ROMC FUND

2012

ANNUAL REPORT

For the twelve months ending December 31, 2012

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. At ROMC, we believe that a good business generates a high economic return on its own capital. A good investment results from acquiring an interest in a good business 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 discounted 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. Subscriptions and redemptions are effected thereafter.

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

ROMC's service providers:

Administrator	**Auditor**	**Legal counsellor**	**Manager**
Commonwealth Fund Services	KPMG	Owens, Wright	McLean Asset Management
130 Adelaide Street West	90 Allstate Parkway	20 Holly Street	1 Richmond Street West
Suite 3210	Suite 501	Suite 300	Suite 800
Toronto, Ontario	Markham, Ontario	Toronto, Ontario	Toronto, Ontario
M5H 3P5	L3R 6H3	M4S 3B1	M5H 3W4

For more information, including ROMC's Offering Memorandum, historical performance results, past annual letters, subscription forms and contact details, please visit ROMC's website at www.mamgmt.com or contact the fund manager directly by phone at 416-488-0547, or by email at 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 Performance vs. Inflation

	Change in:		
Year	**Net Asset Value per-ROMC-Security** (a)	Inflation ** (b)	Real return (a - b)
2007 *	**9.1%**	0.1%	9.0%
2008	**5.7%**	1.2%	4.6%
2009	**26.0%**	1.3%	24.6%
2010	**6.9%**	2.4%	4.5%
2011	**-5.5%**	2.3%	-7.8%
2012	**26.8%**	0.8%	26.0%
Compounded annual gain ***	**12.6%**	1.5%	11.6%
Overall gain	**86.1%**	8.3%	77.8%

* From October 1 to December 31, 2007
** Consumer price index (Source: www.bankofcanada.ca)
*** The calculation of compounded annual gain uses overall gain as a base

Results are in Canadian dollars, net of withholding taxes and expenses, and are reported on a per-security (master series) basis.

"The culture of the mutual fund industry, when I came into it in 1951, was pretty much a culture of fiduciary duty and investment, with funds run by investment professionals. The firm I worked with, Wellington Management Co., they had one fund. That was very typical in the industry … investment professionals focused on long-term investing.

Today, that profession with elements of a business [has become] a business with elements of a profession – and not so many elements. The typical large manager today runs around 225 different mutual funds. … That's the traditional definition of marketing – find out what people want and give it to them. Well what a stupid way to invest! Because people always want the wrong thing at the wrong time – usually, when it's hot …."

John Bogle, Founder of The Vanguard Group

The Globe and Mail, October 24, 2012 (Q&A with & written by David Parkinson)

Disclosure:

The letter 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 at the end of this letter. Only owners receive audited financial statements.

To the Owners of ROMC Fund:

In 2012, ROMC's *net asset value per-security* increased $3.94, or 26.8%. Since inception a little over five years ago, our per-security net asset value (our market value) has increased from $10.00 to $18.61, an annual growth rate of 12.6%.

While it's fun to watch our market value grow, we need to consider such growth in light of *inflation* and *taxes*, our bogeys to greater purchasing power. The ROMC Fund Historical Performance vs. Inflation table on page 3 shows that our *real* (after-inflation) result since inception is an overall 78%, a per-year increase of almost 12%. Accounting for inflation is the easy part; figuring out the impact of taxes is the hard part. Each of us occupies a unique tax realm and some owners' accounts are tax-free. But even those taxable owners paying the highest marginal rates have had a satisfactory experience. For all of us, our purchasing power continues to grow. (For an estimate of after-tax results for taxable owners, see page 12, under "Taxes.")

Not only have we done well against taxes and inflation, we've also outshone *other investment categories*. Table 1 compares our market return with those of the main alternatives open to Canadian savers. The table is arranged from best to worst over ROMC's history.

Table 1: ROMC Fund vs. Other Investment Categories

	% Overall return		
	Oct. 2007 - Dec. 2012	Relative to ROMC	% Annual return
ROMC Fund	**86.1%**		**12.6%**
Canadian bonds	32.6%	-53.5%	5.5%
U.S. equities	8.2%	-77.9%	1.5%
Canadian cash	6.7%	-79.3%	1.3%
Canadian equities	-1.1%	-87.1%	-0.2%
Global equities	-3.7%	-89.8%	-0.7%

In 2012, ROMC joined the databases of two Canadian mutual fund rating agencies: Morningstar and Lipper. According to both, our market performance in 2012—and, more importantly, since inception—was best in class.

