

**MATCO FUNDS**

**ANNUAL INFORMATION FORM DATED JUNE 17,  
2020**

Offering Series A, Series F, and Series O units of:

Matco Fixed Income Fund  
Matco Balanced Fund  
Matco Canadian Equity Income Fund  
(formerly Matco Canadian Equity Fund)  
Matco Global Equity Fund  
Matco Small Cap Fund

*and Series N units of:*

Matco Small Cap Fund

No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.



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## NAME, FORMATION AND HISTORY OF THE FUNDS

This Annual Information Form (“**AIF**”) contains information about the mutual funds listed on the front cover. We refer to the Matco Fixed Income Fund (the “**Fixed Income Fund**”), the Matco Balanced Fund (the “**Balanced Fund**”), the Matco Canadian Equity Income Fund (the “**Canadian Equity Income Fund**”) (formerly Matco Canadian Equity Fund), the Matco Small Cap Fund (the “**Small Cap Fund**”), and the Matco Global Equity Fund (the “**Global Equity Fund**”) described in this document each individually as a “**Fund**” and collectively as the “**Funds**” or “**Matco Funds**”. The Funds are separate trusts and have their own separate portfolio of assets. Securities of the Funds are separate “series” of units of a trust.

Matco Financial Inc. (“**Matco**”, the “**Manager**”, “**we**”, “**our**” or “**us**”) is the manager and promoter of the Funds. Matco is also the primary investment advisor to the Funds. See “**Responsibility for Operations of the Funds**” on page 11 for more information.

### Funds

Each of the Canadian Equity Income Fund (formerly Matco Canadian Equity Fund), the Small Cap Fund, and the Global Equity Fund are successor funds to the Matco Canadian Equity Class, the Matco Small Cap Class, and the Matco Global Equity Class (collectively, the “**Corporate Structured Funds**”) which were separate classes of shares of Matco Funds Corp. (the “**Corporation**”) and had its own separate portfolio of assets within the Corporation prior to the reorganization of such funds in 2019.

The Corporation was formed under the Business Corporations Act (Alberta) (the “**ABCA**”) by articles of incorporation dated May 17, 2007 (the “**Articles**”). The Articles were amended; (a) on September 29, 2008, to create and designate the Matco Canadian Equity Focused Growth Fund, which name was subsequently changed to the “Matco Small Cap Class” by amendment of the Articles on August 6, 2009; (b) on August 12, 2011 to change the name of the Corporation to “Matco Funds Corp.” from “MFi Funds Corp.” and to designate the name of each of the funds as the “Matco Canadian Equity Class” and “Matco Small Cap Class”; (c) on May 19, 2016 to create Series N of each of the classes of Fund shares of the Corporation; (d) on May 20, 2016 to effect the merger of the “Matco Energy Equity Fund” in the Matco Small Cap Class; and (e) to redesignate the Matco International Equity Class Shares as the Matco Global Equity Class Shares.

On August, 9, 2019, the Corporate Structured Funds were reorganized into separate mutual fund trusts through a tax deferred conversion and the Corporate Class Funds ceased to be offered for distribution and the Canadian Equity Fund, Small Cap Fund, and Global Equity Fund commenced offerings for distribution in their place, with the same assets and investment objectives as their predecessor Corporate Structured Funds.

The registered office of the Corporation is 600, 815-8th Avenue S.W., Calgary, Alberta, T2P 3P2 and the principal place of business of the Corporation is Suite 350, 440-2nd Avenue S.W., Calgary, Alberta, T2P 5E9. Matco owns 100 common shares of the Corporation, being the only issued and outstanding common shares of the Corporation.

The Funds are each open-ended mutual fund trusts established under the laws of Alberta pursuant to a trust agreement dated June 29, 2007, amended June 23, 2017 to add the Fixed Income Fund established on the date of the amendment, amended effective May 21, 2019 to add the Canadian Equity Fund, Small Cap Fund, and Global Equity Fund, and further amended effective June 17, 2020 to change the name of the Canadian Equity Fund to the “Matco Canadian Equity Income Fund” (the “**Trust Agreement**”). The head office of each of the Balanced Fund, the Fixed Income Fund, the Small Cap Fund, the Canadian Equity Income Fund (formerly Matco Canadian Equity Fund), and the Global Equity Fund is Suite 350, 440-2nd Avenue S.W., Calgary, Alberta, T2P 5E9. The Trust Agreement automatically terminates should all of the funds established thereunder be terminated and dissolved.

On June 29, 2007, units of the Balanced Fund and shares of the Matco Canadian Equity Class were issued by way of private placement to Matco Investments Ltd., a corporation controlled by Mr. Ronald P. Mathison, a director of both Matco and the Corporation, at a price of \$10.00 per unit or share, respectively. This investment by private placement represented the initial capital managed by Matco within the Matco Funds. See “**Conflicts of Interest - Principal Holders of Securities**” on page 19. The Balanced Fund and the Matco Canadian Equity Class were qualified for distribution to the public by prospectus on November 29, 2007. The Matco Energy Equity Fund was subsequently merged into the Matco Small Cap Class on May 20, 2016. The Matco Small Cap Class was qualified for distribution to the public by prospectus on December 17, 2008. Shares of the Matco Small Cap Fund were originally made available for sale and issued as at March 1, 2010. The Fixed Income Fund and the Matco Global Equity Class were qualified for distribution to the public by prospectus on June 23, 2017. The Canadian Equity Income Fund (formerly Matco Canadian Equity Fund), Small Cap Fund, and Global Equity Fund were qualified for distribution to the public by prospectus on June 21, 2019.

## **INVESTMENT RESTRICTIONS AND PRACTICES**

The Funds are subject to the standard mutual fund investment restrictions and practices contained in securities legislation, including National Instrument 81-102 - Investment Funds (“**NI 81-102**”). These are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The Funds are managed in accordance with their respective objectives and strategies as well as these restrictions and practices. Funds that invest in securities of another mutual fund will make such investments in accordance with applicable securities legislation.

On May 20, 2016, on the approval of the Funds’ independent review committee, the Matco Energy Equity Fund was merged into the Matco Small Cap Class and all outstanding shares of the Matco Energy Equity Fund were exchanged for shares in the Matco Small Cap Class. The merger was approved in advance by a majority of the shareholders of the Matco Energy Equity Fund and given approval by the applicable securities regulatory authorities.

On August 9, 2019, following approval by the independent review committee and by the shareholders of the Corporate Structured Funds, tax deferred reorganizations were completed which resulted in: (a) the assets of the prior Canadian Equity Class being transferred to the successor Canadian Equity Income Fund (formerly Matco Canadian Equity Fund) and the holders of shares of the prior Canadian Equity Class becoming holders of units of the successor Canadian Equity Income Fund (formerly Matco Canadian Equity Fund); (b) the assets of the prior Small Cap Class being transferred to the successor Small Cap Fund and the holders of shares of the prior Small Cap Class becoming holders of units of the successor Small Cap Fund; and (c) the assets of the prior Global Equity Class being transferred to the successor Global Equity Fund and the holders of shares of the prior Global Equity Class becoming holders of units of the successor Global Equity Fund.

The fundamental investment objectives and strategies of each Fund are detailed in the simplified prospectus of the Funds. We may not change the fundamental objectives of a Fund without first obtaining approval of a majority of the votes of the shareholders or unitholders of the Fund entitled to vote on such matters at a meeting to consider the change. The Manager of the Corporation and the Funds can make other changes to the non-fundamental investment objectives, strategies and activities of a Fund without the consent of shareholders or unitholders, respectively, and subject to applicable securities laws and any required approval of the Canadian securities regulators.

Units of the Funds may be purchased under the following registered plans if investors meet the eligibility requirements in their province or territory: Registered Retirement Savings Plans (“**RRSPs**”), Locked-In Retirement Accounts (“**LIRAs**”), Locked-In Registered Retirement Savings Plans (“**LRSPs**”), Registered Retirement Income Funds (“**RRIFs**”), Locked-In Retirement Income Funds (“**LRIFs**”), Life Income Funds (“**LIFs**”), Prescribed Retirement Income Funds (“**PRIFs**”), Registered Education Savings Plans (“**RESPs**”),

Registered Disability Savings Plans (“**RDSPs**”), Tax-Free Savings Accounts (“**TFSAs**”), Deferred Profit Sharing Plans (“**DPSP**”) and Restricted Life Income Funds (“**RLIF**”) (each individually a “**Registered Plan**” and collectively being “**Registered Plans**”).

Investors should consult their tax advisor to determine whether they meet the eligibility requirements to hold securities of the Funds in a Registered Plan and whether or not securities of a Fund would be a prohibited investment under the Income Tax Act (Canada) (the “**Tax Act**”) if held in a Registered Plan. In the last year the Funds have not deviated from the rules under the Tax Act that apply to the status of its securities as qualified investments for Registered Plans.

Matco is not currently a member of, and does not intend to become a member of, the Mutual Fund Dealers Association of Canada (the “**MFDA**”). Matco has applied for, and received, from each of the Alberta Securities Commission, the British Columbia Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan, the Manitoba Securities Commission and the Ontario Securities Commission an exemption from the requirement that Matco be registered with the MFDA. Consequently, Matco clients do not currently, and will not, have available to them the investor protection benefits that would otherwise derive from Matco’s membership in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA.

## **DESCRIPTION OF SECURITIES OF THE FUNDS**

### **The Funds**

The Funds are each permitted to issue an unlimited number of series of units and may issue an unlimited number of units in each series. Each Fund currently has three series of units, being Series A, F, and O units. The Matco Small Cap Fund additionally, has a fourth series, designated as Series N. Each series is further described herein under “**Purchases and Switches – Purchases**” on page 7.

