had been raised or lowered by 1%, assuming a parallel shift in yield curve, with all other factors remaining constant, net assets for the Fund could possibly have decreased or increased, respectively, by approximately \$3,223,559 (December 31, 2016 - \$3,506,771). The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results will differ from this sensitivity analysis and the difference could be material.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

7. Financial instruments and associated risk (continued):

Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Fund.

Financial instruments that potentially subject the Fund to a concentration of credit risk consist primarily of cash and short-term investments, and bond and mortgage backed investments. The Fund limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high credit quality government and financial institutions. To maximize the credit quality of its investments, the Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of investments, historical trends and other information.

At June 30, 2017 and December 31, 2016, the Fund invested in debt securities with the following credit quality, expressed as a percentage of net assets:

Credit rating	June 30, 2017, As a % of Net assets	December 31, 2016, As a % of Net assets
AAA/Aa	11.39%	11.02%
AA/Aa	10.01%	12.88%
A/A	9.42%	6.78%
BBB/Bbb	6.38%	6.63%
Total	37.20%	37.31%

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk:

The Fund is exposed to daily cash redemptions of units. The Fund's investments are considered readily realizable and highly liquid, therefore this risk is considered minimal.

The Fund's financial liabilities are not significant and are due within one month.

Currency risk:

The Fund holds assets and liabilities, including cash, short-term investments and equities that are denominated in currencies other than the Canadian Dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The table below summarizes the Fund's exposure to currency risks:

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

7. Financial instruments and associated risk (continued):

Currency risk (continued):

	June 30, 2017		December 31, 2016	
	Currency exposure (\$)	As % of Net assets (%)	Currency exposure (\$)	As % of Net assets (%)
US dollar	\$ 3,954,399	2.12%	\$ 17,704,787	10.38%
All amounts in CAD\$				

As at June 30, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets for the Fund could have increased or decreased by approximately \$197,720 (December 31, 2016 - \$885,239). In practice, actual results will differ from this sensitivity analysis and the difference could be material.

8. Management fee's, expenses and key contracts:

(a) Manager and management fees:

The Series A units paid a monthly management fee to the Manager of 1/12 of 0.75% of the average net asset value of the series. Series F units paid a monthly management fee to the manager of 1/12 of 1.00% of the average net asset value of the series. Included in accrued expenses at June 30, 2017 is \$29,259 (December 31, 2016 – \$ 26,745) related to these fees. No management fee is charged to the Series O units. Instead, the investors pay a management fee directly to the Manager in an amount determined through negotiation with the Manager.

	June 30, 2017	June 30, 2016
Management fees paid to manager	\$ 173,310	\$ 141,285
Trailer fees paid to third party	7,023	2,504
Management and trailer fees	\$ 180,333	\$ 143,789

(b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund.

9. Securities Lending:

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust, in order to earn additional revenue. The aggregate market value of all securities loaned by the Fund will not exceed 50% of the fair value of the assets of the Fund. The Fund will receive collateral of at least 102% of the fair value of the securities on loan. Collateral held is generally comprised of cash and securities of, or guaranteed by, the Government of Canada or a province thereof. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

MATCO BALANCED FUND

Notes to Interim Financial Statements
Six month period ended June 30, 2017

(Unaudited)

9. Securities Lending (continued):

For the periods ended June 30, 2017 and 2016, securities lending income for the Fund was as follows:

	June 30, 2017	June 30, 2016
Gross securities lending income	\$ 57,994	\$ 2,076
Securities lending charges	(28,997)	(1,038)
Net securities lending income	28,997	1,038
Withholding taxes on securities lending income	(2,220)	-
Net securities lending income received by the fund	\$ 26,777	\$ 1,038

The following table summarizes the securities loaned and collateral held as at June 30, 2017 and December 31, 2016.

	June 30, 2017	December 31, 2016
Securities loaned	\$ 19,461,012	\$ 29,883,948
Collateral received	19,850,235	30,481,635
Collateral percentage of securities loaned	102%	102%

Securities lending charges during the period ended June 30, 2017 represents 50% (2016 – 50%) of the gross securities lending income.

