

# ROMC FUND

2013

## ANNUAL REPORT

For the twelve months ending December 31, 2013

## About ROMC Fund

ROMC Fund (ROMC) is a Canadian non-reporting issuer unit trust founded in 2007.

ROMC's goal is to generate a positive return on investor capital, principally through ownership in common equity investments. ROMC's manager believes that a good business generates a high economic return on its own capital. A good investment results from acquiring a good business—in whole or part—at a sensible price, thereby producing an attractive economic return on investor capital. Economic returns typically take the form of earnings, dividends and interest income but can also derive from rising asset values.

ROMC's manager encourages owners to focus on economic results, believing that attractive economic returns lead to positive market returns which help investors maintain their purchasing power over time. Given the detrimental effects of long-term inflation and taxes, maintaining purchasing power is easier said than done. The great fund manager John Templeton advised: "For all long-term investors, there is only one objective—maximum total real return after taxes." ROMC heeds this advice.

ROMC has concentrated positions, may use leverage, and has few constraints.

ROMC's fiscal year follows the calendar year. Valuation is performed following the last business day of each calendar month with subscriptions and redemptions effected thereafter.

Owners receive quarterly valuation statements, twice-yearly financial statements, and an annual report from the fund manager.

ROMC's service providers:

<b>Administrator</b>	<b>Auditor</b>	<b>Fund Manager</b>
Commonwealth Fund Services	KPMG	McLean Asset Management
20 Queen Street West	4100 Yonge Street	1 Richmond Street West
Suite 2401	Suite 200	Suite 800
Toronto, Ontario	Toronto, Ontario	Toronto, Ontario
M5H 3R3	M2P 2H3	M5H 3W4
Tel. 416-687-6651	Tel. 416-549-7835	Tel. 416-488-0547

For more information, including ROMC's Offering Memorandum, historical performance results, past annual reports, subscription forms and contact details, please visit ROMC's website at [www.mamgmt.com](http://www.mamgmt.com) or contact the fund manager directly by phone at 416-488-0547, or by email at [davidmclean@mamgmt.com](mailto:davidmclean@mamgmt.com).

*Investors have the right to cancel a subscription, have their money returned and/or claim damages if information provided to them by management misrepresents facts about ROMC. More details about investor rights can be found in the Securities Act of Ontario under section 130.1(1).*

**ROMC Fund Historical Net Asset Value per Security (NAVPS)  
vs. Inflation**

Year	Change in:		
	ROMC Fund NAVPS (a)	Inflation ** (b)	Real return (a - b)
2007 *	<b>9.1%</b>	0.1%	9.0%
2008	<b>5.7%</b>	1.2%	4.6%
2009	<b>26.0%</b>	1.3%	24.6%
2010	<b>6.9%</b>	2.4%	4.5%
2011	<b>-5.5%</b>	2.3%	-7.8%
2012	<b>26.8%</b>	0.8%	26.0%
2013:			
Salary class	<b>34.9%</b>	1.2%	33.7%
Performance-fee class	<b>31.1%</b>	1.2%	29.8%
Compounded annual gain:			
Salary class	<b>15.9%</b>	1.5%	15.1%
Performance-fee class	<b>15.3%</b>	1.5%	14.6%
Overall gain:			
Salary class	<b>151.1%</b>	9.7%	141.4%
Performance-fee class	<b>143.9%</b>	9.7%	134.3%

Results are in Canadian dollars, net of expenses and withholding taxes

\* From October 1 to December 31, 2007

\*\* Consumer price index (Source: [www.bankofcanada.ca](http://www.bankofcanada.ca))

*“In investing, you get what you don’t pay for.”*

John Bogle, Founder of The Vanguard Group

Disclosure:

The report you are about to read contains opinions of the author as well as estimates and unaudited figures. The author has attempted accuracy. Some comments could be considered forecasts. Terms in *italics* are described in the glossary which follows this letter. Only owners receive audited financial statements.

### To the Owners of ROMC Fund:

Last year's big news was the issuance of Salary class securities. ROMC now offers investors two ways in which to be an owner. Our original securities—renamed “Performance-fee class”—continue to offer the same terms as always: owners pay a fee only if their gain is greater than an annualized 6% (paying 25% of the excess as a fee). Some think this remuneration policy unique. Not so, others have put it to good use.