Although the money you pay to purchase units of any series is tracked on a series-by-series basis in a Fund’s administrative records, the assets of all series of each Fund are combined into a single pool to create one portfolio for investment purposes for each Fund. Please refer to the Simplified Prospectus for further information pertaining to Series A, F, N and O units.

Units of a series of a Fund represent your ownership in that Fund. You receive distributions of the Fund’s net income and net capital gains attributable to your units based on their relative NAV per unit for each series in the Fund. Upon the wind-up or termination of a Fund, unitholders will be entitled to participate pro rata in the Fund’s net assets allocated to the applicable series. If you hold units in a Fund, you will be entitled to vote at the unitholder meetings of that Fund as a whole as well as any unitholder meetings for the particular series of units that you own. Units are issued as fully paid and non-assessable and are redeemable at their NAV per unit. There are no pre-emptive or conversion rights attached to the units. Each Fund may issue an unlimited number of units. Each unit, regardless of the series, will entitle the holder to one vote at all meetings of unitholders. The Funds may issue fractional units, other than in respect of Series N units, which shall entitle the holder to similar proportionate participation in that Fund, but will not entitle the holder to receive notice of, or vote at, meetings of unitholders.

The fundamental investment objective of the Funds are determined by Matco, as manager of the Funds and shall be set out in any applicable Disclosure Documents in respect of such units.

Unitholders will be entitled to vote to approve all matters that require unitholder approval under NI 81-102, as described above in relation to the any other matter that requires the approval of unitholders pursuant to the Trust Agreement or applicable laws. Matco, with the approval of the trustee of the Funds, is entitled by supplemental

trust agreement or by amending and restating the Trust Agreement to modify, alter or add to the provisions of the Trust Agreement, provided that prior approval of a majority of votes cast at a meeting of unitholders of a Fund is acquired prior to any such amendment, unless the change being made is non-material.

Unitholders may generally redeem (sell) their units of a Fund by forwarding a redemption order to Matco.

In addition, the Funds may redeem all of the units of a particular series owned by a unitholder at the NAV per unit, less any applicable redemption charge in certain circumstances, as further described under “**Purchases and Switches - Redemptions**” on page 9.

Under exceptional circumstances, a Fund may be unable to process a redemption order. This would occur if Canadian securities regulators allow a Fund to suspend your right to redeem as further described under the heading “**Purchases and Switches - Restrictions on Redemption**” on page 10.

## **VALUATION OF PORTFOLIO SECURITIES**

The NAV per share or unit of a Fund at any particular time will be that established by the Board of Directors, from time to time, or as delegated. The Corporation has entered into a Valuation and Recordkeeping Services Agreement dated June 29, 2007, and Matco, on behalf of the Funds, has entered into a Valuation and Recordkeeping Services Agreement dated June 29, 2007 (collectively, the “**Valuation and Recordkeeping Services Agreements**”), each with RBC Investor Services Trust (“**RBC IS**” or the “**Service Provider**”) and have delegated Fund valuation services to RBC IS. The Valuation and Recordkeeping Services Agreement that pertains to the Corporation was amended and restated on December 15, 2009, April 30, 2016, and October 25, 2017. Notwithstanding that the Funds’ valuation services have been delegated to RBC IS, the Manager remains ultimately responsible for such calculation.

The Valuation and Recordkeeping Services Agreements (as renegotiated from time to time) stipulate how RBC IS will be compensated for its services. RBC IS’s compensation under these service agreements is accrued within the Fund and included in the operational expenses of the Fund. RBC IS calculates the NAV of a Fund under these Valuation and Recordkeeping Services Agreements, and as custodian under the Trust Agreement, at the then fair market value of the Fund’s property at the time the calculation is made less the amount of its liabilities at that time excluding investor equity if classified as a liability under International Financial Reporting Standards. The NAV per share or unit shall be the quotient obtained by dividing the amount equal to the NAV of a Fund by the total number of outstanding shares or units, including fractions of shares or units. The NAV of a Fund and its NAV per share or unit shall be computed by RBC IS as herein provided as at the close of business on every date on which such NAV per share or unit of a Fund is calculated (each, a “**Valuation Date**”). The number of shares or units, the fair market value of the assets and the amount of liabilities of each of the Funds shall be calculated in such manner as RBC IS in its sole discretion shall determine from time to time, subject to the following:

1. the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless RBC IS determines that any such deposit or call is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as RBC IS determines to be the reasonable value thereof;
2. the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a valuation day at such times as RBC IS, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;



3. the value of any security, index futures or index options thereon, which are listed on any recognized exchange, shall be determined by the closing sale price at the valuation time, or if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV of a Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange, provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
4. the value of any security or other asset for which a market quotation is not readily available is generally its fair market value as determined by the Manager;
5. the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that a Fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date of which the restriction will be lifted is known;
6. purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
7. where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by a Fund shall be reflected as a deferred credit, which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV of a Fund. The share or units, if any, that are the subject of a written clearing corporation option or over-the-counter option shall be valued at their then current market value;
8. the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;
9. margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
10. all Fund property valued in a foreign currency and all liabilities and obligations of a Fund payable by a Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to RBC IS, including, but not limited to, RBC IS or any of its affiliates; and
11. all expenses or liabilities (including fees payable to the Manager) of a Fund shall be calculated on an accrual basis.

The value of any share, unit or property to which, in the opinion of the Manager, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Manager from time to time provides.

The Valuation and Recordkeeping Services Agreements may be terminated by either party at any time without any penalty by giving at least 30 days' prior written notice to the other party of such termination. Such prior

notice is not required and termination will be immediate upon the giving of notice in the event that:

1. either party is declared bankrupt or shall be insolvent;
2. the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority; or
3. the Manager's power and authority to act on behalf of, or to represent the Funds has been revoked, terminated or is otherwise no longer in full force and effect.

## **CALCULATION OF NET ASSET VALUE**

When you buy units of a Fund you pay the price or NAV per unit of the series being acquired, plus any applicable sales charges. When you redeem (sell) units, you receive the NAV per unit of the series being redeemed.

All transactions are based on the NAV of the particular series of a Fund's units. NAV is generally calculated for each series of units of a Fund after the close of the Toronto Stock Exchange (the "TSX") on each day the TSX is open for business. In some circumstances, NAV may be calculated at another time set by the Manager for a Fund or Funds, as applicable. This would generally occur where other markets are open but the TSX is closed or, with respect to foreign securities, where the trading hours for such securities end at a time other than the closing time of the TSX. To date, the time at which NAV is calculated has never occurred at a time other than the closing time for the applicable stock exchange and it is not currently anticipated that such valuation time will change in the future.

We calculate the NAV per unit of a series of a Fund by adding up the market value of the Fund's assets and determining the proportionate share of a series, subtracting the series' proportionate share of liabilities that are common to all series of that Fund, and further subtracting the liabilities of the Fund that are specific to the series and dividing the resulting amount by the total number of units of that particular series outstanding.

The NAV per unit is the price for all sales of units (including sales made on the reinvestment of distributions) and for redemptions. The issue or redemption of units of a Fund is reflected in the next calculation of the NAV of the Fund following the time at which the NAV is determined for the purpose of the issue or redemption of units, as applicable.

Common expenses of the Funds are shared by all such Funds and are allocated on an equitable basis among all series of units of each Fund. All expenses that are specific to a Fund are borne by the applicable Fund and are allocated to a particular series of units where it is reasonable to do so.

Subject to prior receipt of any necessary regulatory approvals, Matco may declare a suspension of the determination of the NAV per unit of a Fund for the whole or part of any period:

1. during which normal trading is suspended on a stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and traded, or on which specified derivatives are traded, which represent more than 50% by value, or underlying market exposure, of the total assets attributable to the Fund, without allowance for liabilities, and only if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative; or
2. with the approval of the relevant securities regulatory authorities if required, or as otherwise required or permitted under applicable securities laws.

**Provided that the determination of the NAV per unit of a Fund has not been suspended, there will be a valuation of the assets of the Fund as at the market close on each Valuation Date or, in the event that the TSX is not open for business on any such day, on the first day thereafter that the TSX is open for business. The daily NAV per unit is available through multiple media outlets, such as Globefund and Morningstar, as well as through Matco at no cost to the investor.**

## **PURCHASES AND SWITCHES**

### **General**

Mutual fund units of each Fund are offered for sale on a continuous basis through registered dealers and directly through Matco. Purchase orders must be placed with dealers registered in an investor's province of residence. Orders for Series A and F are generally placed by your dealer but may be acquired directly from Matco. Orders for Series N units of the Small Cap Fund are intended to be placed directly by you or your dealer through the TSX NAVex. Orders for Series O units are placed directly with Matco. All orders must be received in good order prior to 4:00pm EST on a day that the Toronto Stock Exchange is open for business, or before the TSX closes on any day that it is open, whichever is earlier and will be processed on the basis of the NAV calculated for that day.

### **Purchase Price**

Units of each Fund may be purchased at their NAV per unit from time to time, computed as described under “**Valuation of Portfolio Securities**” on page 4 and “**Calculation of Net Asset Value**” on page 6. The purchase price per unit is the NAV per unit next determined following receipt by the Fund of a completed subscription. Any subscription received on a Valuation Date after the cut-off time or on any day that is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per unit is then the NAV per unit established on the Valuation Date following the day of actual receipt of the subscription. The cut-off time for receipt of subscriptions is 4:00 p.m. (EST), except that on days that the TSX closes early, the cut-off time is such earlier closing time.

### **Purchases**

When you buy units in a Fund, you may be charged a sales charge, based on the series of units being acquired and whether such units are acquired directly from Matco, if applicable, or an alternate dealer, as follows:

**Series A - Sales Charge Option-** Series A units are available to all investors, subject to certain minimum investment requirements and are generally acquired through a dealer. Under this option, you negotiate the sales commission you pay directly with your dealer. Your dealer will generally deduct the sales commission and forward us the net amount of the order to be invested in the Fund or Funds selected.

