

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

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

## **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

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

### **Investment Objective and Strategies**

The objective of the Matco Balanced Fund (the "Fund") is to seek a balance of long-term capital appreciation and current income by investing in a Canadian focused portfolio of equities and fixed income instruments, diversified across investment styles and market capitalization, geographic regions, asset classes, and sectors.

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

### **Risk**

The overall and specific risks of investing in the Fund are as described in the Fund's Simplified Prospectus dated June 5, 2023. There were no material changes to the Fund during the period that affected the overall level of risk associated with an investment in the Fund. The risk rating of the Fund is low-to-medium.

### **Results of Operations**

The Fund's net assets decreased to \$163.1 million at December 31, 2023 from \$169.7 million at December 31, 2022. Total investment income for the year ended December 31, 2023 was \$15.1 million, prior to income and operating expenses, up from \$15.6 million investment loss for year ended December 31, 2022.

With higher interest rates offered in the fixed income asset class within a decelerating earnings growth environment for equities, the asset mix committee favored a tilt towards the more defensive fixed income asset class. As a result, the Fund increased its fixed income exposure. The adjustment was supported by a similar assessment of our economic outlook, Matco's Investment Horizon Indicator, and the risk adjusted return landscape for each asset class.

### **Recent Developments**

North American central banks are in the process of trying to orchestrate a soft landing for the economy. They have spent the last 18 months fighting inflation by increasing interest rates to tighten financial conditions and in turn decelerate the economy. They have made material progress with headline inflation continuing to trend lower, while core inflation remains a challenge. Although equity markets continue to trend higher with flat to negative year-over-year earnings growth, leading economic indicators negative, industrial production contracting the fund favors a tilt to protection over capital growth over the next 12 months. The investment team has laid out three potential scenarios for the economy and markets in 2024. Our portfolio positioning is focused on our baseline scenario, given our expectation of its greater probability. None the less, prudent portfolio management considers all scenarios which will continue to monitor closely.

### **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, 2023, the Fund incurred management fees payable to Matco of \$182,527 (year ended December 31, 2022 - \$183,238).

#### **Investment Review Committee**

An Investment Review Committee ("IRC") has been established by the Manager in accordance with *National Instrument 81-107 Independent Review Committee for Investment Funds* ("NI 81-107"). The IRC must review and approve conflict of interest matters as referred by the Manager. The Fund did not refer any related party transactions or conflict of interest matters to the IRC during the year ended December 31, 2023 or 2022.

**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 five most recently completed financial years.

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

| <b>SERIES A</b>  | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|---------------|---------------|
| <b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>    | <b>13.39</b>  | <b>12.57</b>  | <b>11.91</b>  | <b>11.46</b>  |
| <b>Increase (decrease) from operations</b> <sup>(2):</sup>       |               |               |               |               |
| Total revenue  | 0.08          | 0.31          | 0.21          | 0.42          |
| Total expenses   | (0.10)        | (0.25)        | (0.22)        | (0.23)        |
| Net realized gains (losses)                                      | 0.07          | 0.48          | 0.09          | 0.32          |
| Net unrealized gains (losses)                                    | (0.97)        | 0.63          | 0.67          | 0.46          |
| <b>Total increase (decrease) from operations</b> <sup>(2):</sup> | <b>(0.92)</b> | <b>1.17</b>   | <b>0.75</b>   | <b>0.97</b>   |
| <b>Distributions</b> <sup>(3):</sup>                             |               |               |               |               |
| From net investment income (excluding dividends)                 | —             | (0.03)        | (0.01)        | (0.20)        |
| From dividends   | (0.02)        | (0.04)        | —             | (0.03)        |
| From capital gains   | —             | (0.26)        | —             | (0.25)        |
| <b>Total distributions:</b>                                      | <b>(0.02)</b> | <b>(0.32)</b> | <b>(0.01)</b> | <b>(0.48)</b> |
| <b>Net assets, end of period/year</b>                            | <b>—</b>      | <b>13.39</b>  | <b>12.57</b>  | <b>11.91</b>  |