What I haven't seen is a fund with a fixed-dollar management fee and that's what our new Salary class securities offer. Owners pay a set amount of money—a “salary.” Salary class securities were offered to owners of record as of October 31, 2013 and were issued after the close of business on December 31, 2013. They were accepted by 98% of securities outstanding. Those who switched to Salary class last year didn't pay performance fees equal to \$0.72 per ROMC security and got a 35% return, 4% higher than Performance-fee owners, as Table 1 illustrates.

**Table 1: ROMC Fund Change in Net Asset Value per Security (NAVPS)**

ROMC security	2013 Change in NAVPS		End NAVPS
Salary class	\$6.50	35%	\$25.11
Performance-fee class	\$5.78	31%	\$24.39

Last year, our purchasing power increased handsomely. As the ROMC Fund Historical NAVPS table on page 3 shows, our *real* (after-inflation) *return* was almost 34% for Salary class and 30% for Performance-fee class. Our reportable result for taxable owners was no different since we had neither net income nor realized gains. We continue to defer taxes on an unusually large portion of ROMC's assets. By my calculation, 87% of our per-security gain since 2007 is unrealized. We now borrow 13% of ROMC's total value from the Receiver General, at a cost of 0% for as long as we like. That's my kind of leverage.

In 2013, we enjoyed defensible results versus our competitors. According to Morningstar Canada, Salary class' gain was in the sixteenth percentile of all funds in the global equity category and Performance-fee class scored in the thirty-second percentile. Last year, the average global equity fund gained 29%.

On a cumulative basis, we continue to outpace *other investment categories*, as listed in Table 2.

**Table 2: ROMC Fund vs. Other Investment Categories**

	Overall gain		Annual gain
	Oct. 2007 - Dec. 2013	Relative	
ROMC Fund: Salary class	151%		16%
ROMC Fund: Performance-fee class	144%	-7%	15%
U.S. Equities (S&P 500)	49%	-102%	7%
Global equities (MSCI World)	29%	-122%	4%
Canadian bonds	31%	-120%	4%
Canadian equities (S&P/TSX)	16%	-135%	2%
Canadian cash	8%	-143%	1%

Source: Morningstar, S&P Dow Jones Indices & Globe & Mail

## Economic Results<sup>1</sup>

In 2013, our common equity investments produced record *reported earnings* attributable to ROMC of \$2.1 million, or \$2.21 per ROMC security. The year-over-year increase in per-security reported earnings was 56% and occurred despite last year's issuance of 403,722 new ROMC securities. By comparison, reported earnings for the S&P 500 increased 18%.

The news was not as good in our “other” categories—*other comprehensive income* (OCI) and *Fixed income & Other* (FI&O)—where we had losses.

1. OCI represents unrealized gains or losses in our insurance holdings' own investments. Our insurers, in aggregate, showed a 2013 OCI loss of \$373,624 (\$0.40 per ROMC security).
2. FI&O showed a loss of \$292,099 (\$0.31 per ROMC security). Since 2009, this category has provided ROMC with large profits as a percentage of invested assets so a swing to less than \$0 made for a most unwelcome impact on economic results. I caused these losses and my excuses are laid out in the FI&O discussion starting on page 9.

Table 3 shows our economic profits as well as capital invested (at book value). By comparing figures, you can see how effectively our capital was invested in 2013, on an overall basis as well as by sector.

**Table 3: Economic Profit & Return on Capital (2013)**

(\$Cdn)	Economic profit	Capital invested	Return on capital
Banking	987,486	7,267,894	14%
Insurance	584,304	6,962,209	8%
Retail	139,231	2,089,489	7%
Fixed income & other	(292,099)	412,084	-71%
<b>Attributable to ROMC investments</b>	<b>1,418,922</b>	<b>16,731,675</b>	<b>8%</b>
ROMC expenses (including brokerage)	(810,539)		
Attributable to ROMC owners	608,383	16,731,675	4%
Average ROMC securities outstanding	941,601		
On a per-security basis:			
ROMC investments	1.51	17.77	8%
Salary class	0.98	17.77	6%
Performance-fee class	0.27	17.77	2%

Our 2013 return on capital attributable to ROMC investments achieved a middling 8% (our average since 2007 is 14%). After deducting expenses, the results were 6% for Salary class and 2% for Performance-fee class. Compared to our average owner return on capital since inception of more than 10%, it was not a gold-star year.