**Series F and N – Direct Purchase, No Load Option** Series F and N units of a Fund are available to investors who qualify as Series F or N investors as determined by Matco in its discretion, including:

1. investors who participate in dealer-sponsored “fee-for-service” or wrap programs and who pay their advisor a fixed, hourly, or annual asset-based fee rather than commissions on each transaction and whose broker or dealer has entered into an agreement with Matco to sell Series F or N units of a Fund; and
2. any other groups of investors for whom we do not incur distribution costs.

Investors wishing to purchase Series F or N units of a Fund must also meet the minimum investment requirements.

Series F and N units of a Fund are designed for investors participating in programs that already charge a fee for the advice they are receiving or who purchase such units directly from Matco, where possible, and do not require us to incur distribution costs in the form of trailer fees or commissions to dealers. As no service commissions are payable to a dealer on a purchase of Series F or N units, a lower management fee is applicable to Series F or N units, as Matco's cost to distribute these units is lower and investors eligible to purchase these units have generally already entered into an agreement to pay fees directly to their dealers. The Series F and N units differ in the area of fees and the fact that no fractional units are available for Series N units, which are intended to be issued utilizing the Toronto Stock Exchange's NAVex platform.

Participation in Series F or N units is only available with Matco's prior consent and the consent of any applicable dealer organization.

**Series O - Direct large purchase option** Series O units of a Fund are available to certain investors at our discretion, including:

1. certain investors who invest at least \$1,000,000 in one or more Funds;
2. other specific classes of investors who meet any Series O guidelines established by Matco; and
3. any related funds and certain other third party mutual funds that use a fund-of-funds structure and who meet any Series O guidelines established by Matco.

No sales charges are generally payable on the acquisition of Series O units of a Fund and investors individually negotiate any such management fees relating to Series O units directly with Matco. Certain other additional fees and expenses are payable as set out below.

Your choice of purchase option will require you to pay different fees and expenses and will affect the amount of compensation paid to your dealer. See "**Fees and Expenses**" on page 23.

No certificates evidencing ownership of units will be issued of a Fund, but your dealer or service provider will send you a confirmation, which is proof of your purchase. A record of the number of units you own and their value will appear on your next account statement. Going forward, a statement will be sent to you on a regular basis outlining current investment holdings and any transactions that occurred within that regular reporting period.

The issue price for units of a Fund shall generally be equal to such Fund's NAV per unit.

### **Minimum Amount You Can Invest**

Your first purchase of units of Series A, F or N of any Fund must be at least \$1,000. Each successive purchase of Series A, F or N units of such Fund must be at least \$100. Your first purchase of Series O units of any Fund must be at least \$1,000,000. Each successive purchase of Series O units of such Fund must be at least \$1,000. These minimums may be waived by the Manager at their discretion. The Manager is under no obligation to continue to waive minimums if they have done so in the past.

### **Switches**

Except as otherwise described herein, you can switch units from one series of units of a Fund to another series of that same Fund or of the same or a different series of another Fund being offered by this AIF and related Simplified Prospectus, with the exception of Series N. You are not able to switch from Series N to another Series of the same Fund or a Series N unit of a different Fund. Transactions with Series N are processed as purchases or redemptions. A switch is usually a transfer of your investment money from one Fund to another. You must maintain a minimum account balance of \$1,000, and you must switch at least \$1,000 worth of units. Another restriction is that units purchased under the front-end sales charge option cannot be switched for units purchased under the above-

described direct purchase or direct large purchase option, or vice versa. You may switch from or to any of Series A, F, or O by contacting your registered dealer who will send instructions to us, or by contacting us directly.

The process and tax consequences of a switch between series of a Fund will depend upon whether the security being sold and acquired is of the same Fund or between Funds, and the type of account in which your investments are held. Switches within a registered account will generally not be subject to tax. Please see the discussion under “**Income Tax Considerations**” for a more detailed explanation.

Certain switches of Funds are considered a sale for tax purposes. If you hold your mutual fund units in a non-registered account, you may realize a capital gain or loss on such a sale. Examples of switches that are sales or redemptions for tax purposes leading to the realization of a gain or loss include switches from a series of units of one Fund to a series of units of another Fund. For switches that are considered a sale or redemption for tax purposes, such a switch will generally be treated as a redemption of the units being sold and an acquisition of new units using such redemption proceeds, less any expenses on fees payable. On any such switch, the value of your investment will not change (except for any fees you pay to redeem), but the number of units you hold will change. This is because each series of units has a different unit price based on that Fund’s NAV per unit.

If you switch your units of a Fund to units of another Fund, or if you switch the type of account in which you hold your units, your dealer may charge you an additional fee.

### **Processing Orders**

All orders for mutual fund units are forwarded to the principal office of the Funds for acceptance or rejection and each Fund reserves the right to reject any order in whole or in part. Dealers must transmit an order for units to the principal office of the Fund without charge to the investor. They must make such transmittal wherever practical by same day courier, priority post or telecommunications facility. The decision to accept or reject any order for mutual fund units will be made within one business day of receipt of the order by the Fund. In the event that any purchase order is rejected, all monies received with the order are returned immediately to the subscriber without interest. Payment for all orders of mutual fund units must be received at a Fund’s principal office on, or before the settlement date—currently the second business day from (but not including) the day the subscription price for the mutual fund units so ordered is determined. Dealers may make provision in arrangements the Dealer has with an investor that require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of securities of the mutual fund caused by the investor.

All orders placed are settled within the time periods described above. Where payment of the subscription price is not received on a timely basis, Matco, on behalf of the Fund, redeems the mutual fund units ordered by the cut-off time on the first business day following such period. The redemption proceeds reduce the amount owing to the Fund in respect of the failed purchase transaction. If the difference is favourable to the Fund, the Fund keeps the difference. If there is a shortfall, the dealer making the order for mutual fund units pays to the Fund the amount of the shortfall. The dealer may then be able to collect such amount, together with its costs and interest from the investor on whose behalf the application was placed, depending on its arrangements with the investor. Where no dealers have been involved in processing a purchase order, Matco is entitled to collect the amounts described above from the investor who has failed to remit payment.

### **Redemptions**

Unitholders of a Fund may redeem (sell) units of a Fund on any Valuation Date. The redemption price of units of a Fund is based on the NAV per unit of the series being redeemed first determined after the receipt of the redemption order. A unitholder or the unitholder’s dealer must forward such redemption order to RBC IS.

Unless a redemption order is received by RBC IS before 4:00 p.m. (EST) on a Valuation Date, it will be processed for redemption on the next Valuation Date. Matco may require that an investor's signature on any redemption request be guaranteed by a bank, trust company, credit union or otherwise to the satisfaction of Matco. The Fund will pay the redemption proceeds to a unitholder within three business days after the Valuation Date on which a redemption request is processed. A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of the Funds or securities legislation for a redemption of securities of the Funds.

The Funds may redeem all of the units of a particular series owned by a unitholder at the series' NAV per unit, less any applicable redemption charge: (i) if the unitholder no longer satisfies the eligibility requirements with respect to such units; (ii) to the extent necessary to pay any outstanding fees, charges and expenses applicable to such unitholder; (iii) if the redemption of the units is considered necessary by the Manager of any of the Funds to ensure that the Fund complies with the provisions of the Tax Act (as defined herein) governing mutual fund trusts or other legislation or regulatory requirements applicable to the Fund; (iv) to ensure that the Fund does not become subject to the legislation of a foreign jurisdiction; or (v) at any other time provided that the unitholder has been given not less than 60 days prior notice. Unitholders shall be notified when the Fund becomes aware that the unitholder no longer satisfies eligibility requirements and allowed at least 30 days from the date such notice is sent by the Fund to subscribe for additional units of the relevant series or to otherwise satisfy the relevant eligibility requirements before such redemption is affected. In the event that a unitholder does not satisfy the eligibility requirements within such period, the Fund may, at any time thereafter, on such pricing date as may be fixed by the Fund, at its option, redeem all of the units of the series held by such unitholder, including by an exchange of all such units for units of another series of the same Fund that the unitholder is eligible to acquire.

### **Restrictions On Redemption**

Under exceptional circumstances, Matco may be unable to process your redemption order. This would occur if Canadian securities regulators allow us to suspend a unitholder's right to redeem, for example:

1. if normal trading is suspended in any market where securities are traded that represent more than 50% of a Fund's total asset value if those securities are not traded on another market or exchange that represents a reasonable and practical alternative; or
2. in other circumstances with the consent of the Canadian securities regulators.

As permitted by Canadian securities regulators, Matco may suspend the right of unitholders to require a Fund to redeem units and the concurrent payment for units of that Fund tendered for redemption during any period in which Matco determines that conditions exist, which render impractical the sale of any of the property of that Fund or impair the ability to determine the value of any property of that Fund. Matco has established certain policies and procedures, such as a "large unitholder policy and procedure", to enable Matco to make prudent decisions on behalf of all unitholders.

If Matco suspends redemption rights before the redemption proceeds have been determined, an investor in a Fund may either withdraw its redemption request or redeem its units, as applicable, at the NAV per unit next determined after the suspension has been lifted.

Where a suspension occurs, a unitholder may either withdraw their redemption request by notice in writing to Matco or by so instructing their dealer, or receive payment based on the NAV per unit, as determined on the next Valuation Date following the termination of the suspension.

