ROMC FUND

2015

ANNUAL REPORT

For the twelve months ending December 31, 2015

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 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 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 said, "For all long-term investors, there is only one objective: maximum total real return after taxes." This truism lies at the heart of what ROMC does.

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:

Administrator	**Auditor**	**Fund Manager**
Commonwealth Fund Services	Cooper & Company	McLean Asset Management
20 Queen Street West, Suite 2401	1120 Finch Avenue West, Suite 108	1 Richmond Street West, Suite 800
Toronto, Ontario M5H 3R3	Toronto, Ontario M3J 3H7	Toronto, Ontario M5H 3W4
Tel. 416-361-4651	Tel. 416-665-3383	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 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 Net Asset Value per Security (NAVPS) vs. Inflation

Year	Change in: ROMC NAVPS (a)	Change in: *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%
2013	34.3%	*1.2%*	33.0%
2014	21.5%	*1.5%*	20.0%
2015	18.2%	*1.6%*	16.6%
Annual gain since inception	16.8%	*1.5%*	15.3%
Overall gain since inception	258.8%	*13.0%*	245.8%

Notes: Data is presented in Canadian dollars, net of expenses and withholding taxes; and by calendar year with one exception: 2007 is from October 1 to December 31. ROMC NAVPS results are calculated on a class-weighted basis by using the weighted average of Salary class and Performance-fee class securities outstanding. Inflation is represented by the Canadian Consumer Price Index (Source: www.bankofcanada.ca).

"Our stay-put behaviour reflects our view that the stock market serves as a relocation center at which money is moved from the active to the patient."

Warren Buffett, Chairman, Berkshire Hathaway Inc.

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 that follows this letter. Only owners receive audited financial statements.

To the owners of ROMC Fund:

In 2015, ROMC's net asset value increased by $9.5 million. On a class-weighted, per-security basis[1], our gain was 18.2 per cent. (Table 1 shows performance by security class.) Since inception just over eight years ago, our per-security net asset value has increased from $10 to $35.88, an annual growth rate of 16.8 per cent.

Table 1: Change in Net Asset Value per Security (NAVPS) by Class

ROMC security	2015 change in NAVPS		End NAVPS
Salary class	$5.65	18.5%	$36.24
Performance-fee class	$4.67	16.1%	$33.70

You might wonder why our performance table on page 3 compares our results against inflation. Given the relative figures to date, you wonder well. John Templeton, the great fund manager, insisted that: "For all long-term investors, there is only one objective: maximum total real return after taxes." Before any investor can claim success, they must first qualify that they've maintained their purchasing power. And purchasing power is lost to inflation. That is why page 3 shows our real return. Of course, purchasing power is also lost to taxes. Page 3 doesn't show tax figures because your position is likely very different from another owner's, but an estimate using the highest marginal rates for Ontarians suggests that as much as 62 per cent (10 per cent realized & 52 per cent still unrealized) should be deducted from our overall gain. These two bogeys—together adding to 75 percent and shared between an eroding medium of exchange and social contract transfers—when deducted from our class-weighted overall gain of 259 per cent, leave owners 184 per cent better off than if they had consumed their savings upon receipt. The hope is that this figure provides owners with sufficient incentive to remain just that—owners.

Competitively speaking, we did okay in 2015. Salary class ranked in the top 25 per cent of all global equity funds followed by Morningstar Canada and Performance-fee class was in the top 35 per cent. We're doing well since inception, too, within the top one per cent for both classes.

Our cumulative advantage over *other investment categories*, illustrated in Table 2, continued to widen last year even though our average annual advantage over both US and global equities (S&P 500 & MSCI World, respectively) narrowed by one percentage point.

Table 2: ROMC Fund vs. Other Investment Categories

	Overall gain (Oct/07 - Dec/15)	Annual gain
ROMC Fund: Salary class	262%	17%
ROMC Fund: Performance-fee class	237%	16%
U.S. Equities (S&P 500)	123%	10%
Global equities (MSCI World)	76%	7%
Canadian bonds	40%	4%
Canadian equities (S&P/TSX)	17%	2%
Canadian cash	10%	1%

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

[1] Unless otherwise stated, per-security figures are a class-weighted average for the year of Salary class and Performance-fee class securities outstanding.

