

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll free: 1.877.539.5743 by writing to us at 350, 440-2nd Avenue SW, Calgary AB T2P 5E9 or by visiting our website at [www.matcofinancialinc.com](http://www.matcofinancialinc.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

This annual management report 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. In this report, "Matco" refers to Matco Financial Inc., the Manager of the Fund.

### **Investment Objective and Strategies**

The objective of the Matco Fixed Income Fund (the "Fund") is to provide an optimal level of income with some potential for capital appreciation while preserving capital by investing primarily in Canadian dollar-denominated investment grade debt instruments. These securities will consist of bonds and debentures and may also include real return bonds, mortgage-backed securities and asset-backed securities. The debt obligations will be issued or guaranteed by, Canadian federal, provincial or municipal governments, Canadian chartered banks, Canadian loan or trust companies or Canadian corporations.

Within the context of optimal income, the Fund may also invest in income generating common and preferred equities, as well as foreign currency denominated fixed income instruments from Canadian or foreign issuers.

To balance current income and long-term capital appreciation, the Fund may invest 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 and specific risks of investing in the Fund are as described in the Fund's Simplified Prospectus dated June 17, 2020. There were no material changes to the Fund during the period that affected the overall level of risk associated with an investment in the Fund.

### **Results of Operations**

The Fund's net assets decreased to \$112.3 million at December 31, 2020 from \$138.9 million at December 31, 2019. Total investment income for the year ended December 31, 2020 was \$10.5 million, prior to other income and operating expenses, up from \$7.4 million for the year ended December 31, 2019.

The Fund increased its exposure to the corporate sector by 3.0% by replacing a provincial bond with a financial sector corporate bond. The Fund also replaced some of its Canada bond holdings with Canada Housing Trust bond holdings. Canada Housing Trust bonds are of high credit quality and provide the fund with additional running yield while assuming marginal incremental credit risk. Overall, this activity will help bolster the yield and income of the fund, while not exposing it to unnecessary risk.

## **Recent Developments**

North American central banks, the Bank of Canada and the U.S. Federal Reserve have laid out their intentions for the next 24 months. They have explicitly indicated that they intend to leave their overnight interest rates at their current levels, 0.25%, until 2023. These communications are intended to provide capital markets with the certainty that low interest rates will continue to support the economic recovery. Taking it a step further, both central banks are in the process of purchasing securities in the open market, namely government and corporate bonds. This action will also serve as a line of support for both the economy and markets. Lastly, the U.S. Federal Reserve has indicated that they will be targeting long-term average inflation going forward, as opposed to simply targeting 2% inflation at a point in time. What does this all mean for the bond market? The implications are three-fold. First and foremost, one should anticipate short-term interest rates to remain low through 2021.

Secondly, although corporate bond spreads have recovered significantly, they should remain relatively stable given that central banks are directly supporting them through their purchase of corporate bonds in the open market. Third, with central banks now focusing on long-term average inflation, longer-term interest rates are likely to drift higher even though short-term interest rates may remain stable; this trend has begun to unfold. Overall, this leads to a stable but modest return outlook for the fixed income market in Canada. Within our Matco Fixed Income Fund, we continue to adjust our portfolio positioning to maintain a healthy level of income while avoiding unnecessary risk.

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Fund's operations and performance. These circumstances may continue for an extended period of time and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries, and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## **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, 2020, the Fund incurred management fees payable to Matco of \$13,335 (year ended December 31, 2019 - \$12,651). Matco, at its discretion, absorbed \$6,566 (year ended December 31, 2019 - \$19,274) of expenses for the year ended December 31, 2020. There is no obligation nor guarantee that the Manager will continue to absorb expenses in future periods.

### **Investment Review Committee**

An Investment Review Committee ("IRC") has been established by the Manager in accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"). The IRC must review and approve conflict of interest matters as referred by the Manager. The Fund did not refer any related party transactions or conflict of interest matters to the IRC during the years ended December 31, 2020 or 2019.