## RESPONSIBILITY FOR OPERATIONS OF THE FUNDS

### General

The operations of the Funds and the party involved in the administration of such operations are as follows:

OPERATION	RESPONSIBILITY	NATURE OF OPERATIONS
General Management and Administration	Matco	Provides management and administration of the Funds.
Portfolio Manager	Matco	Provides management of the portfolio assets, including the of investment analysis, investment recommendations and the of investment decisions along with responsibility for the of non-proprietary managers utilized within an overlay  Holds responsibility for the purchase and sale of portfolio assets of the Funds and the making of brokerage arrangements relating to transactions of portfolio assets.
Distribution of Funds	Matco and authorized dealers	Provide for the distribution of the shares or units of the Funds.
Trustee	RBC Investor Services Trust	Generally holds power and authority for the fund over the business and affairs of the Funds in accordance with the terms and conditions of the Trust Agreement.
Custodian and Fund Accounting	RBC Investor Services Trust	Holds the assets of the Funds and, as service provider, provides valuation and recordkeeping services and performs periodic valuation of each Fund's net assets.
Oversight of Manager	Independent Review Committee	Reviews conflict-of-interest matters relating to compliance periodically delivered by the Funds referred to it by Matco reviews Matco. See " <b>Fund Governance - Independent Review Committee</b> " on page 21.
Ultimate Designated Person	Jason Vincent	Acts as "ultimate designated person" for the Funds, supervising activities of the Funds directed towards ensuring and promoting compliance with securities legislation by the Funds and individuals acting on their behalf.

A more detailed discussion of each of these Fund operations is set forth below:

### Manager

Matco is the manager of the Funds. Matco was incorporated under the laws of Alberta on August 14, 2006. The address and phone numbers of Matco are as follows:

Suite 350, 440-2nd Avenue S.W., Calgary, Alberta T2P 5E9

tel: 1.403.539.5740

toll-free: 1.877.539.5743

fax: 1.403.539.5744

website: [www.matcofinancialinc.com](http://www.matcofinancialinc.com)

e-mail: [matco@matcofinancial.com](mailto:matco@matcofinancial.com)

Matco has been retained by the Funds under the Trust Agreement, as amended from time to time, to provide investment advisory and administrative services and facilities to the Funds.

Matco has no obligation to the Funds other than to render services under the Trust Agreement honestly and in good faith and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Directors And Officers Of Matco and the Corporation**

The names, municipalities of residence, offices held with Matco and principal occupations of the directors and executive officers of Matco are as follows:

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Occupation</b>
Jason N. Vincent Calgary, Alberta	Director, President & Chief Operating Officer, Ultimate Designated Person	President & Chief Operating Officer of Matco and the Corporation
William K. Dickie Calgary, Alberta	Director and Vice Chairman	Director and Vice Chairman of Matco
Ronald P. Mathison Calgary, Alberta	Director and Chairman	President & Chief Executive Officer of Matco Investments Ltd., a private firm specializing in corporate turnarounds and providing capital and management expertise to private and public companies
Trevor Galon Calgary, Alberta	Chief Investment Officer of Matco	Chief Investment Officer of Matco
Heidi L. Conrad Calgary, Alberta	Chief Financial Officer & Secretary	Chief Financial Officer of Matco and the Corporation
Jaime Morin Calgary, Alberta	Client Associate & Chief Compliance Officer	Chief Compliance Officer of Matco and the Corporation

Biographies of each director and executive officer, including their principal occupations for the last five years, are set forth below:

*Jason N. Vincent, PFP, TEP*

#### **Director, President & Chief Operating Officer, Ultimate Designated Person**

Mr. Vincent focuses on strategic development and corporate operations. Prior to co-founding Matco, Mr. Vincent was executive vice president of Bissett Private Client and later Fiduciary Trust Company of Canada.

*William K. Dickie, CFA*

#### **Director and Vice Chairman**

Mr. Dickie is responsible for the strategic development and investment operations of Matco. Previously, he was president and director of Fiduciary Trust Company of Canada, where he was responsible for establishing and managing the firm.



*Ronald P. Mathison, CA, CBV, CFA*

**Director & Chairman**

Mr. Mathison is president, chief executive officer and sole shareholder of Matco Investments Ltd., a private firm specializing in corporate turnarounds and providing capital and management expertise to private and public companies.

Mr. Mathison indirectly holds a controlling interest in Riverside Quays Limited Partnership (“**RQLP**”), a private Alberta limited partnership that is involved in the construction of and sale of a 700-unit condominium project in Calgary, Alberta. Mr. Mathison was a director of Statesman Riverside Quays Ltd. (“**SRQL**”), the former general partner of RQLP. SRQL, without Mr. Mathison’s authorization or approval, caused RQLP to default on its loan obligations to its lender and, on December 15, 2010, the lender obtained a court order appointing a receiver of SRQL and RQLP. Mr. Mathison subsequently arranged for the full payout of the loan to RQLP’s lender and for the appointment of a new general partner of RQLP. The receiver of SRQL and RQLP was discharged.

Mr. Mathison was a director of Tesla Exploration Ltd. (“**Tesla**”) and resigned on July 25, 2016. Tesla was placed into receivership by its Canadian credit facility lender on July 25, 2016.

*Trevor Galon, CFA*

**Chief Investment Officer**

Mr. Galon is responsible for overseeing Matco’s investment platform. He began his career at Greystone Managed Investments where he was a part of their investment team for over 5 years.

*Heidi L. Conrad, CA*

**Chief Financial Officer**

Ms. Conrad is responsible for compliance with public reporting obligations and implementing controls and procedures. Prior to joining Matco, Ms. Conrad was controller for Capita Funds Inc., an exempt market investment company. Prior to that, Ms. Conrad served as controller for Canoe Financial Corp. for over 5 years.

*Jaime Morin, BA*

**Client Associate & Chief Compliance Officer**

Mrs. Morin has extensive experience in client relationship management and over 15 years of experience in compliance. She has supported multiple portfolio managers with both wealth and advisory relationships. Along with Chief Compliance Officer her previous roles included, Operations Manager and Branch Manager. Mrs. Morin graduated from the University of Calgary with a Bachelor of Economics.

Biographies of each director and executive officer, including his or her principal occupations for the last five years, are set forth above under “**Responsibility For Operations of the Funds - Directors and Officers of Matco**” on page 12.

**Management And Trustee Of The Funds**

Matco has been appointed as Manager of the Funds and RBC IS has been appointed as Trustee. For more information see “**Responsibility for Operations of the Funds - Manager**” on page 11.

**Portfolio Manager**

Matco provides investment advice and portfolio management services for each of the Funds. The Trust Agreement outlines the investment advisory services to be provided by Matco. For more information see “**Responsibility for Operations of the Funds - Manager**” on page 11. Portfolio management decisions are made by the below listed portfolio managers as a group and overseen by the Investment Committee.

Matco is required to comply with the investment restrictions and objectives of each of the Funds and to execute trades in a cost-effective manner. Matco may consider research, statistical analysis and other services provided to the Funds by various brokers in determining whether brokerage commissions and execution costs are relatively competitive.

Investment decisions are independently formulated by Matco. Matco additionally uses the services of non-proprietary managers as well as research providers as described below, see “**Responsibility for Operations of the Funds - Non-proprietary Investment Management Services**” and “**Responsibility for Operations of the Funds - Research Providers**” on pages 16 and 17, respectively. Investment decisions are implemented according to the investment objectives of each Fund.

Jason N. Vincent, President and Chief Operating Officer of Matco, together with the portfolio managers of the Funds, is principally responsible for the day-to-day management of the portfolio of the Funds and is the Funds “Ultimate Designated Person”. See “**Responsibility for Operations of the Funds - Manager**” on page 11.

The day-to-day investment decisions in respect of each Fund are made by the following individuals:

**Matco Balanced Fund and Matco Fixed Income Fund**

<b>Individual Portfolio Manager</b>	<b>Company</b>	<b>Experience</b>
Trevor Galon, CFA	Matco	Mr. Galon has over ten years of industry experience on the buy-side dealing with both institutional clients as well as private high net worth clients. He began his career at Greystone Managed Investments where he was part of the fixed income team for five years. His responsibilities ranged from trading and portfolio management to client service and research. He joined Matco in 2015 and is part of Matco's investment committee as well as Matco's Canadian equity working group. His primary roles range from macro-economic analysis, bottom-up stock research, as well as involvement in the management of fixed income assets. Mr. Galon graduated from the University of Regina and has earned the Chartered Financial Analyst (CFA) designation. Mr. Galon has been with Matco since April 2015.

**Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund) and Matco Small Cap Fund**

<b>Individual Portfolio Manager</b>	<b>Company</b>	<b>Experience</b>
Anil Tahiliani, MBA, CFA	Matco	As Vice-President and Portfolio Manager, Mr. Tahiliani draws on over 25 years of experience in the investment management industry, serving private, institutional, and not-for-profit clients. He is also a member of Matco's investment committee, asset allocation committee and Canadian equity working group. Prior to joining Matco, Mr. Tahiliani was Director of Research and Portfolio Manager for 16 years at McLean & Partners Wealth Management. Earlier in his career, he worked at Bissett and Associates Investment Management as a Portfolio Manager as well as at the Alberta Treasury Department. As an entrepreneur, he co-founded three start-up companies in the United States and served as the Chief Financial Officer of each. Mr. Tahiliani holds the Chartered Financial Analyst designation (CFA), the Chartered Investment Management designation (CIM), a Master of Business Administration (MBA) from the University of Windsor and a Bachelor of Management from the University of Lethbridge.
Trevor Galon, CFA	Matco	Mr. Galon has over ten years of industry experience on the buy-side dealing with both institutional clients as well as private high net worth clients. He began his career at Greystone Managed Investments where he was part of the fixed income team for five years. His responsibilities ranged from trading and portfolio management to client

service and research. He joined Matco in 2015 and is part of Matco’s investment committee as well as Matco’s Canadian equity working group. His primary roles range from macro-economic analysis, bottom-up stock research, as well as involvement in the management of fixed income assets. Mr. Galon graduated from the University of Regina and has earned the Chartered Financial Analyst (CFA) designation. Mr. Galon has been with Matco since April 2015.