**Ratios and Supplemental Data**

|  |        |           |           |           |
|--|--------|-----------|-----------|-----------|
| Total net asset value <sup>(4)(5)</sup>                    | —      | \$690,638 | \$694,816 | \$972,068 |
| Number of units outstanding <sup>(5)</sup>                 | —      | 51,571    | 55,258    | 81,586    |
| Management expense ratio <sup>(6)</sup>                    | 2.09%  | 1.96%     | 2.08%     | 2.27%     |
| Management expense ratio before absorptions <sup>(6)</sup> | 2.09%  | 1.96%     | 2.09%     | 2.27%     |
| Portfolio turnover rate <sup>(7)</sup>                     | 13.23% | 16.65%    | 31.24%    | 64.60%    |
| Trading expense ratio <sup>(8)</sup>                       | 0.06%  | 0.04%     | 0.07%     | 0.04%     |
| Net asset value per unit                                   | —      | \$13.39   | \$12.57   | \$11.91   |

| <b>SERIES F</b>  | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Net assets, beginning of period/year</b> <sup>(1)(2)</sup>    | <b>11.83</b>  | <b>13.38</b>  | <b>12.56</b>  | <b>11.89</b>  | <b>11.33</b>  |
| <b>Increase (decrease) from operations</b> <sup>(2):</sup>       |               |               |               |               |               |
| Total revenue  | 0.38          | 0.35          | 0.31          | 0.22          | 0.39          |
| Total expenses   | (0.14)        | (0.14)        | (0.15)        | (0.13)        | (0.14)        |
| Net realized gains (losses)                                      | 0.17          | 0.30          | 0.49          | 0.09          | 0.31          |
| Net unrealized gains (losses)                                    | 0.55          | (1.80)        | 0.61          | 0.47          | 0.57          |
| <b>Total increase (decrease) from operations</b> <sup>(2):</sup> | <b>0.96</b>   | <b>(1.29)</b> | <b>1.26</b>   | <b>0.65</b>   | <b>1.13</b>   |
| <b>Distributions</b> <sup>(3):</sup>                             |               |               |               |               |               |
| From net investment income (excluding dividends)                 | (0.14)        | (0.07)        | (0.06)        | (0.06)        | (0.23)        |
| From dividends   | (0.11)        | (0.14)        | (0.09)        | (0.02)        | (0.04)        |
| From capital gains   | (0.12)        | (0.24)        | (0.26)        | —             | (0.25)        |
| <b>Total distributions:</b>                                      | <b>(0.37)</b> | <b>(0.45)</b> | <b>(0.41)</b> | <b>(0.08)</b> | <b>(0.52)</b> |
| <b>Net assets, end of period/year</b>                            | <b>12.45</b>  | <b>11.83</b>  | <b>13.38</b>  | <b>12.56</b>  | <b>11.89</b>  |

**Ratios and Supplemental Data**

|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Total net asset value <sup>(4)(5)</sup>                    | \$19,137,471 | \$16,662,317 | \$20,935,669 | \$25,916,670 | \$26,318,234 |
| Number of units outstanding <sup>(5)</sup>                 | 1,537,040    | 1,408,646    | 1,564,244    | 2,062,769    | 2,213,729    |
| Management expense ratio <sup>(6)</sup>                    | 1.24%        | 1.24%        | 1.22%        | 1.35%        | 1.53%        |
| Management expense ratio before absorptions <sup>(6)</sup> | 1.24%        | 1.24%        | 1.22%        | 1.35%        | 1.53%        |
| Portfolio turnover rate <sup>(7)</sup>                     | 10.74%       | 13.23%       | 16.65%       | 31.24%       | 64.60%       |
| Trading expense ratio <sup>(8)</sup>                       | 0.02%        | 0.06%        | 0.04%        | 0.07%        | 0.04%        |
| Net asset value per unit                                   | \$12.45      | \$11.83      | \$13.38      | \$12.56      | \$11.89      |