Economic Results[1]

Owners never tire of hearing our mantra: Market value is only as good as business value. It's a good thing too because you know that without growth in the latter the former will stagnate and even decline. Business value is determined by economic progress. In order to succeed, ROMC must continue to find and hold

[1] *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. ROMC's past results—economic and market—may not represent its future performance.

talented "progress-ors." That's why so much of this letter is dedicated to telling our economic story. The plot, like a Hollywood movie, may be predictable but your pocketbook yearns for a happy ending.

Our *economic results* derive from two areas:

(i) Common equity investments, where in 2012 earnings attributable to ROMC's ownership interests were $1.46 million ($1.83 per security) and

(ii) Fixed income & other investments, where last year we had net income and gains of $569,168 ($0.72 per security).

The total for the two groups, at more than $2 million ($2.55 per security), represents our best result yet.

When describing earnings from our common equity investments, I deviate from accounting convention which focuses on dividends received. I don't believe that a discussion on dividends will help you understand the value of our part-ownership of businesses. I do think a description of earnings will. So I describe earnings.

In any case, economic profits are only part of the story. They must be checked against the capital investment required to achieve them. ROMC's goal is to allocate owner capital effectively. The higher the economic return on our capital, the more effective its use. Table 2 shows how our capital was allocated in 2012. Overall last year, on a per-security basis, $14.11 of investment at cost produced $1.95 of economic profit attributable to owners, generating a return on capital of 14%.

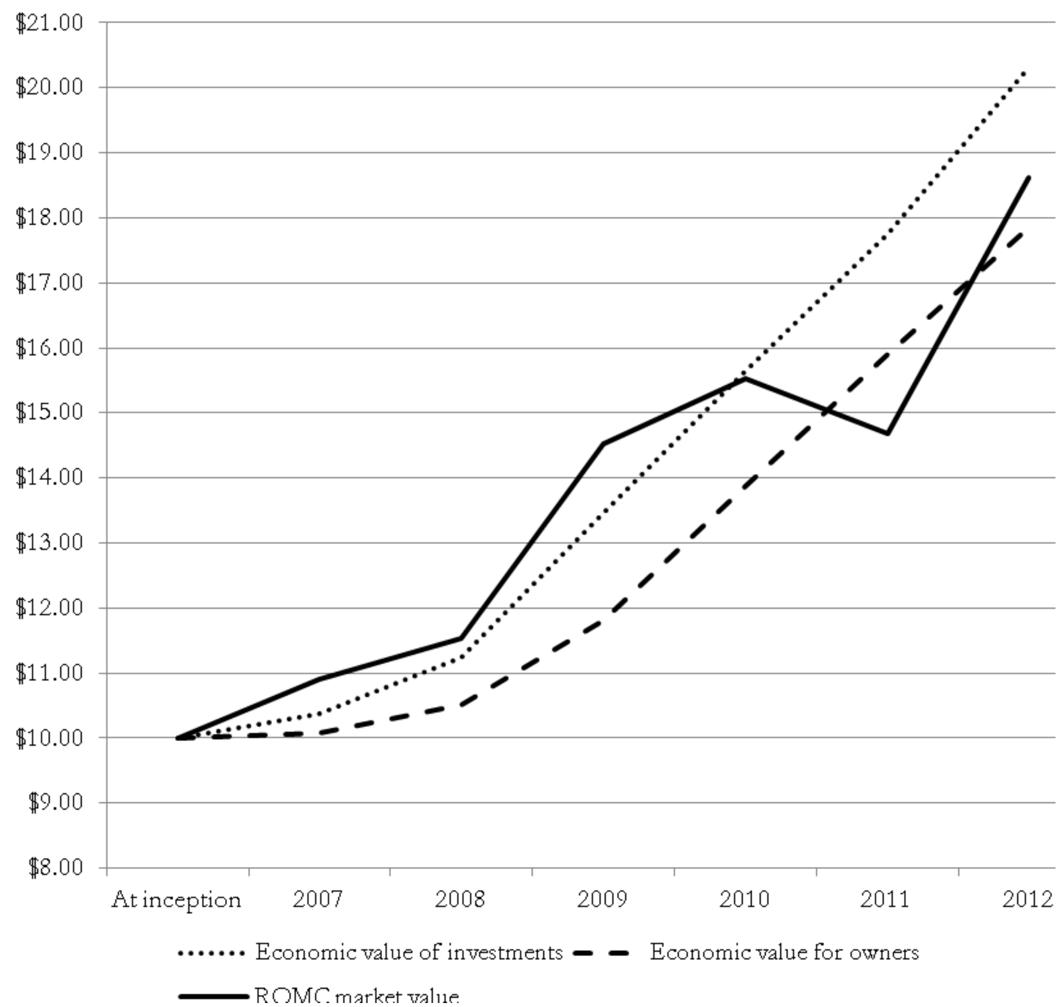
Table 2: Economic Profits & Return on Capital (2012)