<sup>1</sup> *Economic results* are calculated by ROMC's manager, using methods described in our glossary. The figures are non-GAAP/IFRS and our auditor does not offer an opinion on them.

Because of meager economics, our earnings yield in 2013 was less than that of the S&P 500. Last year marked the first time in our history (and preferably the last) where owners could have earned a higher economic return by investing in an index fund.

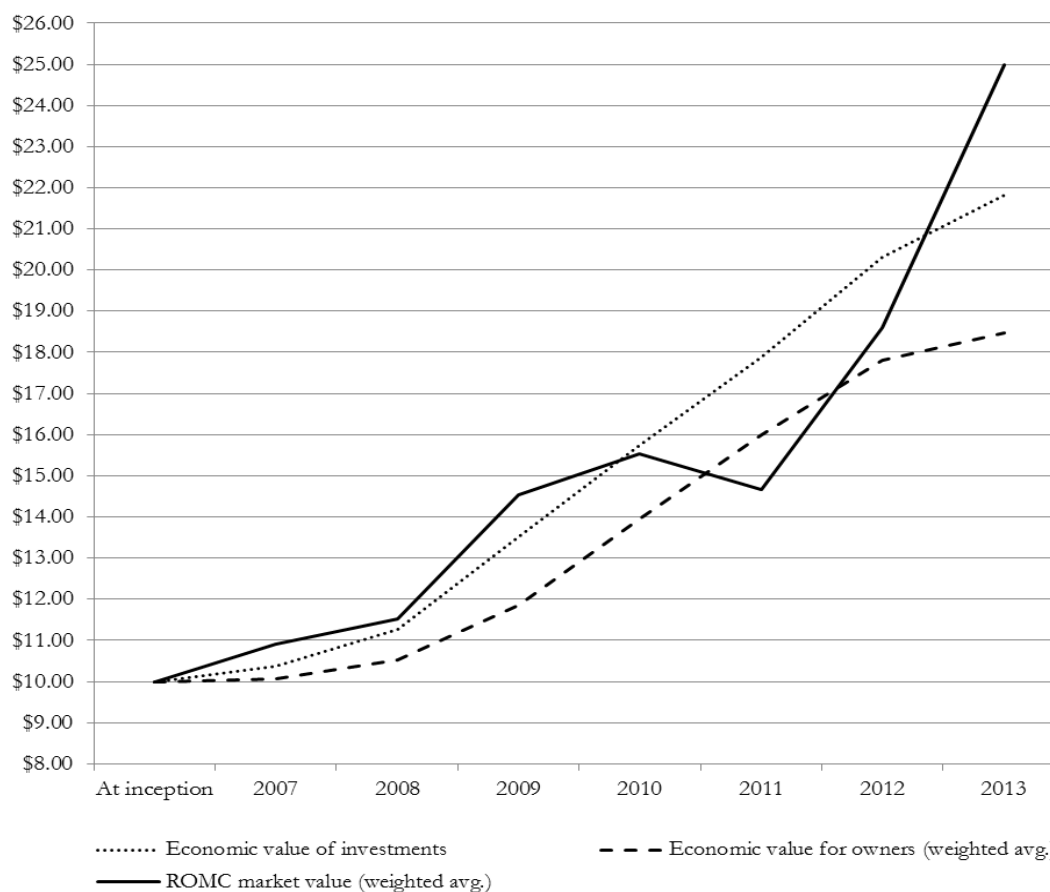
**Table 4: Earnings Yield (2013)**

(\$Cdn)	ROMC Fund *	S&P 500 Index
Reported earnings per security (a)	1.04	102.91
Average market value for the year (b)	21.53	1,667.85
Earnings yield (a ÷ b)	5%	6%

\* Reported earnings attributable to ROMC, plus FI&O, less expenses, on a weighted avg. of classes

If a picture is really worth a thousand words then the above discussion can be summed up in Figure 1. When we started in 2007, ROMC had a per-security value of \$10.00. After adding to that figure all of the economic profits attributed to us since, we arrived at year-end 2013 with an economic value of \$21.82 (dotted line). The difference represents a compounded annual increase of 13%. Our market value (solid line) experienced more than the same gain.

