

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 period 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 Small Cap Fund (the "Fund") is to seek long-term capital appreciation by investing primarily in small to mid capitalization Canadian companies.

The Fund focuses on companies that are profitable, have strong balance sheets, are attractively priced and reinvest excess earnings back into the company. Other characteristics include strong, reasonable multiples, predictability, analyst recognition and market participation. The Fund will generally be 100% exposed to stocks.

### **Risk**

The overall and specific risks of investing in the Fund are as described in the Fund's Simplified Prospectus dated June 17, 2020. The risk rating of the Fund has increased from medium to medium-to-high as a result of a higher standard deviation of price and returns.

### **Results of Operations**

The Fund's net assets decreased to \$51.7 million at December 31, 2020 from \$52.0 million at December 31, 2019. Total investment income for the year ended December 31, 2020 was \$0.5 million, prior to other income and operating expenses, down from \$3.6 million for the year ended December 31, 2019.

The Fund underperformed its benchmark over the year since it has been underweight gold and the energy sector, which had strong returns based on COVID fears and the vaccine news respectively.

We continue to stick with our disciplined long-term M-Factor investment process rather than chasing last year's winners and companies that do not meet our process. We believe that our investment discipline, which tends to underweight commodity sectors due to high earnings variability and unreliable dividends, will continue to generate attractive long-term risk-adjusted returns despite short-term underperformance.

The Fund sold its positions in the MCAN Mortgage Corporation and Evertz Technologies Limited. MCAN was sold since it's more of a defensive position that provides income rather than long term growth. The Evertz position was sold due to a lack of growth execution by the company. The Fund added three new positions with better growth opportunities: Jaguar Mining, PFB Corporation, and Extencicare. Jaguar Mining, a Canadian gold producer with operations in Brazil, has a current dividend yield of 4.3%. PFB Corporation is the only vertically integrated manufacturer of

products based on polystyrene foams. PFB is an industry leader and has a dividend yield of 1.7%. Extencicare, a company out of favor due to COVID-19, owns and operates the largest number of long-term care facilities for seniors in Canada. Extencicare has a current dividend yield of 6.75%.

### **Recent Developments**

In November, we saw a significant rotation of funds into the small cap sector in the U.S. and Canada by professional investors. This rotation was driven by the combination of positive vaccine news and the outcome of the U.S. Presidential election. With further U.S. fiscal stimulus coming through the Biden administration's agenda, both U.S. and Canadian economies should benefit.

As a result, we expect small cap companies to outperform their large cap peers in 2021 since small cap companies have more leverage to a domestic economy and have more ability to grow their earnings. In addition, valuations of small cap companies are reasonable and very attractive compared to the stretched valuations of the large tech companies and related COVID-19 winners.

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 \$61,262 (year ended December 31, 2019 - \$77,823). Matco, at its discretion, absorbed \$21,603 (year ended December 31, 2019 - \$20,850) 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 year 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 five 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>2016</b>
<b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>	9.57	13.65	16.38	15.83	14.04
<b>Increase (decrease) from operations</b> <sup>(2):</sup>					
Total revenue	0.41	0.70	0.69	0.45	0.39
Total expenses	(0.35)	(0.41)	(0.63)	(0.41)	(0.37)
Net realized gains (losses)	(1.21)	(0.12)	0.80	1.25	(0.40)
Net unrealized gains (losses)	0.73	0.27	(2.87)	(1.10)	2.32
<b>Total increase (decrease) from operations</b> <sup>(2):</sup>	<b>(0.42)</b>	<b>0.44</b>	<b>(2.01)</b>	<b>0.19</b>	<b>1.94</b>
<b>Distributions</b> <sup>(3):</sup>					
From net investment income (excluding dividends)	—	(0.13)	—	—	—
From dividends	(0.06)	(0.43)	(0.58)	(0.37)	(0.24)
From capital gains	—	(1.82)	—	(0.44)	—
Total distributions:	(0.06)	(2.38)	(0.58)	(0.81)	(0.24)
<b>Net assets, end of period/year</b>	<b>9.45</b>	<b>9.57</b>	<b>13.65</b>	<b>16.38</b>	<b>15.83</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$178,094	\$262,821	\$142,002	\$211,511	\$462,730
Number of units outstanding <sup>(5)</sup>	18,842	27,451	10,405	12,911	29,237
Management expense ratio, including income taxes <sup>(6)</sup>	3.65%	2.23%	2.38%	2.31%	2.22%
Management expense ratio, excluding income taxes <sup>(6)</sup>	2.38%	2.36%	2.38%	2.31%	2.22%
Management expense ratio before absorptions <sup>(6)</sup>	3.70%	2.23%	2.38%	2.31%	2.22%
Portfolio turnover rate <sup>(7)</sup>	80.86%	55.96%	82.52%	76.27%	50.33%
Trading expense ratio <sup>(8)</sup>	0.27%	0.28%	0.33%	0.33%	0.37%
Net asset value per unit	\$9.45	\$9.57	\$13.65	\$16.38	\$15.83