**Matco Global Equity Fund**

<b>Individual Portfolio Manager</b>	<b>Company</b>	<b>Experience</b>
Baron Lee, CFA	Matco	Mr. Lee has over ten years of buy-side experience with two respectable firms. He began his career at Franklin Templeton Investments and later joined Matco Financial where he is currently an Analyst. His responsibilities range from trading both equity and fixed income securities to fundamental research on North American equities. He is a member of Matco’s investment committee. He graduated from the University of Lethbridge with a Bachelor of Management degree and has earned the Chartered Financial Analyst (CFA) designation. Mr. Lee has been with Matco since May 2010.
Trevor Galon, CFA	Matco	Mr. Galon has over ten years of industry experience on the buy-side dealing with both institutional clients as well as private high net worth clients. He began his career at Greystone Managed Investments where he was part of the fixed income team for five years. His responsibilities ranged from trading and portfolio management to client service and research. He joined Matco in 2015 and is part of Matco’s investment committee as well as Matco’s Canadian Equity working group. His primary roles range from macro-economic analysis, bottom-up stock research, as well as involvement in the management of fixed income assets. Mr. Galon graduated from the University of Regina and has earned the Chartered Financial Analyst (CFA) designation. Mr. Galon has been with Matco since April 2015.

**Non-Proprietary Investment Management Services**

As part of Matco’s provision of portfolio management services and investment strategy, Matco has the ability to utilize the services of non-proprietary (external) managers within the group of Matco Funds. Matco’s primary expertise relates to Canadian securities and, as a result, U.S. and international focused investment expertise can be accessed through non-proprietary managers. If utilized, non-proprietary (external) managers provide day-to-day analysis, investment advice and portfolio management relating to the investment of the portion of the Fund(s)’ assets that are assigned to them.

The non-proprietary managers conduct their own research and analysis and make independent investment and portfolio management decisions regarding a Fund’s investment portfolio. All Fund portfolios are constructed

and managed by reference to the established investment objectives, policies, strategies and restrictions guidelines. Responsibility for ensuring the implementation of the appropriate policy for each Fund rests with Matco, although Matco does not provide prior approval or review of specific investment portfolio decisions made by the non-proprietary managers. When providing investment advice and management to the Manager and the Funds, the non-proprietary managers must work exclusively within the Matco Funds investment guidelines at all times as well as within the specific investment restrictions and practices described in the Funds' Simplified Prospectus and the standard investment restrictions and practices set forth in NI 81-102. Each sub-advisor has compliance staff who test a Fund's portfolio trading activities and holdings against the established investment policies. See "**Investment Restrictions and Practices**" on page 2. The Manager monitors and evaluates the performance of each of the non-proprietary managers. The officers of the Manager, responsible for investments, regularly meet to confirm that investment decisions, made in respect of the Funds, conform with the investment objectives and strategies set out in the Funds' Simplified Prospectus. Matco employs a rigorous investment management process that ensures non-proprietary managers are satisfying the required objectives.

If objectives are not met, Matco has the authority to make adjustments. If any non-proprietary manager is found to be in material breach of any of its obligations under their agreement with Matco, and such breach remains in effect thirty (30) days after having received notice of such breach, Matco's agreements with such non-proprietary manager may be terminated. The circumstances under which such a breach may give rise to termination include, but are not limited to: breach of investment mandate or compliance; such manager not possessing the appropriate registrations; bankruptcy; and such manager not achieving performance expectations.

### **Research Providers**

Matco primarily performs its own independent securities research. However, Matco receives research from third party companies to help locate and advise on potential investments, and to provide day-to-day analysis and investment advice without directly assisting in the management of the investment portfolio of a Fund.

### **Brokerage Arrangements**

Matco makes decisions as to the purchase and sale of portfolio securities and other assets of the Funds such as cash and term deposits as well as decisions regarding the execution of portfolio transactions of a Fund. Matco seeks to obtain the best execution and net price of securities transactions when arranging or executing trades on behalf of the Funds. Trades are generally allocated to brokers based on a number of factors, including execution capability, commission rate, financial responsibility and responsiveness with best price normally an important factor.

Matco may direct brokerage transactions for the Funds to dealers who provide Matco with research and brokerage products and services, when appropriate, under its discretionary authority and consistent with its duty to obtain best execution. The brokerage commissions that are used to acquire research in these types of arrangements are known as "soft dollars." Dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the dealer) or third-party (created by a third party but provided by the dealer). Matco uses soft dollars to acquire both proprietary and third-party research. Regulatory guidelines permit an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. In determining whether a service or product qualifies as research or brokerage, Matco evaluates whether the service or product provides lawful and appropriate assistance to Matco in carrying out its investment decision-making responsibilities.

Research and brokerage services acquired with soft dollars may include reports and publications on the

economy, industries, sectors and individual companies or issuers; statistical reports and information on the economy, issuers, trade; computer hardware and software related to research, trading and settlement processes; consulting services for developing research based hardware and software; trade quality analysis; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; information on technical market actions; credit analyses; on-line quotation, trading and settlement systems; risk measurement; analyses of corporate responsibility issues; news services; portfolio modeling and portfolio compliance systems; and financial and market database services and proxy voting services. Mixed use products or services may also be obtained by Matco with soft dollars. Mixed use products or services provide both research and non-research benefits, Matco will treat the product or service as a “mixed use” item and will pay for the non-research portion with cash rather than soft dollars. When acquiring a mixed use item, Matco will allocate the cost of the product between soft dollars and cash according to its anticipated use of the product, i.e., how the product or service will be used and by whom. Although the allocation between soft dollars and cash will not always be a precise calculation, Matco will make a good faith effort to reasonably allocate such services.

### **Custodian/Trustee**

Matco has appointed RBC IS of Toronto, Ontario, as custodian of the Funds to hold portfolio securities of the Funds and, as service provider, to maintain applicable Funds registers, pursuant to the terms of the Trust Agreement and a custodian agreement dated June 29, 2007 between the Corporation and RBC IS (the “**Custodian Agreement**”). The Custodian Agreement was amended and restated December 15, 2009, August 12, 2011, April 30, 2016, and October 25, 2017.

The Funds pay RBC IS a service fee as described in the Custodian Agreement and Valuation and Recordkeeping Services Agreements. These fees accrue within the Funds and form part of the operational expenses of the Funds. The Custodian Agreement with RBC IS may be terminated by either party on 30 days prior written notice or immediately by either party on written notice if:

1. either party ceases to carry on business, becomes bankrupt or insolvent, is wound up or liquidated or if a receiver of any of the assets of the other party is appointed;
2. either party commits a material breach of the Custodian Agreement and shall not have remedied such breach within 60 days after written notice requiring the same to be remedied; or
3. if the Custodian ceases to meet the regulatory requirements for acting as custodian of the Funds’ assets.

Marketable securities are held at the Custodian’s principal offices in Toronto, Ontario with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by the Custodian or under its authority in various foreign jurisdictions, where a Fund may have assets invested. The Custodian or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system.

RBC IS additionally serves as the trustee of the Funds and provides valuation and recordkeeping services for the Funds. RBC IS is independent of the Manager.

### **Auditor**

KPMG LLP, located in Calgary, Alberta, are the auditors of the Manager and the Funds and have confirmed with respect to the Manger and the Funds that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## Securities Lending Agent

RBC IS of Toronto, Ontario acts as securities lending agent for any of the Funds that engage in securities lending. The securities lending agent is independent of the Manager.

A Fund must hold collateral worth no less than 102% of the value of the loaned securities. The amount of collateral is adjusted daily to ensure this level is maintained and may only consist of cash, qualified securities or securities that can be immediately converted into identical securities to those that have been loaned. A Fund cannot lend more than 50% of the total value of its assets through securities lending and a Fund's total exposure to any one borrower must be less than 10% of the total value of the Fund's assets. The securities lending agent indemnifies the Funds against any shortfall between the market value of loaned securities and collateral held against such securities. The agreement may be terminated by either party upon the provision and receipt of written notice.

## CONFLICTS OF INTEREST

Matco and its affiliates, directors and officers may engage in the promotion, management or investment management of any other fund or other investment vehicle and certain conflicts may arise from time to time in the management of such funds or vehicles and in determining appropriate investment opportunities.

The Funds are managed by Matco, who additionally acts as a dealer of such Funds in the provinces of Alberta, Saskatchewan, Manitoba, Ontario and, British Columbia. As such, the Funds are subject to the restrictions set out in Section 4.1 of NI 81-102, which provide that a Fund shall not knowingly make an investment during, or for 60 days after, the period in which Matco or an affiliate of Matco acts as an underwriter in the distribution of the investment. In addition, a Fund shall not knowingly make an investment in securities, where a partner, director, officer or employee of Matco or its affiliates is a partner, director or officer of the issuer of the securities, unless the partner, director, officer or employee: (i) does not participate in the formulation of investment decisions; (ii) does not have access before implementation to information concerning investment decisions; and (iii) does not generally influence the investment decisions.

In addition and as further described below under “**Fund Governance - Independent Review Committee**” on page 21, the Funds have established an independent review committee to which conflict-of-interest matters are referred. The establishment of an independent review committee is a regulatory requirement under National Instrument 81-107 - *Independent Review Committee for Mutual Funds* (“**NI 81-107**”) and in accordance with NI 81-107, Matco must have policies and procedures relating to conflicts of interest.

## Principal Holders Of Securities

As at May 31, 2020, except as set out below, no person or company owned of record or, to the knowledge of the Funds, beneficially, directly or indirectly, owns more than 10% of the outstanding units of any series of the Funds.