**Figure 1: Per-ROMC-Security Economic Value & Market Value**



If we performed this same exercise for the S&P 500, using its earnings and total return results, by 2013 year-end its economic value had reached only \$13 and its market value \$14.50. The large difference between ROMC's economic value and that of the market is encouraging. It follows that our respective market values would show a similar gap.

Below you will find a discussion of ROMC's economic results and asset allocation by sector.

### Banking

Last year, our common equity investments in banking generated \$987,486 (\$1.05 per ROMC security) of *reported earnings* attributable to our ownership, which equated to a return on our capital of 14%.

**Table 5: Economic Results (Banking)**

(\$Cdn)	2013	2012	2011
Reported earnings attrib. to ROMC (a)	987,486	702,015	525,230
Average capital invested (b)	7,267,894	5,612,491	4,733,150
Return on ROMC capital (a ÷ b)	14%	13%	11%

We own an interest in two banks. We started buying shares of our first bank in the depths of the financial panic in 2009 and we have added to our position over the years, making our most recent purchase in 2011. Last year, the bank earned 1.4% on assets while its competitors, on average, earned less than 1%. Because of such advantageous economics, this bank can conservatively leverage its balance sheet and still earn an attractive return on equity—presently 14%. Our shares were bought for less than book value so our capital enjoyed a return of 16%.

In the case of our second bank, we started buying shares in 2011 after it encountered trouble following a string of flawed acquisitions that considerably harmed its business as well as market value. Two years later, in 2013, we were still buying. While there is healing to do, this bank appears to have the right people in place and a desire to return to operational competence. In 2011, the bank earned 0% on assets. In 2012, it managed to earn 0.1%. Last year, it got to 0.5%. My 12-year-old tells me it's gone parabolic.

**Table 6: Assets Invested (Banking)**

	2013	2012	2011
\$Cdn invested at year-end (at cost)	8,117,831	6,037,969	5,187,013
% of ROMC assets	39%	48%	43%

### Insurance

Reported earnings in insurance were very strong in 2013, reaching \$957,928 (\$1.02 per ROMC security). However, because we count *comprehensive earnings* applicable to our ownership interests, our results look less impressive. Comprehensive earnings amounted to \$584,304 (\$0.62 per ROMC security) which earned ROMC only 8% on invested capital. (See our glossary for a definition of comprehensive earnings and why comprehensive rather than reported earnings are used for insurance.)

**Table 7: Economic Results (Insurance)**

(\$Cdn)	2013	2012	2011
Reported earnings	957,928	234,237	89,108
Other comprehensive income	(373,624)	246,443	(43,747)
Comprehensive earnings attrib. to ROMC (a)	584,304	480,680	45,361
Average capital invested (b)	6,962,209	3,110,890	3,251,790
Return on ROMC capital (a ÷ b)	8%	15%	1%



Our three insurance investees hold fixed income securities in order to match the timing of future claims payments. Since most bond prices declined in 2013, our insurers were required to mark down their own holdings. Because mark-to-market losses are unrealized, they do not typically enter into an insurer's reported earnings but they do show up in "other comprehensive income" disclosures. Over time, a good insurer should show gains in investments, realized or not (much like an investment manager should). In our case, since inception, unrealized investment gains attributable to our insurance interests have added \$247,387 to reported earnings of over \$2 million to form cumulative realized and unrealized (comprehensive) earnings of \$2.3 million. This sum was earned on an average annual investment of about \$3 million, equating to a per-year return on our capital since 2007 of 12%.

In 2013, as shown in Table 8, we increased our insurance investment, more than doubling our allocated dollars. We added to our existing holdings and introduced a new insurer to our fold.

**Table 8: Assets Invested (Insurance)**

	2013	2012	2011
\$Cdn invested at year-end (at cost)	10,516,212	4,285,586	2,719,161
% of ROMC assets	50%	34%	22%

#### Retail

Our retail investments produced \$139,231 (\$0.15 per ROMC security) of *reported earnings* attributable to ROMC in 2013, equating to a return on our capital of 7%.