<b>SERIES F</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>	9.58	15.67	18.66	17.89	15.79
<b>Increase (decrease) from operations</b> <sup>(2):</sup>					
Total revenue	0.42	0.73	0.75	0.56	0.43
Total expenses	(0.27)	(0.28)	(0.49)	(0.33)	(0.33)
Net realized gains (losses)	(1.17)	(0.12)	2.30	1.14	(0.47)
Net unrealized gains (losses)	0.97	0.54	(5.50)	0.30	2.75
<b>Total increase (decrease) from operations</b> <sup>(2):</sup>	<b>(0.05)</b>	<b>0.87</b>	<b>(2.94)</b>	<b>1.67</b>	<b>2.38</b>
<b>Distributions</b> <sup>(3):</sup>					
From net investment income (excluding dividends)	—	(0.14)	—	—	—
From dividends	(0.11)	(0.49)	(0.66)	(0.42)	(0.28)
From capital gains	—	(2.10)	—	(0.50)	—
Total distributions:	(0.11)	(2.73)	(0.66)	(0.92)	(0.28)
<b>Net assets, end of period/year</b>	<b>9.48</b>	<b>9.58</b>	<b>15.67</b>	<b>18.66</b>	<b>17.89</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$5,019,615	\$5,481,993	\$4,863,144	\$11,423,741	\$10,687,176
Number of units outstanding <sup>(5)</sup>	529,731	572,442	310,443	612,097	597,310
Management expense ratio, including income taxes <sup>(6)</sup>	2.83%	1.49%	1.62%	1.55%	1.59%
Management expense ratio, excluding income taxes <sup>(6)</sup>	1.57%	1.63%	1.62%	1.55%	1.59%
Management expense ratio before absorptions <sup>(6)</sup>	2.88%	1.49%	1.62%	1.55%	1.59%
Portfolio turnover rate <sup>(7)</sup>	80.86%	55.96%	82.52%	76.27%	50.33%
Trading expense ratio <sup>(8)</sup>	0.27%	0.28%	0.33%	0.33%	0.37%
Net asset value per unit	\$9.48	\$9.58	\$15.67	\$18.66	\$17.89

<b>SERIES N</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>	9.58	8.90	-
<b>Increase (decrease) from operations<sup>(2):</sup></b>			
Total revenue	0.41	0.68	0.50
Total expenses	(0.21)	(0.17)	(0.15)
Net realized gains (losses)	(1.06)	(0.11)	(1.75)
Net unrealized gains (losses)	(0.91)	(1.42)	(0.52)
<b>Total increase (decrease) from operations<sup>(2):</sup></b>	<b>0.05</b>	<b>(1.02)</b>	<b>(1.92)</b>
<b>Distributions<sup>(3):</sup></b>			
From net investment income (excluding dividends)	-	(0.15)	-
From dividends	(0.14)	(0.34)	(0.38)
From capital gains	-	(1.20)	-
Return of capital	-	-	-
Total distributions:	(0.14)	(1.69)	(0.38)
<b>Net assets, end of period/year</b>	<b>9.51</b>	<b>9.58</b>	<b>8.90</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$55,955	\$144,066	\$2,235
Number of units outstanding <sup>(5)</sup>	5,883	15,034	251
Management expense ratio, including income taxes <sup>(6)</sup>	2.13%	0.85%	0.78%
Management expense ratio, excluding income taxes <sup>(6)</sup>	0.88%	0.97%	0.78%
Management expense ratio before absorptions <sup>(6)</sup>	2.18%	21.28%	2,043.17%
Portfolio turnover rate <sup>(7)</sup>	80.86%	55.96%	82.52%
Trading expense ratio <sup>(8)</sup>	0.27%	0.28%	0.33%
Net asset value per unit	\$9.51	\$9.58	\$8.90