As at May 31, 2020, the outstanding shares of Matco are owned or controlled 18.68% by Jason N. Vincent (18,677 shares), 14.29% by William K. Dickie (14,285 shares), 12.87% by Trevor Galon (12,866 shares) and, 43.44%, indirectly, by Ronald P. Mathison (43,435 shares).

Ronald P. Mathison, a director of both Matco and the Corporation, owns or controls entities with the total combined ownership in the Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund) – Series F of 15.9% (representing 0.8% of all of the units of the Fund) as at May 31, 2020

Michael Smith, a member of the IRC, owns or controls, directly or beneficially, 552,418.89 units of the Matco Small Cap Fund, Series O as at May 31, 2020, representing 11.6% of Series O of the Matco Small Cap Fund

and 10.4% of all series of the Matco Small Cap Fund.

The following table sets out the aggregate percentage of each series of units of the Funds, beneficially owned, directly or indirectly, by the directors and senior officers of Matco, as at May 31, 2020.

NAME OF FUND OR COMPANY	SERIES/CLASS	PERCENTAGE OWNED
Matco Fixed Income Fund	A series	Nil
	F series	Nil
	O series	Nil
Matco Balanced Fund	A series	Nil
	F series	Nil
	O series	1.4%
Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund)	A series	Nil
	F series	15.9%
	O series	0.5%
Matco Small Cap Fund	A series	Nil
	F series	Nil
	O series	0.8%
	N series	Nil
Matco Global Equity Fund	A series	Nil
	F series	1.6%
	O series	0.3%

The members of the IRC in aggregate, directly or indirectly, beneficially owned the following units of the Funds as at May 31, 2020:

NAME OF FUND OR COMPANY	SERIES/CLASS	PERCENTAGE OWNED
Matco Fixed Income Fund	A series	Nil
	F series	Nil
	O series	1.4%
Matco Balanced Fund	A series	Nil
	F series	0.9%
	O series	3.3%
Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund)	A series	Nil
	F series	13.6%
	O series	7.8%
Matco Small Cap Fund	A series	Nil
	F series	4.6%
	O series	11.6%
	N series	Nil



Matco Global Equity Fund	A series	Nil
	F series	Nil
	O series	3.3%

In addition to the above, the Manager owned 153.129 Series A units of the Fixed Income Fund, representing 100% of the outstanding units of such series and less than 1% of all the outstanding units of such Fund, and 158.876 Series A units of the Global Equity Fund, representing 18% of the outstanding units of such series and less than 1% of all the outstanding units of such Fund. Disclosure relating to the amount of fees received from the Funds by each affiliate or related party of the Funds is contained in the Funds' audited financial statements.

## FUND GOVERNANCE

Fund governance refers to the policies, practices and guidelines of the Funds that relate to:

- business practices;
- sales practices; and
- internal conflicts of interest.

The Board of Directors of Matco, as Manager of the Funds, has adopted or arranged for appropriate policies, procedures and guidelines to ensure the proper management of the Funds. These include best execution practices, soft dollar arrangements, brokerage arrangements, trade allocation practices, recordkeeping, privacy and complaints. The systems that have been implemented monitor and manage the business practices, risk and internal conflicts of interest relating to the Funds while ensuring compliance with regulatory and corporate requirements.

In addition to the oversight of the Funds' operations required to be carried out by Matco, the Funds have a trustee with the fiduciary duties of a trustee being owed to each Fund. Under the ABCA, the directors of Matco must act honestly, in good faith and in the best interests of the Matco, and must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances. To help them carry out their obligations to the Funds' investors, the trustee has engaged Matco to act as Manager of the Funds under the terms of the Trust Agreement. The trustee of the Funds is independent of Matco.

### Independent Review Committee

The Funds have established an Independent Review Committee (the "IRC") to which conflict-of-interest matters relating to the Funds are referred by the Manager for review or approval in accordance with NI 81-107. The mandate of the IRC is to review all conflict-of-interest matters relating to the Funds referred to it by the Manager and to approve or withhold its approval from such matters in accordance with its written charter, NI 81-107 and applicable securities laws. The members of the IRC are Alan Akers, Mike Smith and F. Andrew Abbott. Mr. Akers is the Chair of the IRC.

The Manager has established written policies and procedures for dealing with conflict-of-interest matters, maintains records in respect of these matters and provides assistance to the IRC in carrying out its functions. The IRC is required to be comprised of a minimum of three independent members and is subject to requirements to conduct regular assessments and provide reports to the Manager and shareholders and unitholders in respect of its functions at least annually.

The Manager reports to the IRC regularly on the operation of the Funds and periodically on: (i) compliance

with their policies and procedures for dealing with conflict-of-interest matters; (ii) appropriate resolution of potential or perceived conflicts of interest; and (iii) compliance with regulatory requirements.

The Funds pay the fees and expenses of the IRC that relate to the Funds. During the financial year ended December 31, 2019, the Funds paid compensation of an aggregate of \$17,500 to the members of the IRC, being \$5,833 to each of Messrs. Akers, Smith and Abbott. IRC fees for the funds for the year ending December 31, 2019 were paid as follows: \$3,500 by the Matco Fixed Income Fund, \$3,500 by the Matco Balanced Fund, \$3,500 by the Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund) and its predecessor, the Matco Canadian Equity Class, \$3,500 by the Matco Small Cap Fund and its predecessor, the Matco Small Cap Class, and \$3,500 by the Matco Global Equity Fund and its predecessor, the Matco Global Equity Class.

### **Derivatives**

Derivatives can be used by the Funds to achieve their investment objective as disclosed in the Funds' Simplified Prospectus. If utilized, derivatives will comply with all applicable securities legislation and regulations as disclosed in the Funds' Simplified Prospectus. Oversight of derivatives trading is undertaken by Matco and the Funds' non-proprietary managers. Procedures relating to the use of these derivatives are developed with the counterparty and are reviewed annually by Matco. Written policies and procedures will be established by management to manage the risk associated with derivatives upon the use of such transactions. As of the date hereof, the Funds have not engaged in any derivatives trading. As such, no trading limits or controls on such trading have been put in place, no individuals monitor risks associated with such trading, and no risk measurement procedures or simulations are used.

### **Securities Lending**

The Funds may engage in securities lending, repurchase or reverse repurchase transactions from time to time. Securities lending involves lending, for a fee, portfolio securities held by a Fund for a set period of time to willing, qualified borrowers who have posted collateral. The Funds intend to enter into securities lending arrangements from time to time to the extent permitted. In lending its shares or units, a Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the shares or units it has lent, resulting in a loss to the Fund. To limit this risk, a Fund must hold collateral worth no less than 102% of the value of the loaned shares or units and the amount of collateral is adjusted daily to ensure this level is maintained. The collateral may only consist of cash, qualified securities or securities that can be immediately converted into securities identical to those that have been loaned. A Fund cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions and a Fund's total exposure to any one borrower in securities, derivative transactions and securities lending must be less than 10% of the total value of the Fund's assets.

Policies and procedures relating to any securities lending transaction entered into on behalf of a Fund are developed by Matco and RBC IS, acting as the Funds' agent in administering the transaction. Any agreements, policies and procedures that are applicable to a Fund relating to securities lending will be reviewed by senior management of Matco periodically as deemed appropriate. RBC IS, as agent lender, administers securities lending transactions on behalf of the Fund, with Matco being responsible for setting and reviewing agreements, policies and procedures relating to such transactions. While the entering into of securities lending transactions and policies, procedures and agreements relating thereto are monitored by RBC IS, as agent, and Matco. Matco has entered into a securities lending agreement.

### **Short-Term Trades**

Short-term trading can hurt a Fund's performance by forcing the portfolio manager to keep more cash in the Fund than would otherwise be required or to sell investments at an inappropriate time. To deter short-term trading, Matco has implemented a 90-day redemption and switch fee of 2% (see "**Fees and Expenses**" in the

Simplified Prospectus of the Funds). The fees may not apply to unitholders of Series O units of a Fund if they are held on a discretionary basis and managed by Matco. No formal or informal arrangements have been made to allow for short-term trading in any of the Funds. The Manager assesses the short-term trading fee charged to an investor on a case-by-case basis and may, at its absolute discretion, reverse the short-term trading fee. For purposes of a short-term trading fee, units will be considered to be redeemed on a first-in first-out basis.

Matco has implemented a policy of monitoring short-term trading and where appropriate will charge a holder of Fund Securities through RBC IS. Matco monitors trading activity and, where appropriate, will charge a holder of Fund securities the applicable short-term trading fee. For Series O units of a Fund, Matco has the discretion to waive this short-term trading fee as these investments are primarily managed on a discretionary basis by Matco.

### **Voting Of Proxies**

Matco has adopted proxy voting guidelines to ensure that proxies are voted in accordance with good corporate governance practices.

Matco has a responsibility to address all proxy voting materials for all public security matters put forward by the companies we hold in our Funds. Matco must use its best judgement and vote in accordance with the best interest of each Fund and its unitholders. Matco has put in place policies and procedures to address our voting process and in some cases our decision not to vote.

Matco generally refers the matter to the IRC for direction in any circumstance where a vote presents a conflict between the interests of unitholders of a Fund and those of Matco, the Fund or a Fund's portfolio sub-advisor or any of their associates.

Matco will maintain for each fund a proxy voting record that will include the name of the issuer, the exchange ticker symbol, the CUSIP number, the meeting date, a brief description of the matter(s) to be voted on, whether the matter(s) was proposed by the issuer, its management or another person or company, whether we voted on the matter(s); if applicable how we voted on the matter(s) and whether the votes cast by us were for or against the recommendations of management of the issuer.

The specific policies and procedures that the Funds follow, when voting proxies relating to portfolio securities, are available upon request, at no cost, by calling toll-free: 1.877.539.5743 or by writing to Matco, Suite 350, 440-2nd Avenue S.W., Calgary, Alberta, T2P 5E9. The Funds' proxy voting record for the most recent period ended June 30 of each year is available free of charge to any unitholder of a Fund upon request at any time after August 31 of that year and will additionally be available on the Funds' website at [www.matcofinancialinc.com](http://www.matcofinancialinc.com).