Annual Management Report of Fund Performance  
For the Year Ended December 31, 2023

**MATCO BALANCED FUND**

| <b>SERIES N</b>   |  | <b>2019</b>   |
|---|--|---------------|
| <b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>    |  | <b>9.16</b>   |
| <b>Increase (decrease) from operations<sup>(2)</sup>:</b>       |  |               |
| Total revenue   |  | 0.34          |
| Total expenses  |  | (0.05)        |
| Net realized gains (losses)                                     |  | 0.26          |
| Net unrealized gains (losses)                                   |  | 0.43          |
| <b>Total increase (decrease) from operations<sup>(2)</sup>:</b> |  | <b>0.98</b>   |
| <b>Distributions<sup>(3)</sup>:</b>                             |  |               |
| From net investment income (excluding dividends)                |  | (0.25)        |
| From dividends  |  | (0.03)        |
| From capital gains  |  | (0.20)        |
| Return of capital   |  | —             |
| <b>Total distributions:</b>                                     |  | <b>(0.48)</b> |
| <b>Net assets, end of period/year</b>                           |  | <b>—</b>      |
| <b>Ratios and Supplemental Data</b>                             |  |               |
| Total net asset value <sup>(4)(5)</sup>                         |  | \$—           |
| Number of units outstanding <sup>(5)</sup>                      |  | —             |
| Management expense ratio <sup>(6)</sup>                         |  | 0.90%         |
| Management expense ratio before absorptions <sup>(6)</sup>      |  | 1,325.93%     |
| Portfolio turnover rate <sup>(7)</sup>                          |  | 64.60%        |
| Trading expense ratio <sup>(8)</sup>                            |  | 0.04%         |
| Net asset value per unit  |  | \$—           |

| <b>SERIES O</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Net assets, beginning of period/year<sup>(1)(2)</sup></b>    | <b>11.79</b>  | <b>13.35</b>  | <b>12.54</b>  | <b>11.87</b>  | <b>11.32</b>  |
| <b>Increase (decrease) from operations<sup>(2)</sup>:</b>       |               |               |               |               |               |
| Total revenue   | 0.37          | 0.35          | 0.32          | 0.22          | 0.42          |
| Total expenses  | (0.01)        | (0.01)        | (0.01)        | (0.01)        | (0.01)        |
| Net realized gains (losses)                                     | 0.17          | 0.30          | 0.49          | 0.10          | 0.33          |
| Net unrealized gains (losses)                                   | 0.56          | (1.69)        | 0.59          | 0.55          | 0.43          |
| <b>Total increase (decrease) from operations<sup>(2)</sup>:</b> | <b>1.09</b>   | <b>(1.05)</b> | <b>1.39</b>   | <b>0.86</b>   | <b>1.17</b>   |
| <b>Distributions<sup>(3)</sup>:</b>                             |               |               |               |               |               |
| From net investment income (excluding dividends)                | (0.21)        | (0.12)        | (0.12)        | (0.16)        | (0.35)        |
| From dividends  | (0.16)        | (0.23)        | (0.16)        | (0.05)        | (0.05)        |
| From capital gains  | (0.12)        | (0.24)        | (0.26)        | —             | (0.25)        |
| <b>Total distributions:</b>                                     | <b>(0.49)</b> | <b>(0.59)</b> | <b>(0.54)</b> | <b>(0.21)</b> | <b>(0.65)</b> |
| <b>Net assets, end of period/year</b>                           | <b>12.41</b>  | <b>11.79</b>  | <b>13.35</b>  | <b>12.54</b>  | <b>11.87</b>  |