**Table 9: Economic Results (Retail)**

(\$Cdn)	2013	2012 *	2011
Reported earnings attrib. to ROMC (a)	139,231	105,499	107,459
Average capital invested (b)	2,089,489	1,812,957	1,409,717
Return on ROMC capital (a ÷ b)	7%	6%	8%

\* Restated

Our track record here has been average. We own equity in three retailers and all of them dominate their markets, usually generating relatively high earnings on both sales and assets. Our original two retailers have consistently performed this task since we bought them and their market values have increased in step with their enviable economics. We have not been as fortunate with our third retailer and yet we continue to hold it. Modern portfolio theorists would encourage us to keep doing so, arguing that diversification improves results. Our pocketbook disagrees: two holdings have been plenty for success.

**Table 10: Assets Invested (Retail)**

	2013	2012	2011
\$Cdn invested at year-end (at cost)	2,281,419	1,906,017	1,220,640
% of ROMC assets	11%	15%	10%

#### Fixed Income & Other

During 2013, Fixed Income & Other (FI&O) showed a loss of \$292,099 on assets of \$412,084 which equated to a return on assets of -71%.

**Table 11: Economic Results (Fixed Income & Other)**

(\$Cdn)	2013	2012	2011
Income & gains (losses) (a)	(292,099)	594,743	845,552
Interest expense	-	(25,575)	(70,830)
Net income & gains (b)	(292,099)	569,168	774,722
Assets invested at cost (c)	412,084	869,554	2,445,786
Borrowings	-	(1,291,615)	(2,858,817)
Average capital invested (d)	412,084	(422,061)	(413,031)
Return on assets (a ÷ c)	-71%	68%	35%
Return on ROMC capital (b ÷ d)	-71%	n/m	n/m

By summertime last year, ROMC's market value had risen 22% year to date but our economic value had increased little. Fearing a reversion to economic value, I acted to protect our market gains by buying a broad market put option which was offered at a low premium—"allocating" 2% of our capital to protect 100% of our assets from a stock market correction. Had this occurred—and despite being fully invested—we would have been in an advantageous position to acquire additional stock at attractive prices. But the market tide kept rising and the experience quickly went from allocating capital to spending it: \$0.31 per ROMC security's worth. It will relieve you to know that at year-end we held no FI&O assets.

**Table 12: Assets Invested (Fixed Income & Other)**

	2013	2012	2011
\$Cdn invested at year-end (at cost)	-	266,991	1,225,171
% of ROMC assets	0%	2%	10%

## Expenses

Table 13 shows our gross, operating and owner market results with their differences allocated between administration and manager expenses.

**Table 13: Administration and Management Expenses**

	2013		Since inception *
	Salary class	Performance-fee class	
ROMC gross return	37.7%	37.7%	191.4%
Administrator & auditor expense	-0.2%	-0.2%	-5.7%
ROMC operating return	37.4%	37.4%	185.8%
Manager expense	-2.5%	-6.4%	-35.8%
ROMC owner return	34.9%	31.1%	149.9%

\* On a weighted average of both classes

During 2013, administration expenses continued their proportional decline, reducing our gross result by little more than 0.2%. As ROMC grows, administration costs—as a percentage of assets—decline. At present, we pay our administrator 0.1% on assets over \$20 million. Under that hurdle, we pay double. This reduction is the result of "economies of scale."

Unfortunately, no such economies are typically offered by a fund’s manager. Most charge a fixed percentage of assets. As a fund grows, so too does manager remuneration—in lock-step. It is a sad commentary, but most funds—if they had to choose—would rather be big than good. Incentives favour size. Fortunately, ROMC is not typical. Last year, economies of scale were introduced to this expense category. As a result, manager fees were reduced from \$1.6 million to \$705,271. The difference of almost \$900,000 was rebated to Salary class owners who enjoyed a 4% lower expense ratio.

With the issuance of Salary class securities, a growing ROMC only favours owners. Each additional dollar of Salary class assets reduces proportional expenses for the entire class. This is a break from convention, few funds can claim that it is better to be an owner than to be manager.

### Taxes (for taxable accounts only)

2013 reportable income for taxable owners was \$0.