MATCO BALANCED FUND

Schedule of Investment Portfolio

As at June 30, 2017

(Unaudited)

Description	Number of common shares/warrants	Cost (\$)	Fair value (\$)
Bonds:			
Federal bonds:			
Canada Housing Trust No. 1 - 0.874% Sep 15/20	4,641,000	4,636,992	4,640,241
Canada Housing Trust No. 1 - 1.084% Mar 15/21	3,684,000	3,706,316	3,704,898
Canada Housing Trust No. 1 - 2.400% Dec 15/22	5,431,000	5,766,567	5,595,684
Canadian Government Bond - 1.500% Jun 01/26	5,050,000	5,090,887	4,969,449
Total federal bonds		19,200,762	18,910,272
Provincial bonds:			
Province of Alberta - 3.400% Dec 01/23	1,594,000	1,713,042	1,710,415
Province of Alberta - 3.100% Jun 01/24	3,376,000	3,470,977	3,563,537
Province of British Columbia - 2.850% Jun 18/25	2,221,000	2,368,754	2,318,040
Province of Manitoba - 3.250% Sep 05/29	3,789,000	3,815,395	3,993,734
Province of Ontario - 1.353% Mar 16/21	3,483,000	3,519,901	3,524,720
Province of Ontario - 3.450% Jun 02/45	2,001,000	2,058,930	2,186,804
Total provincial bonds		16,946,999	17,297,250
Corporate bonds:			
AltaGas Ltd.- 3.720% Sep 28/21	955,000	983,426	1,000,223
Bank of Montreal - 3.400% Apr 23/21	3,188,000	3,412,678	3,354,834
Bank of Nova Scotia - 2.873% Jun 04/21	3,297,000	3,420,668	3,403,465
Bell Canada Inc.- 3.550% Mar 02/26	1,304,000	1,345,580	1,359,096
Brookfield Asset Management Inc.- 5.300% Mar 01/21	1,845,000	1,956,948	2,027,879
Cadillac Fairview Finance Trust - 4.310% Jan 25/21	1,871,000	2,054,091	2,028,747
Canadian Utilities Ltd.- 3.122% Nov 09/22	1,249,000	1,279,708	1,311,219
Capital Power Corp.- 4.850% Feb 21/19	1,648,000	1,767,926	1,711,274
Choice Properties Real Estate Investment Trust - 3.498% Feb 08/21	3,276,000	3,427,833	3,400,727
Dollarama Inc.- 2.337% Jul 22/21	1,372,000	1,370,955	1,375,993
Loblaws Cos Ltd.- 5.220% Jun 18/20	2,790,000	3,095,197	3,048,149
Royal Bank of Canada - 1.968% Mar 02/22	3,398,000	3,342,166	3,374,833
Toronto-Dominion Bank - 2.563% Jun 24/20	3,314,000	3,389,106	3,388,476
Toronto-Dominion Bank - 3.226% Jul 24/24	2,210,000	2,316,286	2,331,410
Total corporate bonds		33,162,568	33,116,325
Total bonds		69,310,329	69,323,847

MATCO BALANCED FUND

Schedule of Investment Portfolio (continued)

As at June 30, 2017

(Unaudited)

Description	Number of common shares/warrants	Cost (\$)	Fair value (\$)
Index funds:			
iShares Core MSCI Emerging Markets IMI Index ETF	357,000	9,278,501	9,032,100
iShares Core S&P 500 ETF	1,320,850	33,917,813	36,481,877
iShares Dow Jones U.S. Financial Sector Index Fund	26,800	3,725,062	3,742,255
iShares MSCI Europe IMI Index ETF	380,000	9,354,916	9,047,800
Matco Canadian Equity Fund – Series O	2,411,987	28,563,067	31,429,399
Matco Small Cap Fund – Series O	1,288,774	19,554,662	21,988,410
Total index funds		104,394,021	111,721,841
Transaction costs		(43,001)	
Total investment portfolio		\$ 173,661,349	\$ 181,045,688