



MATCO

FINANCIAL

Matco Fixed Income Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
For the Period Ended December 31, 2017

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This Annual Management Report of Fund Performance ("MRFP") contains financial highlights but does not contain the annual financial statements of the Matco Balanced Fund (the "Fund"). You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-877-539-5743, by writing to us at 400, 407-8th Avenue SW, Calgary AB T2P 1E5 or by visiting our website at www.matcofinancialinc.com or SEDAR at www.sedar.com.

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

A NOTE ON FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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Management Discussion of Fund Performance

This management discussion of Fund performance presents management's view of the significant factors and developments during the period that have affected the Fund's performance and outlook. In this report, "Matco" refers to Matco Financial Inc., the manager of the Fund.

Investment Objective and Strategies

Seeking to balance current income and long-term capital appreciation, the Fund invests in Canadian dividend-paying equities and investment grade fixed income assets. The portfolio is diversified across market capitalization, asset classes, sectors and geographic regions. This "one-stop" Fund offers diversified sources of ongoing income, preserves capital based on an institutional investment risk management process and provides lower volatility performance.

Risk

The overall risks of investing in the Fund are as described in the Fund's Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk associated with an investment in the Fund.

Results of Operations

The Fund commenced operations on September 20, 2017 and was first offered to the public via prospectus on June 23, 2017. The Fund's net assets increased to \$90.2 million as at December 31, 2017. Total investment income for the 2017 year was \$0.9 million, prior to operating expenses. The Fund's performance is discussed below.

The Fund experienced no unusual trends in redemptions or sales. From a sector allocation perspective, the Fund has federal bond exposure of 25.9%, provincial bond exposure of 32.4%, while maintaining its corporate bond exposure at 39.6%.

From September 20, 2017 to December 29, 2017 the Fund's Series F units returned +1.23% while the benchmark, the FTSE TMX Canada Universe Bond Index, returned +2.31%. Unlike the index returns, the Fund's return is net of fees and expenses paid by the Series. Please refer to the *Year-By-Year Returns* section of this report for the returns of other series offered by the Fund and to the *Related Party Transactions – Management Fees* section for the varying management fees payable by each series.

In 2018, Bank of Canada Governor Stephen Poloz will find himself weighing the potential impacts of the removal of

NAFTA, the North-American Free Trade Agreement. The removal of NAFTA would negatively impact the Canadian economy, dampening the outlook and potentially leading to a more dovish Bank of Canada. Our outlook for 2018 suggests that the strong economic fundamentals in Canada, both in employment and growth, are likely to influence the central bank to further increase interest rates twice, for a total of 0.50%. The outlook must take into account the recent changes to mortgage rules here in Canada and also hinges quite significantly on the fate of the NAFTA agreement. Overall, our outlook for the Canadian bond market is balanced, with income levels improving, somewhat offset by rate increases which may lead to some price depreciation.

Related Party Transactions

Management Fees

Matco provides the Fund with investment management services, including managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. In return, Matco receives a management fee based on the net assets of the Fund, calculated on a daily basis. For the year ended December 31, 2017, the Fund incurred management fees payable to Matco of \$108 (including GST). The management and administration fee for Series O units is negotiated with and paid by the unitholder to Matco as manager. The sales commission under the Front Load option is negotiated with and paid by the holder directly to the dealer.

Annual Rate	Series A (FL)	Series F
Management fees	1.20%	0.70%
Trailer (included in management fee)	0.50%	Nil
Front Load (FL) sales commission – up to 6%		

Administration Services

The Fund paid \$7,830 to RBC Investor Services Trust for valuation, custodian, recordkeeping, unitholder, and trustee services.