**Table 14: After-tax Real Return<sup>2</sup>**

	<b>2013</b>	<b>Since inception</b>		
ROMC return - weighted avg. of classes	34%	150%		
Estimated accrual of personal taxes	-8%	-37%	----->	Tax accrual since inception
ROMC after-tax return	26%	113%		Reported & paid -4%
Impact of inflation	-1%	-10%		Deferred -33%
ROMC after-tax real return	25%	103%		Total -37%

When looking at our after-tax results, keep in mind that I calculate this accrual as an estimate, using the highest marginal tax rates in effect for Ontarians. Also, please note the right-hand column in Table 14, specifically the two figures beside “Reported & paid” and “Deferred.” Reported & paid represents the amount of tax you would have sent to Ottawa because of your ROMC investment if you were a top earning Ontarian over the last six-and-a-quarter years. To establish your paid rate, you would divide 4% by 150% and quickly find yourself in a 3% tax bracket.

Because we are not good at selling, ROMC has developed unrealized gains over its history. These gains have, in turn, generated taxes payable, but payable only when realized. In the meantime, we use our deferred taxes as cost-free capital. At year-end and on a per-security basis, we had \$3.30 of deferred tax capital compounding for our benefit. Such taxes, like the finest wine, should only get better with age.

### Closing Comments

Since inception, our annual increase in market value—based on a weighted average of both classes of ROMC securities—has been almost 16%. This figure is net of all expenses, including our largest expense to date: manager remuneration. If we calculate our growth before the payment of manager fees, our annual result was 19%. Over a brief period, a difference of 3% goes unnoticed but after several years it becomes the elephant in the room. Looked at cumulatively since ROMC’s start (see Table 13), our operating return to the end of last year was 186% and our owner return—on a combined-class basis—was 150%. Manager remuneration has reduced cumulative owner gain by 36%.

<sup>2</sup> Tax figures are an estimate, done for illustration purposes and not necessarily applicable to each owner.

At no time in our history was this difference greater than in 2013. Peter van Schaik, your independent trustee, noticed. Soon after, the offer went out for our new Salary class securities. As I write this, \$30 million of our assets support annual manager pay of \$500,000+tax. The corresponding expense ratio is less than 2%.

During the offering period, some owners rightly questioned the motivation for creating a salary class, politely asking me: “What’s in it for you?” I admit an attraction to the dependability that a salary offers, but I haven’t had one of those since 1997 and associated taxes are considerably higher than I have enjoyed in the past on similar amounts of money. More important is the fact that the McLean family, in choosing the salary class option, retained 40% of the rebated management fee within ROMC to compound—pre-tax. Yes, I want to make money with you, not off you.

For Salary class to prove effective ROMC’s market value needs to continue to compound at a reasonable rate or we must attract additional owners to Salary class securities. Working together, success is assured. As with all new ideas, critical reflection is in order. As such, results for both security classes will continue to be reported in these pages.

Last fall, an article on ROMC appeared in the Globe and Mail; it was written by Rothery Report founder Norman Rothery. Not long after, a few like-minded individuals added their savings to our own. It is a compliment that we have managed to attract what appears to be a singular type of investor: independent of mind and action, and guided by common sense. Norman’s article portrayed us in just that spirit and he deserves our thanks.

Peter and I will be convening this year’s Owners’ Meeting on Monday, May 5, 2014 at 11 am. It will be held in the boardroom at 1 Richmond Street West, Suite 800 in downtown Toronto. All owners are welcome. This year, we’ve added lunch. Nothing fancy you know; I’m on a budget now.

April 16, 2014

David McLean

## Glossary

Unless otherwise stated, figures in this report are in Canadian dollars. Foreign exchange rates are sourced from ROMC's administrator: Commonwealth Fund Services.

### *Comprehensive earnings/other comprehensive income*

Comprehensive earnings refer to reported earnings plus "other comprehensive income". Other comprehensive income measures the unrealized gains/losses in assets/liabilities (after corporate taxes) of a corporation's balance sheet. Since these gains are unrealized (meaning they have not been sold), they usually do not appear in a company's income statement. Comprehensive earnings are useful in determining economic progress for companies that hold large quantities of marketable securities (stocks, bonds, derivatives, etc.) and whose values fluctuate from one year to the next. For example, insurance companies carry large holdings of marketable securities and therefore potentially meaningful changes in other comprehensive income. ROMC reports insurance economic results on a comprehensive earnings basis.