**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 years.

**The Fund's Net Assets per Unit** <sup>(1)(2)(3)(4)</sup>

<b>SERIES A</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>	10.26	10.04	10.09	—
<b>Increase (decrease) from operations</b> <sup>(2):</sup>				
Total revenue	0.27	0.26	0.25	—
Total expenses	(0.13)	(0.11)	(0.15)	—
Net realized gains (losses)	0.39	0.05	(0.10)	—
Net unrealized gains (losses)	0.23	0.18	0.86	—
<b>Total increase (decrease) from operations</b> <sup>(2):</sup>	<b>0.76</b>	<b>0.38</b>	<b>0.86</b>	—
<b>Distributions</b> <sup>(2)(3):</sup>				
From net investment income (excluding dividends)	(0.15)	(0.12)	(0.22)	(0.06)
From capital gains	(0.16)	—	—	—
Total distributions:	(0.31)	(0.12)	(0.22)	(0.06)
<b>Net assets, end of period/year</b>	<b>10.72</b>	<b>10.26</b>	<b>10.04</b>	<b>10.09</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$1,679	\$1,562	\$1,516	\$10
Number of shares outstanding <sup>(5)</sup>	157	152	151	1
Management expense ratio <sup>(6)</sup>	1.16%	1.22%	1.33%	0.00%
Management expense ratio before absorptions <sup>(6)</sup>	1.16%	1.22%	1.33%	0.00%
Portfolio turnover rate <sup>(7)</sup>	57.81%	49.49%	25.99%	16.53%
Trading expense ratio <sup>(8)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per unit	\$10.72	\$10.26	\$10.04	\$10.09

<b>SERIES F</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>	10.22	9.98	10.07	—
<b>Increase (decrease) from operations</b> <sup>(2):</sup>				
Total revenue	0.27	0.27	0.25	0.07
Total expenses	(0.09)	(0.08)	(0.09)	(0.02)
Net realized gains (losses)	0.38	0.04	(0.04)	—
Net unrealized gains (losses)	0.31	0.17	—	(0.10)
<b>Total increase (decrease) from operations</b> <sup>(2):</sup>	<b>0.87</b>	<b>0.40</b>	<b>0.12</b>	<b>0.05</b>
<b>Distributions</b> <sup>(2)(3):</sup>				
From net investment income (excluding dividends)	(0.19)	(0.18)	(0.16)	(0.06)
From capital gains	(0.15)	—	—	—
Total distributions:	(0.34)	(0.18)	(0.16)	(0.06)
<b>Net assets, end of period/year</b>	<b>10.67</b>	<b>10.22</b>	<b>9.98</b>	<b>10.07</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$1,836,328	\$2,742,754	\$842,290	\$104,732
Number of shares outstanding <sup>(5)</sup>	171,905	268,367	84,378	10,405
Management expense ratio <sup>(6)</sup>	0.83%	0.83%	0.88%	0.88%
Management expense ratio before absorptions <sup>(6)</sup>	0.84%	0.83%	0.88%	0.88%
Portfolio turnover rate <sup>(7)</sup>	57.81%	49.49%	25.99%	16.53%
Trading expense ratio <sup>(8)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per unit	\$10.68	\$10.22	\$9.98	\$10.07

<b>SERIES N</b>	<b>2019</b>	<b>2018</b>
<b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>	<b>9.93</b>	<b>—</b>
<b>Increase (decrease) from operations<sup>(2)</sup>:</b>		
Total revenue	0.26	0.25
Total expenses	(0.03)	(0.03)
Net realized gains (losses)	0.05	(0.08)
Net unrealized gains (losses)	0.24	—
<b>Total increase (decrease) from operations<sup>(2)</sup>:</b>	<b>0.52</b>	<b>0.14</b>
<b>Distributions<sup>(2)(3)</sup>:</b>		
From net investment income (excluding dividends)	(0.22)	(0.24)
Total distributions:	(0.22)	(0.24)
<b>Net assets, end of period/year</b>	<b>—</b>	<b>9.93</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$—	\$1,499
Number of shares outstanding <sup>(5)</sup>	—	151
Management expense ratio <sup>(6)</sup>	0.26%	0.25%
Management expense ratio before absorptions <sup>(6)</sup>	1,239.20%	9,023.67%
Portfolio turnover rate <sup>(7)</sup>	49.49%	25.99%
Trading expense ratio <sup>(8)</sup>	0.00%	0.00%
Net asset value per unit	\$—	\$9.93