### **FEES AND EXPENSES**

Each Fund pays Matco a management fee monthly, which is unique to each series of units of a Fund as set out in such Fund's Simplified Prospectus. With respect to the Series O units of a Fund, and to encourage large investments, the Manager may individually negotiate a management fee. A Series O management fee may be lower than management fees payable in respect of Series A or Series F units of a Fund. Factors applicable in negotiating such lower fees include, but are not limited to, size of investment, servicing requirements and frequency of purchases. In addition to the fee payable to Matco, each Fund is responsible for its operating expenses (other than fees payable to any investment advisor, which are payable by Matco). Series O management fees are negotiable directly with the Manager by each investor, but in any case, will not exceed Series A of a particular Fund.

From time to time, and at the discretion of the Manager, management fee rebates may be negotiated directly

with securityholders making large investments in the Funds. Such rebates from series of the Funds are made as distributions from the Funds and are first paid out of net income, then realized capital gains, then capital. There is no impact to other investors. Management fee rebates or distributions are settled through reinvestment in additional securities of a Fund unless otherwise agreed by the Manager. The value of the rebate becomes the cost base of the reinvestment.

## **INCOME TAX CONSIDERATIONS**

This section provides a general summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the “**Tax Act**”), as of the date hereof, for the Funds and for holders of units issued by the Funds who, for purposes of the Tax Act, are individuals (other than trusts) resident in Canada, hold such units as capital property, deal with the Funds at arm’s length, and are not affiliated with the Funds. This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), and the published administrative practices of the Canada Revenue Agency. This summary does not take into account or anticipate any changes in law, other than the Tax Proposals, whether by legislative, administrative or judicial action and it does not address provincial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be exhaustive and does not constitute legal or tax advice to any particular investor. Investors are advised to consult their tax advisors with respect to their individual circumstances.**

### **Taxation of the Funds**

The Funds are, and are expected to continue to qualify as, mutual fund trusts under the Tax Act.

In computing its income, a Fund will include taxable distributions received and considered to be received on securities held by it and the taxable portion of capital gains realized by the Fund on the disposition of securities held by it. Each of the Funds is required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of the U.S. dollar or other relevant currency relative to the Canadian dollar. The Trust Agreement governing the Funds requires that each Fund distribute its net income for tax purposes and net realized capital gains, if any, for each taxation year to unitholders to such an extent that the Funds generally will not be liable in any taxation year for income tax under Part I of the Tax Act on such net income and net realized capital gains (after taking into account any applicable losses of the Funds and any capital gains refunds to which the Funds are entitled).

Based on proposed amendments to the Tax Act contained in draft legislation released on July 30, 2019, if enacted as proposed, if a Fund is a mutual fund trust for tax purposes throughout the year it would be prohibited from claiming a deduction in computing its income for the year for amounts of income that are allocated to redeeming unitholders in the year and would be limited in its ability to claim a deduction in computing its income for amounts of capital gains that are allocated to redeeming unitholders in the year. If such proposed amendments are enacted in their current form, the taxable component of distributions to non-redeeming unitholders in a Fund may increase in a taxation year if the Fund makes allocations of income or capital gains to redeeming unitholders in the taxation year.

All of a Fund’s deductible expenses, including expenses common to all of the series of the Fund and the management fees and other expenses specific to a series of the Fund, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

If appropriate designations are made by the underlying funds in which a Fund invests, the nature of distributions from the underlying funds that are derived from taxable dividends received from taxable Canadian corporations

(including eligible dividends), foreign income and capital gains will be preserved in the hands of the Fund that receives the distributions for the purpose of computing its income and making designations with respect to its own distributions to its unitholders. A Fund may also receive distributions of ordinary income from the underlying funds. The nature of such amounts received by a Fund may be reflected in distributions from that Fund to its unitholders.

Where the amount of distributions paid by an underlying fund to a Fund in a year exceeds the underlying fund's income and capital gains, such excess amount will not be included in the recipient Fund's income (unless the underlying fund elects to treat the excess amount as income) but will reduce the adjusted cost base of its units of the underlying fund for the purpose of calculating a capital gain or loss on a future disposition of the units of the underlying fund. If the adjusted cost base of a unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the holder and the holder's adjusted cost base of the unit will then be nil.

A Fund or an underlying fund may derive income or gains from investments in the foreign countries and, as a result, may be liable to pay tax to such countries. A Fund may designate a portion of the foreign source income in respect of a unitholder so that such income and a portion of the foreign tax paid may be regarded as foreign source income of, and foreign tax paid by, the unitholder for the purposes of the foreign tax credit provisions of the Income Tax Act (Canada).

Generally, each Fund holding derivatives as a substitute for direct investment will include gains and deduct losses on income account in connection with its derivative activities and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. Where a Fund uses derivatives to hedge foreign currency exposure with respect to securities held on capital account, the derivatives are sufficiently linked to such securities and the derivatives are not subject to the derivative forward agreement rules ("**DFA Rules**") discussed below, gains or losses realized on such derivatives will be treated as capital gains or losses.

The DFA Rules in the Tax Act deem gains on the settlement of certain forward agreements (described as "derivative forward agreements") to be included in ordinary income rather than treated as capital gains. Under the DFA Rules, the return on a derivative entered into by a Fund that is a "derivative forward agreement" within the meaning of the Tax Act will be taxed as ordinary income rather than capital gains. However, currency forward contracts or certain other derivatives that are entered into by a Fund in order to hedge foreign exchange risk in respect of its investments held as capital property are generally exempt from such treatment under the DFA Rules.

Losses incurred by a Fund cannot be allocated to unitholders but may be carried forward and deducted by the Fund in future years.

The Funds may be subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when a Fund, or a person affiliated with the Fund within the meaning of the Tax Act, acquires a property (a "substituted property") that is the same or identical to the property sold, within 30 days before and 30 days after the disposition and the Fund, or affiliated person, owns the substituted property 30 days after the original disposition. If a loss is suspended, the applicable Fund generally cannot deduct the loss from the Fund's capital gains until the substituted property is sold and is not reacquired by the Fund or an affiliated person within 30 days before and after the sale, which may increase the amount of net realized capital gains of the Fund to be made payable to its unitholders.

Rules in the Tax Act that apply to "loss restriction events" (as defined in the Tax Act) of certain trusts (the "**LRE Rules**") may have an impact on a Fund in certain circumstances. Generally, unless a Fund qualifies for the exemption from the LRE Rules described below, the Fund will have a "loss restriction event" if any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, acquires units of the Fund having a fair market value that is greater than 50% of the fair market value of all the units of the Fund. Upon the occurrence of a "loss restriction event", the Fund would have a deemed year-end resulting

generally in a short taxation year, any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable as a distribution on the units held by unitholders of record of the Fund on the record date for such distribution and the Fund would be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the “loss restriction event”. Trusts that qualify as “investment funds” as defined in the LRE Rules are generally exempt from such adverse consequences. An “investment fund” for this purpose includes a trust that meets certain conditions, including qualifying as a “mutual fund trust” for purposes of the Tax Act (without having regard to the number of its unitholders), not using any property in the course of carrying on a business and complying with certain asset diversification requirements.

A Fund may be subject to section 94.1 of the Tax Act if the Fund holds or has an interest in “offshore investment fund property”. In order for section 94.1 of the Tax Act to apply to the Fund, the value of the interest must reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments of the offshore investment fund property. If applicable, these rules can result in the Fund including an amount in its income based on the cost of the Fund’s offshore investment fund property multiplied by a prescribed interest rate. These rules would apply in a taxation year to the Fund if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Fund acquiring, holding or having the investment in the entity that is an offshore investment fund property, was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom for any particular year were significantly less than the taxes that would have been applicable if such income, profits and gains had been earned directly by the Fund.

A Fund that is not a mutual fund trust may become subject to alternative minimum tax, Part X.2 tax and Part XII.2 tax under the Tax Act, and would not be entitled to capital gains refunds. The Manager will use reasonable efforts to manage the investments of the Funds so that they will not be liable for any of these taxes.

If one or more “financial institutions”, as defined in the Tax Act, owns more than 50% of the fair market value of the units of a Fund which does not become or ceases to be a mutual fund trust, then that Fund will be a “financial institution” for purposes of the Tax Act and as such subject to certain “mark-to-market” tax rules. Where the Fund becomes a “financial institution”, the tax year of the Fund will be deemed to end immediately before that time and any gains or losses accrued on certain securities before that time will be deemed realized by the Fund and will be distributed to unitholders. If financial institutions subsequently cease to hold more than 50% of the fair market value of the units of a Fund or if the Fund subsequently qualifies as a mutual fund trust at any time during a taxation year of the Fund, the Fund’s taxation year will be deemed to end, and any gains and losses accrued to that time will similarly be recognized and included in amounts distributed to unitholders. A new taxation year for the Fund will then begin and for that and subsequent taxation years, for so long as either the Fund is a mutual fund trust or not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to these special mark-to-market rules.

### **Taxable Unitholders of the Funds**

A unitholder will generally be required to include in income, for tax purposes for any year, the amount (computed in Canadian dollars) of income and net taxable capital gains, if any, paid or payable by the Fund to the unitholder in the year and deducted by the Fund in computing its income for tax purposes, whether or not such amounts are paid in cash or are reinvested in additional units of the Fund. Any amounts reinvested in additional units of a Fund will be added to the unitholder's adjusted cost base of such units.