Economic Results[2]

Lately, US and global equity indexes have outpaced ROMC on a price basis. The same cannot be said for economic progress. In 2015, Salary class' per-security economic value increased by $2.33, or 11 per cent, to reach a year-end value of $23.07. In 2007, when we first started, that economic figure was $10. We've managed to compound per-security economic value for almost all owners at an annual rate of 11 per cent.

The S&P 500 (Table 3's best performing index) had a 2015 year-end-equivalent economic value of $14.47, up $0.72 or five per cent for the year. Since 2007, it has shown an average annual growth rate of less than five per cent. ROMC owners have almost tripled the difference in their relative economic position compared to American business.

It should make sense then that our respective market prices differ. And while Salary class's year-end market value of $36.24 was materially higher than the S&P 500 equivalent of $22.25, it wasn't triple the difference. To the trained eye, this suggests opportunity in ROMC but, with a 2015 Salary-class earnings yield of seven per cent, our securities are not screaming "value!" It is the S&P 500, with its earnings yield of just four per cent, that is doing the screaming—and it ain't "BUY!"

Expenses

Commonwealth Fund Services, our administrator, takes care of accounting, transfer agency, and tax reporting. Cooper & Company, our auditor, is an additional pair of eyes, ensuring that the figures and the reporting of them to you is accurate and complete. For this important work, we paid a total of $82,363 in 2015, equal to 0.17 per cent of average assets for the year (down from 0.20 per cent in 2014). When it comes to expenses, a game of inches, we go to two decimal places.

Because of the fixed nature of the Salary class management fee—totalling $500,000, plus HST—a growing class has the pleasant effect of making ROMC cheaper for its owners. In 2015, the number of Salary class securities increased by 12 per cent and the value of class securities rose by 18.5 per cent, resulting in a welcome year-over-year decrease in the salary-expense ratio of 25 per cent. At year end, class owners were paying fees equivalent to 1.18 per cent of assets, down from 1.56 per cent at the end of 2014.

Seven per cent of ROMC securities belong to Performance-fee class owners. With another good year in the markets in 2015, owners paid a total of $162,518 in fees. That amount, expressed as a percentage of average class assets, was 3.53 per cent, which is a little above average since inception.

Over the last three years (since the start of our two-class ownership structure), the per-security management expense for Salary class has been materially lower than that of Performance-fee class. That won't always be the case. In some years, Performance-fee owners will pay nothing, so we'll continue to keep score.

Taxes [3]

I regret to inform taxable owners that, last year, ROMC recorded both reportable net income and realized capital gains. It was the weeds that we clipped, though—not the flowers. The total, which you will report to the CRA this year, amounts to $2.6 million. That equates to a per-security amount of $2.04, little more than one-third of

[2] *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.

[3] Tax figures are an estimate, done for illustrative purposes, using the highest marginal tax rates for Ontarians.

last year's per-security gain in net asset value. The maximum potential tax for Ontarians equates to about $0.52, or a little over 25 per cent of the taxable amount. I hope your accountant is better than mine.

On October 1, 2007, ROMC's journey began with six owners and $2.1 million. Since then, 25 intrepid individuals have joined in the fun and, over more than eight years, only one has been lost. The sturdy 30, as they've come to be known, brought to ROMC a total of $24.1 million in hard-earned savings. Over the years, we managed to top up that sum with an additional $26.4 million, mainly in capital appreciation (84 per cent of which remains unrealized). It's not magic—we just took Jesse Livermore's advice: "The big money is not in the buying and selling… but in the waiting."

In 2016, Canada's marginal tax rate goes up by four per cent, which means that high-earning Ontarians will hand over as much as 54 per cent of their earnings to the CRA, now our majority partner for life. We took advantage of the outgoing lower rates last year by disposing of some less-than-enviable assets at significant profit, in favour of potentially higher quality assets; and we did so at decent market prices.