<b>SERIES O</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>	<b>10.25</b>	<b>10.00</b>	<b>10.07</b>	<b>—</b>
<b>Increase (decrease) from operations<sup>(2)</sup>:</b>				
Total revenue	0.27	0.27	0.24	0.06
Total expenses	(0.01)	(0.01)	(0.01)	—
Net realized gains (losses)	0.39	0.05	(0.04)	—
Net unrealized gains (losses)	0.27	0.21	(0.02)	0.05
<b>Total increase (decrease) from operations<sup>(2)</sup>:</b>	<b>0.92</b>	<b>0.52</b>	<b>0.17</b>	<b>0.11</b>
<b>Distributions<sup>(2)(3)</sup>:</b>				
From net investment income (excluding dividends)	(0.27)	(0.25)	(0.22)	(0.06)
From capital gains	(0.16)	—	—	—
Total distributions:	(0.43)	(0.25)	(0.22)	(0.06)
<b>Net assets, end of period/year</b>	<b>10.71</b>	<b>10.25</b>	<b>10.00</b>	<b>10.07</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$110,472,812	\$136,162,069	\$138,133,426	\$90,108,478
Number of shares outstanding <sup>(5)</sup>	10,315,843	13,283,280	13,811,660	8,949,326
Management expense ratio <sup>(6)</sup>	0.10%	0.10%	0.13%	0.15%
Management expense ratio before absorptions <sup>(6)</sup>	0.11%	0.10%	0.13%	0.15%
Portfolio turnover rate <sup>(7)</sup>	57.81%	49.49%	25.99%	16.53%
Trading expense ratio <sup>(8)</sup>	0.00%	0.00%	0.00%	0.00%
Net asset value per unit	\$10.71	\$10.25	\$10.00	\$10.07

- (1) This information is derived from the Fund's audited annual financial statements. Per unit amounts are for the periods for increases (decreases) and points in time for distributions, as applicable, and are not intended to be a reconciliation of opening and closing net assets.
- (2) 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.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (4) 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.
- (5) This information is provided as at and for the year shown, as applicable, except Series N for 2018 which are from inception February 6, 2018 through December 31, 2018.
- (6) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the year/period.
- (7) 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.
- (8) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year/period.

**Management Fees**

The annual management fee rates, exclusive of sales taxes, are 1.20%, 0.70% and 0.35% for Series A, F and N respectively. No management fees are charged directly to Series O.

During the year ended December 31, 2020, management fees totaled \$13,335 (year ended December 31, 2019 - \$12,651). Included in liabilities at December 31, 2020 is \$1,101 (December 31, 2019 - \$1,642) in respect of these fees.

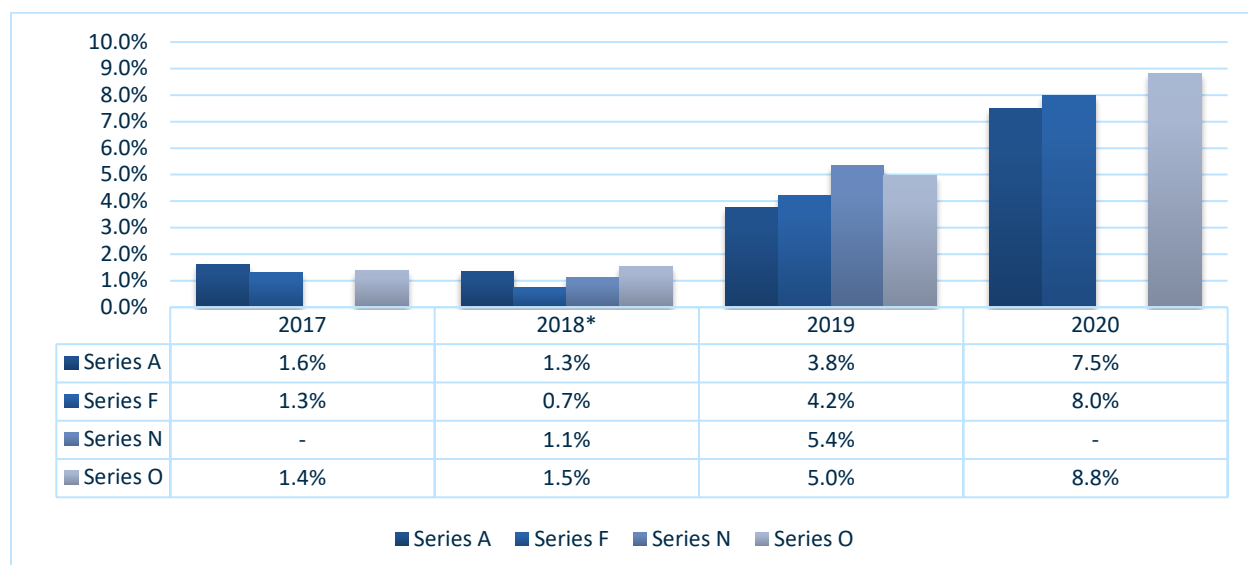
All management fees paid by Series F and N were applied to cover portfolio management and other services provided to the Fund by the Manager. No such fees were used to pay for external portfolio advisory fees, trailing or other sales commissions. Of management fees paid on Series A, 41.67% were used to pay for trailing and other dealer sales commissions, the remaining 58.33% covered portfolio management and other services provided to the Fund by the Manager.