($Cdn)	**Economic profit**	**Capital invested**	**Return on capital**
Banking	702,015	5,612,491	13%
Insurance	480,680	3,110,890	15%
Retail	189,907	1,812,957	10%
Communications, media & technology	83,507	1,105,152	8%
Fixed income & other	594,743	869,554	68%
Borrowings	(25,575)	(1,291,615)	-2%
Attributable to ROMC investments	2,025,277	11,219,429	18%
ROMC expenses (incl. brokerage)	(476,212)	-	
Attributable to ROMC owners	1,549,066	11,219,429	14%
Average ROMC securities outstanding	795,275		
On a per-security basis:			
Attributable to ROMC investments	2.55	14.11	18%
Attributable to ROMC owners	1.95	14.11	14%

Table 2 is important. Over time, each of the numbers above will help determine our market results. I say "over time" because in the short term, business and market values can differ from one another, sometimes greatly. Since ROMC's inception in October 2007, economic value attributable to owners (our business value) has risen from $10 to about $18 per-ROMC-security. Our market value has enjoyed much the same experience. See, it works. But, as you can attest, at times during our five-and-a-quarter years, it didn't look like it was working. Benjamin Graham, author of The Intelligent Investor, wrote: "In the short term, the market is a voting machine but over the long-term it is a weighing machine." He meant that votes (market values) fluctuate but eventually resemble weight (economic value).

Figure 1 illustrates Mr. Graham's point. It shows our economic progress, both before the deduction of ROMC's expenses (dotted line) and after (dashed line). It also plots our market value (solid line). From the graph, you can see that from 2007 to 2009 ROMC's market value increased faster than both economic values. From then on through to the end of 2011, our market value lagged. At year-end 2012, we found ourselves between the lines, comfortably within a range of both economic figures. (Take a picture, it won't last.)

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



ROMC's absolute value is important but so too is its position relative to the broad market. We will continue to outperform the broad equity market only if, over time, two things happen:

(i) ROMC's per-security economic profit from investments grows faster than the earnings of the broad market; and

(ii) ROMC's earnings yield does not fall far below that of the broad market.

Here is how we did on those metrics in 2012:

(i) ROMC's per-security economic profit from investments showed a year-over-year increase of 21%. The *S&P 500 Index*, our proxy for the broad market, saw 2012 earnings down 1%.

(ii) Table 3 shows that ROMC's average earnings yield during 2012 was 11%. By comparison, the S&P 500's earnings yield averaged 6%.

Table 3: Earnings Yield (2012)

($Cdn)	**ROMC Fund**	**S&P 500 Index**
Economic profit per-security (a)	1.95	86.90
Average market value (b)	17.09	1,376.67
Earnings yield (a ÷ b)	11%	6%

Don't underestimate the advantage offered by an investment that combines greater earnings growth with a higher earnings yield. Such a combination enables investors—new and old—to accumulate economic value at a faster rate than the broad market. In ROMC's case, this positive relationship has enabled our per-security business value to grow 78% since inception while the same for the S&P 500 grew 23%.