Portfolio Transaction Services

The Fund incurred trading costs of \$Nil through securities transactions conducted through Matco's approved list of institutional trading desks. RBC Investor Services also provides portfolio transaction services to the Fund when the Fund invests directly in securities of third party mutual

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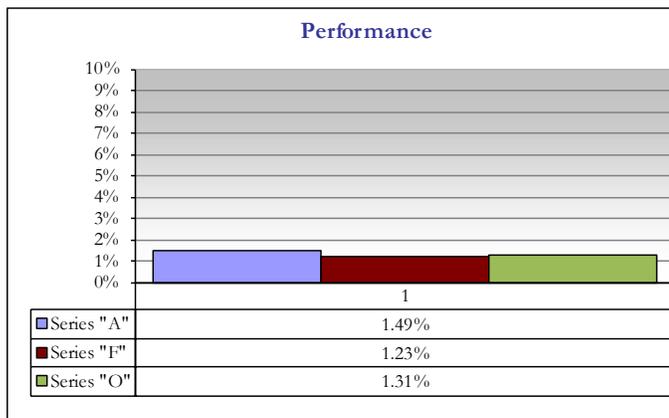
funds. The Fund paid no brokerage commissions on these investment transactions.

Past Performance

The indicated rates of return are the historical annual compound total returns, including changes in unit value and assuming reinvestment of all distributions. They do not take into account sales, redemption, and distribution or optional charges, or income taxes payable by any investor that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future. As the Fund may not currently be held inside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation. The past performance of the Fund is set out in the following charts and the compound returns table.

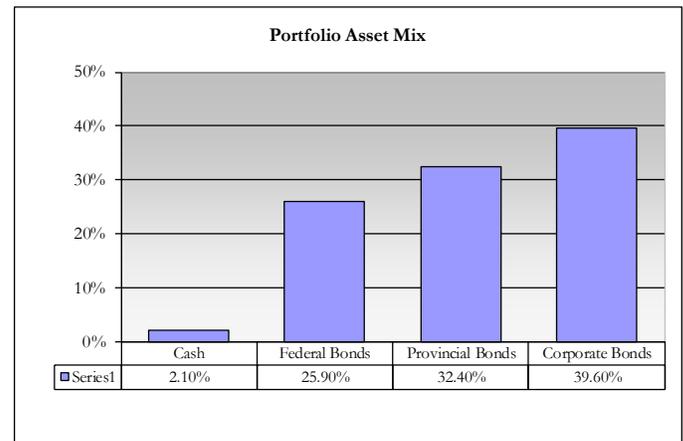
Year-By-Year Returns

The bar charts that follow show the performance of each series of the Fund for the period ended December 31, 2017. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by the end of the period in each fiscal year and December 31, 2017 (except for 2017 as noted below) after all fees and expenses.



** The rate of return for the period from inception (June 23, 2017 – December 31, 2017). The Fund started funding September 20, 2017. Rates of Return are after all fees and expenses and assumes reinvestment of all distributions at net asset value.

Portfolio Asset Mix



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Summary of Investment Portfolio (at December 31, 2017)

Top 25 Holdings

	% of NAV
1 Canada Housing Trust No 1 - 1.627% Mar 15/21	6.7
2 Canada Housing Trust No 1 - 1.417% Sep 15/20	6.2
3 Province of Manitoba - 3.250% Sep 05/29	6.1
4 Canadian Government Bond - 1.500% Jun 01/26	6.1
5 Province of Ontario - 1.900% Mar 16/21	5.1
6 Province of Ontario - 1.674% Oct 27/21	5.1
7 Toronto-Dominion Bank - 2.563% Jun 24/20	5.1
8 Bank of Nova Scotia - 2.873% Jun 04/21	5.1
9 Bank of Montreal - 3.400% Apr 23/21	5.1
10 Canadian Government Bond - 3.500% Dec 01/45	5.0
11 Province of Quebec - 1.845% Apr 19/22	4.6
12 Loblaw Cos Ltd.- 5.220% Jun 18/20	4.6
13 Royal Bank of Canada - 1.968% Mar 02/22	4.6
14 Province of Alberta - 3.100% Jun 01/24	4.1
15 Toronto-Dominion Bank - 3.226% Jul 24/24	3.6
16 Province of Ontario - 3.450% Jun 02/45	3.5
17 Brookfield Asset Management Inc.- 5.300% Mar 01/21	3.1
18 Cadillac Fairview Finance Trust - 4.310% Jan 25/21	3.1
19 Province of British Columbia - 2.850% Jun 18/25	3.0
20 Canada Housing Trust No 1 - 1.412% Mar 15/20	2.6
21 Dollarama Inc.- 2.337% Jul 22/21	2.0
22 Canadian Utilities Ltd.- 3.122% Nov 09/22	2.0
23 Bell Canada Inc.- 3.550% Mar 02/26	2.0
24 Province of Quebec - 3.500% Dec 01/45	<u>1.6</u>
TOTAL	100.0

The simplified prospectuses and other information about the underlying funds are available on such funds' website or on the SEDAR website at www.sedar.com.