Partnership

Last year, this section was dedicated to owners' rational kindness, behaviour over our history that has been important to our successes. I wrote:

> *"With rational owners, ROMC's use of market dislocations and inefficient securities prices—all due to the irrational behaviour of others—has been an important part of past results. I can only believe that this advantage will be present when opportunities avail themselves in the future."*

It took only nine months to prove the point. Earlier this year, during a reasonable correction, I suggested to owners that value was available in some pockets of the market. It is doubtless that at that time owners were deluged by many newspaper headlines emphatically stating the opposite. So what did owners do? They bought more ROMC.

Instead of focusing on falling prices—the market will always fluctuate—owners saw an opportunity to improve the return on their capital. That is key. To paraphrase Francis Bacon, the stock market makes a good servant but a poor master. ROMC owners know this, and that's a big advantage, one that makes my job a pleasure.

Owners' Meeting

This year, Peter and I will host owners on the second Tuesday in May. We'll begin with a short discussion about the start of this new year, but what we really want to do is answer your questions. The meeting is your opportunity to understand ROMC better. We want you to know your fund.

ROMC Annual Owners' Meeting

Tuesday, May 10, 2016

11 a.m.

1 Richmond Street West, Suite 800, Toronto, Ontario

It's not all about business, though. We think owners should also have the chance to get to know one another and, in order to assist in that, we invite you to lunch following the meeting. As in the past, we'll choose a restaurant that is close by, so if you drive you'll need only park once.

March 29, 2015 David McLean

Manager's discussion and analysis: Economic results[4]

2015 economic results derived from two groups:

(i) Common equity investments, where earnings attributable to our proportional interests exceeded $2.2 million ($1.65 per ROMC security), and

(ii) Fixed income & Other, where last year we earned $1.7 million ($1.21 per ROMC security).

The total for both groups, at $3.9 million, came to $2.86 per security and showed a year-over-year increase of 12 per cent. The average annual growth rate in our per-security economic profits since 2008 (our first full year of operation) has been 18 per cent. Over the same seven-year period, earnings for the S&P 500 increased by an annual six per cent.

Table 3: Economic Profit, Book and Market Value

		Average for the year	
($Cdn)	**2015 economic profit**	**Book value**	**Market value**
Banking	1,423,681	7,612,565	18,270,822
Insurance	45,286	9,514,365	14,477,469
Retail	258,199	3,265,672	6,075,059
Communications, media & technology	526,014	5,956,772	5,916,639
Fixed income (incl. cash)	3,887	996,462	996,462
Other	1,669,298	-	-
Attributable to ROMC investments	**3,926,365**	**27,345,836**	**45,736,451**
ROMC expenses (incl. brokerage)	(828,747)		
Attributable to ROMC owners	3,097,618		
On a per-security basis:			
ROMC investments	2.86	19.90	
Salary class	2.33		33.44
Performance-fee class	1.63		31.38
	2015		
Salary securities - average	1,228,568		
Performance-fee securities - average	145,480		
Average ROMC securities outstanding	1,374,048		