<b>SERIES O</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>	9.59	15.95	18.75	17.74	15.45
<b>Increase (decrease) from operations<sup>(2):</sup></b>					
Total revenue	0.43	0.71	0.79	0.56	0.42
Total expenses	(0.15)	(0.02)	(0.10)	(0.10)	(0.11)
Net realized gains (losses)	(1.11)	(0.12)	1.51	1.14	(0.37)
Net unrealized gains (losses)	0.80	0.23	(4.37)	0.31	2.68
<b>Total increase (decrease) from operations<sup>(2):</sup></b>	<b>(0.03)</b>	<b>0.80</b>	<b>(2.17)</b>	<b>1.91</b>	<b>2.62</b>
<b>Distributions<sup>(3):</sup></b>					
From net investment income (excluding dividends)	-	(0.16)	-	-	-
From dividends	(0.17)	(0.51)	(0.67)	(0.42)	(0.27)
From capital gains	-	(2.16)	-	(0.50)	-
Return of capital	-	-	-	-	-
Total distributions:	(0.17)	(2.83)	(0.67)	(0.92)	(0.27)
<b>Net assets, end of period/year</b>	<b>9.55</b>	<b>9.59</b>	<b>15.95</b>	<b>18.75</b>	<b>17.74</b>

**Ratios and Supplemental Data**

Total net asset value <sup>(4)(5)</sup>	\$46,436,619	\$46,069,198	\$30,614,447	\$56,691,710	\$52,075,481
Number of units outstanding <sup>(5)</sup>	4,860,152	4,804,730	1,919,675	3,023,424	2,935,143
Management expense ratio, including income taxes <sup>(6)</sup>	1.58%	0.17%	0.31%	0.24%	0.28%
Management expense ratio, excluding income taxes <sup>(6)</sup>	0.33%	0.31%	0.31%	0.24%	0.28%
Management expense ratio before absorptions <sup>(6)</sup>	1.63%	0.17%	0.31%	0.24%	0.28%
Portfolio turnover rate <sup>(7)</sup>	80.86%	55.96%	82.52%	76.27%	50.33%
Trading expense ratio <sup>(8)</sup>	0.27%	0.28%	0.33%	0.33%	0.37%
Net asset value per unit	\$9.55	\$9.59	\$15.95	\$18.75	\$17.74

(1) This information is derived from the Fund's audited annual financial statements. Per share 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 shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional shares 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 the year shown, as applicable, except for Series N results for 2018 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 2.00%, 1.25% and 0.65% 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 \$61,262 (year ended December 31, 2019 - \$77,823). Included in liabilities at December 31, 2020 is \$5,575 (December 31, 2019 - \$6,709) in respect of these fees.