| <b>Ratios and Supplemental Data</b>                        | <b>2023</b>          | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   |
|--|----------------------|---------------|---------------|---------------|---------------|
| Total net asset value <sup>(4)(5)</sup>                    | <b>\$143,921,490</b> | \$153,050,212 | \$192,667,095 | \$172,126,708 | \$170,761,593 |
| Number of units outstanding <sup>(5)</sup>                 | <b>11,597,999</b>    | 12,984,083    | 14,432,604    | 13,728,663    | 14,390,522    |
| Management expense ratio <sup>(6)</sup>                    | <b>0.19%</b>         | 0.19%         | 0.17%         | 0.29%         | 0.48%         |
| Management expense ratio before absorptions <sup>(6)</sup> | <b>0.19%</b>         | 0.19%         | 0.17%         | 0.30%         | 0.48%         |
| Portfolio turnover rate <sup>(7)</sup>                     | <b>10.74%</b>        | 13.23%        | 16.65%        | 31.24%        | 64.60%        |
| Trading expense ratio <sup>(8)</sup>                       | <b>0.02%</b>         | 0.06%         | 0.04%         | 0.07%         | 0.04%         |
| Net asset value per unit                                   | <b>\$12.41</b>       | \$11.79       | \$13.35       | \$12.54       | \$11.87       |

- (1) This information is derived from the Fund's audited annual financial statements. Per unit amounts are for the periods for increases (decreases) and points in time for distributions, as applicable, and are not intended to be a reconciliation of opening and closing net assets.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (4) The information is prepared in accordance with IFRS which uses the last trade price for investments that are traded in an active market where quoted prices are readily and regularly available. For investments that are not traded in an active market, the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.
- (5) This information is provided as at the year shown, as applicable, except Series N for 2018 which are from inception February 6, 2018 through December 31, 2018.
- (6) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the year/period.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (8) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year/period.

**Management Fees**

The annual management fee rate, exclusive of sales taxes, is 1.00% for. No management fees are charged directly to Series O.

During the year ended December 31, 2023, management fees totaled \$182,527 (year ended December 31, 2022 - \$183,238). Included in liabilities at December 31, 2023 is \$15,006 (December 31, 2022 - \$13,845) in respect of these fees.

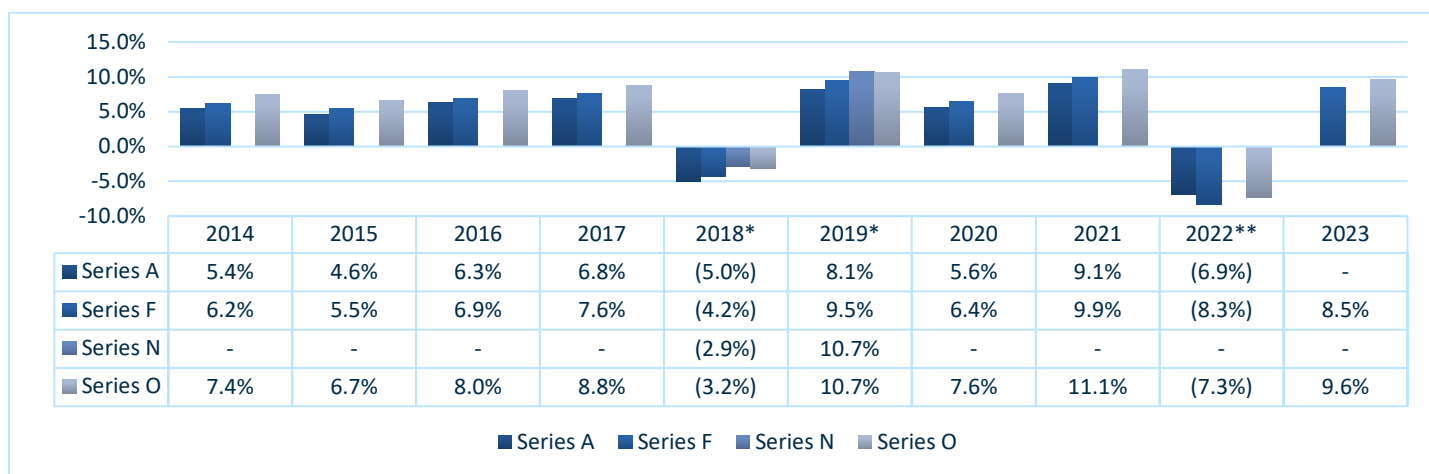
All management fees paid by Series F were applied to cover portfolio management and other services provided to the Fund by the Manager. No such fees were used to pay for external portfolio advisory fees, trailing or other sales commissions.