**PAST PERFORMANCE**

This section shows how the Fund has performed in the past. The performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account: sales, redemption, and distribution or other optional charges, that would have reduced returns or performance. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

**Year-By-Year Returns**

The bar charts that follow show the performance of each series of the Fund for the three most recently completed financial years. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by December 31st of the fiscal year (except as noted below).



The rate of return for 2017 is from inception September 20, 2017.

\*Series N returns for 2018 is from inception February 6, 2018 to December 31, 2018 and for 2019 is from January 1, 2019 through liquidation December 26, 2019.

**Annual Compound Returns**

	Series A	Series F	Series N*	Series O	Benchmark**
1 Year*	7.5%	8.0%	-	8.8%	8.6%
3 Years*	4.2%	4.3%	-	5.0%	5.5%
Since Inception*	4.3%	4.3%	-	5.1%	5.7%
Since Inception*	-	-	3.4%	-	5.4%

\*Since inception returns for Series A, Series F, and Series O are from September 20, 2017.

\* Since inception returns for Series N are from February 6, 2018 to December 26, 2019.

\*\* The Benchmark is iShares Core Canadian Universe Bond Index ETF. Based on Matco's private client investor base, who often look at ETFs as a substitute for active investment solutions, the ETF better fulfills the investable portion of the benchmark suitability criteria. Matco has chosen to be consistent across all mandates by benchmarking against ETFs for this reason.

**SUMMARY OF INVESTMENT PORTFOLIO**

<b>Sector Allocation</b>	<b>% of Net Asset Value</b>
Provincial	26.9
Corporate	45.3
Federal	26.0
Cash	1.3
Other Net Assets (Liabilities)	0.5

<b>Top 25 Holdings</b>	<b>% of Net Asset Value</b>
Canadian Government Bond - 3.500% Dec 01/45	8.2
Province of Alberta - 2.900% Dec 01/28	7.4
Dollarama Inc. - 3.550% Nov 06/23	7.1
Bank of Montreal - 2.370% Feb 03/25	6.1
Canada Housing Trust No 1 - 1.800% Dec 15/24	5.6
Hydro One Inc. - 5.360% May 20/36	5.6
Canada Housing Trust No 1 - 1.950% Dec 15/25	5.1
Province of Alberta - 3.450% Dec 01/43	5.1
Province of British Columbia - 2.550% Jun 18/27	5.0
Royal Bank of Canada - 1.968% Mar 02/22	5.0
Canada Housing Trust No 1 - 1.750% Jun 15/30	4.9
Bank of Montreal - 3.190% Mar 01/28	4.1
Royal Bank of Canada - 2.328% Jan 28/27	3.6
Province of Ontario - 3.450% Jun 02/45	3.1
Bank of Nova Scotia - 1.400% Nov 01/27	3.1
Enbridge Inc. - 4.570% Mar 11/44	3.0
The Toronto-Dominion Bank - 3.105% Apr 22/30	2.6
Province of Manitoba - 3.250% Sep 05/29	2.6
Canada Housing Trust No 1 - 1.750% Jun 15/22	2.1
Province of British Columbia - 4.950% Jun 18/40	2.1
Hydro One Inc. - 2.160% Feb 28/30	1.6
Province of Quebec - 2.750% Sep 01/27	1.6
407 International Inc. - 6.470% Jul 27/29	1.5
Suncor Energy Inc. - 5.000% Apr 09/30	1.1
Rogers Communications Inc. - 3.650% Mar 31/27	1.1

**Total Net Asset Value** \$ 112,310,819

The top 25 positions are required to be disclosed. As at the reporting date, the Fund held 25 positions. All positions are therefore presented.

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available on our website at [www.matcofinancialinc.com](http://www.matcofinancialinc.com) or can be requested by calling 1.877.539.5743 or by writing to us at 350, 440-2nd Avenue SW, Calgary AB T2P 5E9.

**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.