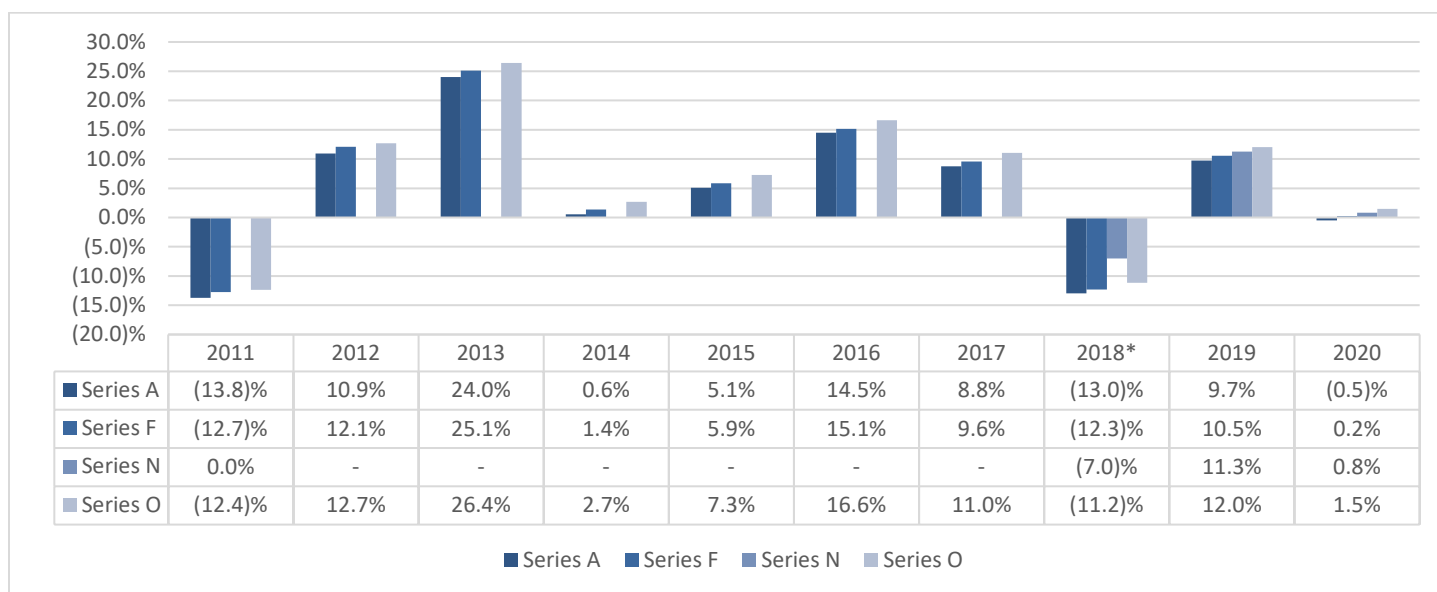
All management fees paid by Series F and N were applied to cover portfolio management and other services provided to the Fund by the Manager. No such fees were used to pay for external portfolio advisory fees, trailing or other sales commissions. Of management fees paid on Series A, 50.00% were used to pay for trailing and other dealer sales commissions, the remaining 50.00% 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 ten 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 31<sup>st</sup> of the fiscal year (except 2018 as noted below).



\*The rate of return for 2018 is for the year ended December 31, 2018 except for Series N, which is from February 6, 2018 to December 31, 2018.

**Annual Compound Returns**

	Series A	Series F	Series N*	Series O	iShares S&P/TSX SmallCap Index ETF-
1 Year	(0.5)%	0.2%	0.8%	1.5%	13.4%
3 Year	(1.7)%	(1.0)%	-	0.3%	2.6%
5 Year	3.4%	4.2%	-	5.5%	8.9%
10 Year	4.0%	4.9%	-	6.1%	1.2%
Since Inception+	5.6%	-	-	-	3.4%
Since Inception+	-	7.0%	-	-	3.7%
Since Inception+	-	-	-	7.5%	3.3%
Since Inception*	-	-	1.5%	-	4.7%

+Since inception returns for Series A, Series F, and Series O, respectively are from March 18, 2010, March 1, 2010, and March 17, 2010, respectively.

\*The since inception return for Series N, is from February 6, 2018.

-The Fund benchmark is iShares S&P/TSX SmallCap Index ETF. Given 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**

Sector Allocation	% of Net Asset Value
Materials	16.4
Financials	16.0
Industrials	14.1
Real Estate	12.1
Telecommunication Services	10.3
Consumer Staples	9.0
Information Technology	5.9
Energy	4.9
Cash	3.8
Consumer Discretionary	3.8
Health Care	3.2
Other Net Assets (Liabilities)	0.5

Top 25 Holdings	% of Net Asset Value
Richards Packaging Income Fund	4.2
Calian Group Ltd.	4.0
Bridgemarq Real Estate Services	3.8
Leon's Furniture Ltd.	3.7
Yellow Pages Ltd.	3.6
PFB Corp.	3.6
Goeasy Ltd.	3.5
Corus Entertainment Inc.	3.5
Intertape Polymer Group Inc.	3.4
Labrador Iron Ore Royalty Corp.	3.4
First National Financial Corp.	3.3
Transcontinental Inc.	3.3
Firm Capital Mortgage Investment Corp.	3.3
Bird Construction Inc.	3.3
Cogeco Inc.	3.2
Extendicare Inc.	3.2
Absolute Software Corp.	3.2
The North West Co Inc.	3.2
High Liner Foods Inc.	3.2
Morguard Real Estate Investment Trust	3.1
Information Services Corp.	2.9
Olympia Financial Group Inc.	2.9
Alaris Equity Partners Income	2.9
Jaguar Mining Inc.	2.9
Constellation Software Inc.	2.7
<b>Total Net Asset Value</b>	<b>\$ 51,690,283</b>

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.