Any amount received by a unitholder in excess of the unitholder’s share of the net income of the Funds generally will not be required to be included in the unitholder’s income but, except to the extent that it constitutes the unitholder’s share of the non-taxable portion of capital gains realized by the Funds and designated to the unitholder, generally will reduce the adjusted cost base of the unitholder’s units. To the extent that a unitholder’s adjusted cost base would otherwise be a negative amount at any time in a year, the negative amount will be deemed to be a capital gain realized by the unitholder and the unitholder’s adjusted cost base will be nil

immediately thereafter.

The Funds will designate to the extent permitted by the Tax Act the portion of the net income distributed to unitholders as may reasonably be considered to consist of taxable dividends (including eligible dividends) received by the Funds on shares of taxable Canadian corporations and net taxable capital gains of the Fund. Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend (including an eligible dividend) and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment applicable to taxable dividends paid to an individual by a taxable Canadian corporation (including the enhanced gross-up and dividend tax credit applicable to dividends designated by the paying corporation as eligible dividends in accordance with the provisions of the Tax Act) will apply to amounts so designated as taxable dividends.

Capital gains so designated by the Funds will be subject to the general rules relating to the taxation of capital gains described below. In addition, the Funds will similarly make designations in respect of its income from foreign sources, if any, so that, for the purpose of computing any foreign tax credit available to a unitholder, the unitholder will be deemed to have paid as tax to the government of a foreign country that portion of the taxes paid by the Funds to that country that is equal to the unitholder's share of the Funds' income from sources in that country. Any loss of a Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the unitholders of such Fund.

Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable dividends (eligible dividends or dividends other than eligible dividends), taxable capital gains, returns of capital, and foreign source income, and whether foreign tax has been paid for which the unitholder might be able to claim a foreign tax credit, where those items are applicable.

When a unitholder acquires units in a Fund, a portion of the price paid may reflect income and realized capital gains of the Fund that have not been distributed, and accrued capital gains that have not been realized, by the Fund. This may particularly be the case near year-end before year-end distributions have been made. When and if such income and realized capital gains are distributed by the Fund, and when and if such accrued capital gains are realized and distributed, such income and gains must be taken into account by the unitholder in computing its income for tax purposes even though such amounts may have been reflected in the price paid by the unitholder. If the amounts of such distributions are reinvested in additional units of the Fund, the amounts will be added to the unitholder's adjusted cost base of its units.

Upon the actual or deemed disposition of a unit, including the exchange or redemption of a unit, and including a redemption of units to pay fees, a capital gain (or a capital loss) will generally be realized by the unitholder to the extent that the proceeds of disposition of the unit exceed (or are exceeded by) the aggregate of the adjusted cost base to the unitholder of the unit and any reasonable costs of disposition. For the purpose of computing a unitholder's capital gain (or capital loss) on a redemption of units, the proceeds of disposition will be determined as the amount paid on the redemption less any amount allocated and designated as capital gains payable to the unitholder. The adjusted cost base of units held by unitholders must be calculated separately for units of each series of each Fund held by the unitholder.

In general, the adjusted cost base of all units of a particular series of a Fund held by the unitholder is the total amount paid for mutual fund units of that series (including brokerage commissions paid and the amount of reinvested distributions), regardless of when the unitholder bought them, less any non-taxable distributions (other than the non-taxable portion of capital gains) such as a return of capital and less the adjusted cost base of any mutual fund units of that series previously redeemed/exchanged by the unitholder. For the purpose of determining the adjusted cost base of units of a series to a unitholder, when units of the series are acquired, the cost of the newly acquired units will be averaged with the adjusted cost base of all units of that series owned by the unitholder as capital property immediately before that time. You should keep detailed records of the

purchase cost, sales charges and distributions related to your Fund units in order to calculate the adjusted cost base of those units. You may wish to consult a tax advisor to help you with these calculations. If management fees are paid directly by investors to the Manager, as in the case of Series O, they may be deductible expenses for tax purposes by you for non-registered accounts.

If a Fund realizes income or capital gains as a result of a transfer or disposition of its property undertaken to permit an exchange or redemption of units by a unitholder, all or a portion of the amount received by the unitholder may be designated and treated for income tax purposes as a distribution to the unitholder out of such income or capital gains rather than being treated as proceeds of disposition of the units. As noted above, based on proposed amendments to the Tax Act on July 30, 2019, if a Fund makes such an allocation to a redeeming unitholder, the Fund's income for tax purposes for the year may increase with the result that larger allocations of income and capital gains may be required to be made to unitholders who did not redeem units in the year.

The reclassification of units of a series into units of another series of the same Fund will generally not be considered to be a disposition for tax purposes and accordingly, the unitholder will realize neither a gain nor a loss as a result of a reclassification. The unitholder's total adjusted cost base of the units received upon the reclassification will equal the total adjusted cost base of the reclassified units immediately before reclassification.

One half of any capital gain realized by a unitholder and the amount of any net taxable capital gains realized or considered to be realized by a Fund and designated by the Fund in respect of a unitholder will be included in the unitholder's income as a taxable capital gain. One half of a capital loss realized by a unitholder will be an allowable capital loss that is deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act.

### **Portfolio Turnover**

Generally, the higher the portfolio turnover rate for a year, the greater the chance of the Fund generating net capital gains realized on dispositions of securities and then paying a capital gains distribution out of a Fund. High portfolio turnover is not necessarily correlated to high Fund performance.

### **Alternative Minimum Tax**

Amounts treated as eligible dividends and capital gains will be taken into account in computing alternative minimum tax, if any, payable by a unitholder.

### **Non-Taxable Unitholders of the Funds**

In general, the amount of distributions paid or payable to a Registered Plan from a Fund and gains realized by a Registered Plan on a disposition of a unit of a Fund will not be taxable under the Tax Act. Any amount withdrawn from a Registered Plan (other than a TFSA and certain withdrawals from an RESP or RDSP) will generally be subject to tax. A penalty tax in respect of units of the Funds held by a Registered Plan may be applicable if the units are "prohibited investments". See "Eligibility for Registered Plans" below.

Fees paid on registered account investments, whether paid inside or outside of the account, are not deductible for tax purposes.

### **Eligibility for Investment for Registered Plans**

Provided that a Fund qualifies as a mutual fund trust under the Tax Act, the units of the Funds will at all relevant times be qualified investments for Registered Plans.

Units of a Fund may be a "prohibited investment" under the Tax Act for a Registered Plan even when the units



are a qualified investment. Units of a Fund will generally not be a prohibited investment for such plans if the planholder deals at arm's length with the Fund and does not have a "significant interest" in the Fund. A "significant interest", in general terms, means the ownership of 10% or more of the Fund's outstanding units by the planholder, either alone or together with persons or partnerships with whom the planholder does not deal at arm's length. Investors should consult with their own tax advisors as to whether units of the Funds would be prohibited investments for their Registered Plans.

## **REMUNERATION OF DIRECTORS AND OFFICERS**

Executive officers employed by Matco do not receive any compensation from the Funds.

The fee for services provided by the Trustee of the Funds are paid by the Funds and are equal to \$5,000 per annum per Fund.

## **MATERIAL CONTRACTS**

The following material contracts entered into by Matco, on behalf of the Funds are currently in effect:

- (a) Amended and Restated Master Trust Agreement made as of June 17, 2020 between Matco Financial Inc. and RBC Investor Services Trust; and
- (b) the Valuation Services and Recordkeeping Services Agreement between RBC IS and Matco dated June 29, 2007, as amended and restated on December 15, 2009, August 11, 2011, April 30, 2016, October 25, 2017, and June 17, 2020.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of Matco at Suite 350, 440 - 2nd Avenue S.W., Calgary, Alberta, T2P 5E9 and are additionally available upon request by e-mail at [matco@matcofinancial.com](mailto:matco@matcofinancial.com) or from SEDAR at [www.sedar.com](http://www.sedar.com).

## **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

There are no ongoing legal and administrative proceedings material to the Funds, to which the Funds, the Manager or principal distributor is a party.

**Certificate of the Funds, the Manager and the Promoter in respect of the Matco Fixed Income Fund, the Matco Balanced Fund, the Matco Canadian Equity Income Fund (formerly the Matco Canadian Equity Fund), the Matco Small Cap Fund, and the Matco Global Equity Fund.**

DATED: June 17, 2020

This Annual Information Form, together with the Simplified Prospectus and the documents incorporated by reference into the Simplified Prospectus, constitute full, true, and plain disclosure of all material facts relating to the securities offered by the Simplified Prospectus, as required by the securities legislation of Alberta, British Columbia, Ontario, Saskatchewan, Manitoba and Nova Scotia and do not contain any misrepresentations.

On behalf of Matco Financial Inc. as manager and promoter of the Funds

(signed) "Jason Vincent"  
Jason N. Vincent  
Director and President  
(signing in the capacity of the Chief Executive Officer)

(signed) "Heidi Conrad"  
Heidi Conrad  
Chief Financial Officer

On behalf of the Board of Directors of the manager and promoter

(signed) "Ronald Mathison"  
Ronald P. Mathison  
Director and Chairman

(signed) "William Dickie"  
William K. Dickie  
Director and Vice Chairman



Matco Fixed Income Fund  
Matco Balanced Fund  
Matco Canadian Equity Income Fund (formerly Matco Canadian Equity Fund)  
Matco Global Equity Fund  
Matco Small Cap Fund

Additional information about the Funds is available in the Funds' Annual Information Form, Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request, and at no cost, by calling toll-free 1.877.539.5743, or from your dealer, or by e-mail at [matco@matcofinancial.com](mailto:matco@matcofinancial.com).

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the Matco Financial Inc. website at [www.matcofinancialinc.com](http://www.matcofinancialinc.com) or at [www.sedar.com](http://www.sedar.com).

#### MANAGER OF THE FUNDS

Matco Financial Inc.  
Suite 350, 440 – 2nd Avenue SW, Calgary, Alberta T2P 5E9