**PAST PERFORMANCE**

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

**Year-By-Year Returns**

The bar charts that follow show the performance of each series of the Fund for the ten most recently completed financial years. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by December 31st of the fiscal year (except 2018, as noted below).



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

\*\*Series A returns for 2022 is January 1, 2022 through liquidation May 27, 2022.

**Annual Compound Returns**

|                               | Series A | Series F | Series N | Series O | Blended Benchmark** |
|-------------------------------|----------|----------|----------|----------|---------------------|
| 1 Year                        | -        | 8.5%     | -        | 9.6%     | 10.3%               |
| 3 Year                        | -        | 3.0%     | -        | 4.1%     | 3.0%                |
| 5 Year                        | -        | 5.0%     | -        | 6.1%     | 6.4%                |
| 10 Year                       | -        | 4.6%     | -        | 5.8%     | 5.5%                |
| Since Inception <sup>+</sup>  | -        | -        | 3.9%     | -        | 14.9%               |
| Since Inception <sup>++</sup> | 4.0%     | -        | -        | -        | 5.1%                |

<sup>+</sup>Since inception values are only reported for Series N as all other series have more than 10 years of available data. Since inception values for Series N are from February 6, 2018 to December 26, 2019.

<sup>++</sup>Since inception values for Series A are from November 29, 2007 to April 29, 2022.

\*\* The Blended Benchmark is 50% iShares Core Canadian Universe Bond Index ETF, 25% iShares Core S&P/TSX Capped Composite Index ETF, and 15% Vanguard Total World Stock ETF, during the year. The Blended Benchmark constituents reflect congruent allocations, risk exposures and track performance closely over long periods of time. Given Matco's private client investor base, who often look at ETFs as a substitute for active investment solutions, the ETF better fulfills the investable portion of the benchmark suitability criteria. Matco has chosen to be consistent across all mandates by benchmarking against ETFs for this reason

**SUMMARY OF INVESTMENT PORTFOLIO**

| <b>Sector Allocation</b>       | <b>% of Net Asset Value</b> |
|--------------------------------|-----------------------------|
| Fixed Income                   | 48.4                        |
| Canadian Equity                | 27.4                        |
| Global Equity                  | 22.8                        |
| Cash                           | 1.5                         |
| Other Net Assets (Liabilities) | (0.1)                       |

| <b>Top Holdings*</b>                         | <b>% of Net Asset Value</b> |
|--|-----------------------------|
| Matco Canadian Equity Income Fund, Series O  | 20.2                        |
| Matco Fixed Income Fund, Series O            | 46.6                        |
| Matco Global Equity Fund, Series O           | 22.8                        |
| Matco Small Cap Fund, Series O               | 7.2                         |
| Canada Housing Trust No 1 - 5.398% Sep 15/25 | 1.8                         |
| Cash   | 1.5                         |
| <b>Total Net Asset Value</b>                 | <b>\$163,058,961</b>        |

\*The top 25 positions are required to be disclosed in the Summary of Investment Portfolio. As at the reporting date, the Fund held fewer than 25 positions. All positions are therefore presented.

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

**A NOTE ON FORWARD LOOKING STATEMENTS**

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

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

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