And where else would economic gain show up but in market value? ROMC's healthy economic progress is fully reflected in an overall market gain of 86%. The broad market has not been so fortunate: disappointing economic growth since October 2007 has translated into an even more disappointing S&P 500 total market return of just 8%.

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

<u>Banking</u>

Last year, our common equity investments in banking generated $702,015 of *reported earnings* attributable to our proportional ownership, which equated to a return on our capital investment of 13%.

Table 4: Economic Results (Banking)

($Cdn)	**2012**	**2011**	**2010**
Reported earnings attrib. to ROMC (a)	702,015	525,230	432,076
Average capital invested (b)	5,612,491	4,733,150	4,767,827
Return on ROMC capital (a ÷ b)	13%	11%	9%

Since 2009 when we started to invest in this industry, our economic returns on capital have consistently increased. A good deal of the past increase in the level of returns has come from industry recuperation, post-Great Recession. But, increasingly, the growth in economic return is due to the retention of earnings by our investees and their subsequent re-investment into banking operations at attractive rates.

Unfortunately, all of the economic profits reported to owners have not been retained by our investees. Some profits have been paid out to us in dividends and have been difficult to re-allocate at anything approaching 13%. When our investees can put capital to use at high rates, we prefer that they hold on to all earnings.

In addition to reported earnings, our banking investments have enjoyed *other comprehensive income* from unrealized gains on assets. Like insurance companies, banks mainly hold money on their balance sheets which they must invest. If invested well, this money will not depreciate. In some cases, like in our investees, it will actually appreciate. If we were to add up such appreciation over time, ROMC's portion of our investees' other comprehensive income would equal $158,000, adding an additional $0.28 per security to ROMC's business value.

Last year, due to continuing investor animosity toward financial institutions as a whole, we were again able to add to our banking holdings. At year-end, our allocation to the banking industry was 48% of our assets at cost, as illustrated in Table 5.

Table 5: Assets Invested (Banking)

	2012	**2011**	**2010**
$Cdn invested (at cost) at year-end	6,037,969	5,187,013	5,176,905
% of ROMC assets	48%	43%	41%

<u>Insurance</u>

Insurance was strong in 2012, helping to make up for a weak 2011. *Comprehensive earnings* applicable to our ownership interests amounted to $480,680 which earned ROMC 15% on invested capital. (See our glossary, on page 15, for a definition of comprehensive earnings and why comprehensive rather than reported earnings are used for insurance.)

Table 6: Economic Results (Insurance)

($Cdn)	**2012**	**2011**	**2010**
Comprehensive earnings attrib. to ROMC (a)	480,680	42,317	448,477
Average capital invested (b)	3,110,890	3,251,790	3,672,642
Return on ROMC capital (a ÷ b)	15%	1%	12%

After a quick look at Table 6, you'll understand why insurance is not for everyone. Its economic returns would not be described as consistent. The ups and downs do not deter us. Since inception, we have consistently invested in insurance, and while yearly results have been choppy, our 13% average annual economic return on capital has been respectable.

In 2012, an opportunity to increase our insurance holdings presented itself, and as Table 7 illustrates, we jumped at it. This may, of course, contribute to an increase in the volatility of ROMC's future economic results.

Table 7: Assets Invested (Insurance)

	2012	2011	2010
$Cdn invested (at cost) at year-end	4,285,586	2,719,161	3,377,434
% of ROMC assets	34%	22%	26%

Retail

In 2012, our retail investments produced $189,907 of *reported earnings* attributable to ROMC, equating to a return on our capital of 10%.

Table 8: Economic Results (Retail)

($Cdn)	2012	2011	2010
Reported earnings attrib. to ROMC (a)	189,907	107,459	74,130
Average capital invested (b)	1,812,957	1,409,717	782,360
Return on ROMC capital (a ÷ b)	10%	8%	9%

Last year, we enjoyed a 2% increase in the economic return on capital allocated to retail, even as we increased our allocation. This means that last year, we were able to find both value and growth in retail.

Table 9: Assets Invested (Retail)

	2012	2011	2010
$Cdn invested (at cost) at year-end	1,906,017	1,220,640	1,477,543
% of ROMC assets	15%	10%	12%

Communications, Media & Technology

Our investment in this area produced $83,507 of *reported earnings* applicable to ROMC in 2012, generating an economic return on our capital of 8%.