The investments and percentages outlined herein may have changed by the time you purchase units of this Fund. The top 25 holdings are made available quarterly, 60 days after quarter-end and may be obtained by contacting your registered representative or by contacting Matco toll free at 1.877.539.5743 or by email at matco@matcofinancial.ca.

The Fund held no short positions at the end of the year.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance over the most recent period. This information is derived from the Fund's audited annual financial statements.

MATCO FIXED INCOME FUND – Series A

Net Assets per Share

	2017
Net Assets, beginning of period ⁽¹⁾⁽³⁾	\$ -
Increase (decrease) from operations:	
total revenue	-
total expenses	-
realized gains (losses) for the period	-
unrealized gains (losses) for the period	-
Total increase from operation ⁽¹⁾	-
Distributions:	
from income (excluding dividends)	0.06
from dividends	-
Total annual distributions ⁽²⁾	0.06
Net Assets, end of year	\$ 10.09

Ratios and Supplemental Data

	2017
Net asset value end of year ⁽¹⁾	10
Number of shares outstanding ⁽¹⁾	1
Management expense ratio (%) ⁽²⁾	-
Management expense ratio before waivers or absorptions (%)	-
Portfolio turnover rate (%) ⁽³⁾	16.53
Trading expense ratio (%) ⁽⁴⁾	-
Net asset value per share end of year ⁽⁵⁾	10.09

MATCO FIXED INCOME FUND – Series F

Net Assets per Share

	2017
Net Assets, beginning of period ⁽¹⁾⁽³⁾	\$ -
Increase (decrease) from operations:	
total revenue	0.07
total expenses	(0.02)
realized gains (losses) for the period	-
unrealized gains (losses) for the period	(0.10)
Total decrease from operations ⁽¹⁾	(0.05)
Distributions:	
from income (excluding dividends)	0.06
from dividends	-
Total annual distributions ⁽²⁾	0.06
Net Assets, end of year	\$ 10.07

Ratios and Supplemental Data

	2017
Net asset value end of year ⁽¹⁾	104,732
Number of shares outstanding ⁽¹⁾	10,405
Management expense ratio (%) ⁽²⁾	0.88
Management expense ratio before waivers or absorptions (%)	0.88
Portfolio turnover rate (%) ⁽³⁾	16.53
Trading expense ratio (%) ⁽⁴⁾	-
Net asset value per share end of year ⁽⁵⁾	10.07

MATCO FIXED INCOME FUND – Series O

Net Assets per Share

	2017
Net Assets, beginning of period ⁽¹⁾⁽³⁾	\$ -
Increase (decrease) from operations:	
total revenue	0.06

total expenses	-
realized gains (losses) for the period	-
unrealized gains (losses) for the period	0.05
Total increase from operations ⁽¹⁾	0.11
Distributions:	
from income (excluding dividends)	0.06
from dividends	-
from capital gains	-
Total annual distributions ⁽²⁾	0.06
	\$ 10.07

Ratios and Supplemental Data

	2017
Net asset value end of year ⁽¹⁾	90,108,478
Number of shares outstanding ⁽¹⁾	8,949,326
Management expense ratio (%) ⁽²⁾	0.15
Management expense ratio before waivers or absorptions (%)	0.15
Portfolio turnover rate (%) ⁽³⁾	16.53
Trading expense ratio (%) ⁽⁴⁾	-
Net asset value per share end of year ⁽⁵⁾	10.07

Net Assets per Share Notes

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) The information is prepared in accordance with IFRS which uses the last trade price for investments that are traded in an active market where quoted prices are readily and regularly available. For investments that are not traded in an active market, the Fund uses valuation techniques that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Ratio and Supplemental Data Notes

- (1) This information is provided as at December 31st of the year shown, as applicable.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (5) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.