### *Economic progress/results/profits/return*

Economic progress (results, profits, return) is calculated by ROMC's manager to provide owners a behind-the-scenes look at how ROMC's investments perform on a business-like basis. The figures are organized according to asset class:

- (i) Common equity investments: ROMC, as largely an equity fund, typically holds a significant percentage of its assets in common equity investments. These usually pay little in the way of dividends (which appear in our financial statements) compared to the earnings they generate (which do not appear). Management calculates economic results using earnings generated from such investments, as follows:

ROMC owns a quarterly-weighted 1,000 common shares of ABC Company for the year. ABC Company generated earnings of \$2 per share in the year. Therefore, ROMC's economic profit from ABC Co. for the year equals  $1,000 * \$2$ , or \$2,000.

This math is performed for all of ROMC's common equity investments and can be shown separately or in aggregate on a fund-wide basis. In the event that ROMC holds a common equity investment for less than the calendar year, associated earnings are not included in (i) and the gain/loss associated is included in (ii).

- (ii) Fixed Income & Other: the addition of net interest earned or paid, plus preferred dividends, plus realized & unrealized gains, minus realized & unrealized losses not associated with common equity investments.

ROMC's economic results do not conform to generally accepted accounting principles (GAAP) or IFRS. Our auditors offer no opinion on management's calculations.

Management uses the economic process described above to assess investments for ROMC and considers it an important disclosure. Without it, management believes owners would have little idea as to ROMC's real value – an omission that could lead owners, both existing and prospective, to make ill-informed decisions about ROMC and their savings.

### *Inflation, real return*

Change in the Canadian consumer price index. Source of data: Bank of Canada ([www.bankofcanada.ca](http://www.bankofcanada.ca)). Real return is described as nominal return minus the rate of inflation.

### *Net asset value and net asset value per security*

The net asset value of ROMC is its market value, net of liabilities, at a point in time. It is generally described on a per-security basis which reflects its market value on an individual security or unit basis, much like a stock price would.

*Other Investment categories*

Global equities = MSCI World Equity Index (\$Cdn)

US equities = S&P 500 Composite Total Return Index (\$Cdn)

Canadian equities = S&P/TSX Total Return Index

Canadian cash = 91 Day Treasury Bill Index

Canadian bonds = Globe Canadian Fixed Income Peer Index

Source of data: Globe and Mail – Globe Investor ([www.theglobeandmail.com](http://www.theglobeandmail.com)).

*Per-security or per-ROMC-security, and securities*

ROMC's securities are the same thing as ROMC's units. Data for ROMC is calculated on a Performance-fee class basis, a Salary class basis, and even on a weighted average of both classes outstanding for a given year.

Source of security count: Commonwealth Fund Services.

*Reported earnings*

Reported earnings are a company's GAAP/IFRS net income (after corporate taxes).

*Return on capital*

Return on capital is described as ROMC's economic result(s) divided by the cost of investment for the year, net of borrowings.

*S&P 500 Index*

The S&P 500 Index is comprised of 500 large-capitalized public companies which do business around the world but which report in the United States. In this report, the index represents the general experience in equities as well as the general experience in business. Data on index-wide, industry-specific and individual company sales, earnings, dividends, and equity (book value) make it one of the only sources for comprehensive understanding of the overall economic climate for business. Data source: Standard & Poor's ([www.standardandpoors.com](http://www.standardandpoors.com)). Unless otherwise stated, S&P 500 Index data is presented in Canadian dollars.

*Taxes and after-tax return*

After-tax return refers to management's estimate of the return to ROMC owners after paying personal income tax on income and gains (including unrealized gains). For its calculation, management assumes that owners reside in Ontario, that they pay the highest marginal rates, and that all outstanding ROMC securities are taxable. The analysis attempts to take into account the effect of withholding taxes paid at source on income from some of ROMC's investments, and it is only meant as a guide. Investors should seek a tax expert to understand their own circumstances. Source of income tax rates: TaxTips ([www.taxtips.ca](http://www.taxtips.ca)).