Table 10: Economic Results (Communications, Media & Technology)

($Cdn)	2012	2011	2010
Reported earnings attrib. to ROMC (a)	83,507	176,167	-
Average capital invested (b)	1,105,152	1,534,933	-
Return on ROMC capital (a ÷ b)	8%	11%	

This investment began in 2011 and it didn't last long. Because of an opportunity in insurance and without a great deal of cash to spare, I sold our holdings late last year. I account for the position as part of common equity investments because we held it over calendar 2011 and most of 2012, but I wouldn't blame you if you thought such categorization arbitrary. For ROMC's market value to properly reflect its economic progress, turnover in common equity investments must be low. While an almost two-year holding period may sound like an eternity in today's world of high frequency trading, it is but a blink of the eye in the world of business. And, as business investors, brevity is not our sort of thing. So I feel it is important to reconcile any realized market gain against all economic profits reported to you over the last two years, and Table 11 does that.

Table 11: Economic profit vs. Market gain (Communications, Media & Technology)

($Cdn)	**2012**	**2011**	**Total**
Economic profit reported	83,507	176,167	259,674
Realized gain (including dividends)	394,034	52,150	446,184

Our total realized gain turned out to be higher than the economic profits reported. For those owners who have paid close attention to my earnest discussions on business value determining market value, this outcome may seem puzzling. A T-shirt slogan will clear up any confusion: "Sure it works in practice... but does it work in theory?"

Fixed Income & Other

During 2012, we produced income and gains of $594,743 from our operations in Fixed Income & Other on assets of $869,554 which equated to a return on assets of 68%.

Table 12: Economic Results (Fixed Income & Other)

($Cdn)	**2012**	**2011**	**2010**
Income & gains (a)	594,743	845,552	586,299
Interest expense	(25,575)	(70,830)	(83,798)
Net income & gains (b)	569,168	774,722	502,500
Assets invested at cost (c)	869,554	2,445,786	3,365,472
Borrowings	(1,291,615)	(2,858,817)	(3,317,635)
Average capital invested (d)	(422,061)	(413,031)	47,837
Return on assets (a ÷ c)	68%	35%	17%
Return on ROMC capital (b ÷ d)	n/m	n/m	1050%

Since first investing in this category in 2009, our record has been decent. ROMC's annual compound return on assets of 31% is multiples higher than the 6% per-year recorded by a typical Canadian bond index[2]. Include the fact that, on average, none of ROMC's own capital was used in the process and the result becomes... well, higher.

[2] Globe Canadian Fixed Income Peer Index (www.theglobeandmail.com/globe-investor/funds-and-etfs/funds)

We sold the last of our fixed income securities in 2012. Table 13 shows that 2% of assets at cost are still in this category but what we hold would fall under "Other."

Table 13: Assets Invested (Fixed Income & Other)

	2012	2011	2010
$Cdn invested (at cost) at year-end	266,991	1,225,171	2,739,829
% of ROMC assets	2%	10%	21%

Management expenses

If we were to add back management expenses, ROMC's gross asset value per-security increased $4.53 in 2012, or 30.8%.

Table 14: Administration and Management Expenses

	2012	2011	2010
Administrator & auditor expense	0.3%	0.3%	0.3%
Manager expense	3.1%	0.0%	0.3%
Management Expense ratio	3.4%	0.3%	0.6%
ROMC gross return	30.8%	-5.2%	7.5%
ROMC net return	26.8%	-5.5%	6.9%

Table 14 separates ROMC's management expense ratio (MER) into two categories: (i) administration & audit expense, which currently runs at less than 0.3% of average net assets per-year; and (ii) manager expense, which fluctuates from one year to the next depending on our gross return less administration & audit expense—what I call our "operating return."

At ROMC, management is paid only if our operating return exceeds an annualized 6%. This hurdle is not just a yearly requirement but a cumulative one as well. In 2011, manager expense was 0.0% because our operating return fell short of the required 6%. In 2012, our return exceeded it; enough so that cumulative shortcomings were recouped and the current year's hurdle was surpassed.

Taxes (for taxable accounts only)

2012 reportable income for taxable accounts was $198,200 ($0.30 per-security), all in the form of capital gains.

In 1979, the Berkshire Hathaway shareholder letter contained a section devoted to the concept of real return, after-tax. In it, the Chairman wrote: "The combination of the inflation rate plus the percentage of personal income tax on any gain can be thought of as an investor's misery index." Table 15 shows that since inception our overall gain of 86% contains a "misery index" portion of 24%. The amount left over, known to owners as ROMC's real return, after-tax, at an approximate 63%, is our increase in purchasing power—what might be termed ROMC's "happiness index". You can quickly work out that, on average, our purchasing power has grown at an annual rate of more than 9%.

Table 15: Real Return, After-tax[3]

	2012	Since inception	Taxes since inception	
ROMC owners' return	27%	86%		
Estimated impact of personal taxes	-6%	-16%	Current	-4%
Impact of inflation	-1%	-8%	Deferred	-11%
ROMC real return, after-tax	20%	63%	Total	-16%

When looking at ROMC's misery index, you should consider two items that sully the appearance of after-tax results. First, when estimating the impact of taxes on owners, I use the highest marginal rates for Ontarians. To fit into this bracket, you would have earned at least $500,000 in 2012 before even considering ROMC's T3. Second, the estimate includes a tax impact from unrealized gains which are neither reportable nor payable by owners. Table 15 shows that three-quarters of the taxes accrued since inception fall into this deferred category. Only in the unlikely event that ROMC sells its associated investments would taxes need to be reported and paid by taxable owners.

Closing comments

This letter forms the entire annual marketing effort for ROMC Fund. As an advertisement, it is unusual. Its primary focus is on the business results of our investments. Its brief discussion on market returns emphasizes the need for investors to deduct inflation and taxes as tolls in pursuit of greater purchasing power. It describes, in painful detail (at least for your manager), how and when fees are paid and—often—when not paid. In short, it isn't much of a marketing anything. But that doesn't make it wrong. This letter tries to do some things well, like use candour in describing how ROMC owners' savings are treated. Its attempt is to appeal to investors who wish similar treatment. In short, it is an advertisement to people like us.

Unfortunately, there aren't many of us around as this example illustrates. The average ownership period in business transacted through a stock exchange today is only a few months. Put another way, almost four different people own the same stock certificate each year[4]. Compare that to ROMC's owner turnover. Since inception, almost five-and-a-half years ago, not one owner has chosen to leave. Meanwhile, during the same period in the average public company, about 20 different "owners" have come and gone.

Had this letter taken a different approach, one which focused on the short term and market prices, it might attract a different crowd—one more "average." ROMC owners are anything but average and should be celebrated for it. Long-term, business-oriented investors are rare and exactly what ROMC needs in order to prosper. Not appealing to the average is no sacrifice when the reward for doing so is working for owners like you.

[3] Table 15 tax figures are an estimate, done for illustration purposes and not necessarily applicable to each owner.

[4] John C. Bogle, The Clash of The Cultures: Investment vs. Speculation (Hoboken, NJ: Wiley & Sons, 2012) p. 2.

While on the subject of long-term, business-oriented owners, I would like to announce the appointment of Mr. Peter van Schaik as fund trustee. Peter and his family have been with ROMC from the beginning and through consistent incremental investment are now major owners. Peter loves business, is good at it, has common sense and is blessed with a calm demeanor—qualities that are vital to ROMC. The business of compounding may be simple but it is not always easy.

As a trustee, Peter will represent owners, a task that won't prove difficult given his personality and significant ownership. If it is in Peter's interest, you can be sure that it will also be in yours. Another comforting fact about his presence is that in the event of something happening to me, Peter will be there to look after you. He will know what to do.

Peter and I will be convening the annual meeting on Monday, May 6, 2013 at 11 am. The meeting will be held in the boardroom at 1 Richmond Street West, Suite 800 in downtown Toronto. All owners are welcome to attend.

March 21, 2013 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 (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). 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 ($Cdn)
US equities = S&P 500 Composite Total Return Index ($Cdn)
Canadian equities = S&P/TSX Total Return
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).

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 master series-equivalent basis and on an average of the outstanding securities 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). 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).