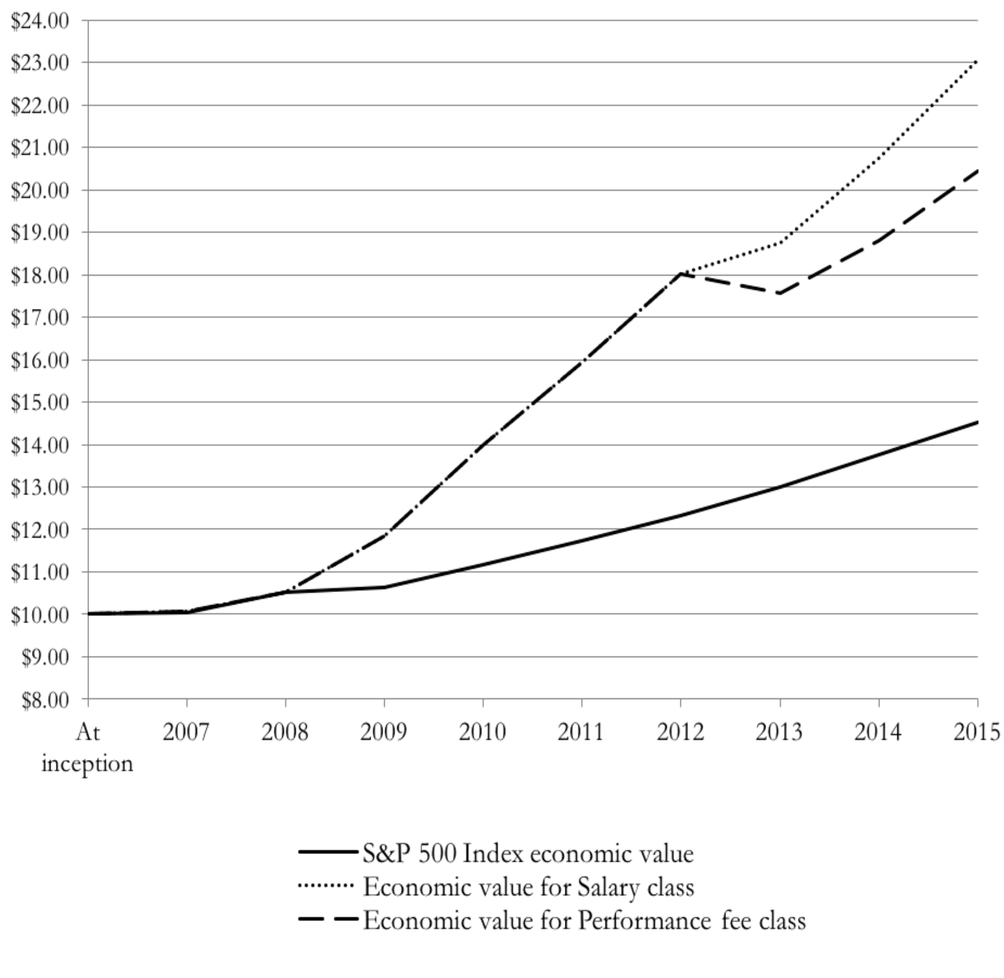
Last year's economic return on capital (economic profit ÷ book value) attributable to ROMC investments was more than 14 per cent, about average for us. In 2015, Salary class paid per-security expenses of $0.52 (down from $0.58 in 2014) which gave owners a return on capital of 12 per cent, an above average result. Performance-fee class owners paid expenses of $1.23 last year and earned an eight per cent return on capital. The S&P 500's 2015 return on equity was 12 per cent.

[4] *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.

By comparing 2015 economic profits to market value in Table 3, owners can see that last year's earnings yield for Salary class was seven per cent and for Performance-fee class was five per cent. The earnings yield for the S&P 500 was four per cent.

On October 1, 2007, ROMC started operations with a per-security value of $10. That figure was the same for both economic and market value as all capital was in the form of cash. From that point on, we have allocated our capital mainly to equities that have generated earnings, but also to securities that have provided interest, preferred dividends and even capital appreciation. We've kept track of it all and done the same for the S&P 500. We've also kept tabs on expenses because, in investing, you get what you don't pay for. In Figure 1, you can see that, until 2009, not a lot happened to differentiate ROMC from the S&P 500. But from then on, we have seen a material change in our economic fate compared to the general experience in business. Of note, the addition of Salary class in 2012 did well to keep much of the economic momentum going for class owners when rapidly rising market prices began to increase expenses for Performance-fee class securities.

Figure 1: A comparison of economic values



Next, 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 $1,423,681 of *reported earnings* attributable to our ownership ($1.03 per ROMC security), equating to a return on our capital of 19 per cent.

Table 4: Economic Results (Banking)

($Cdn)	**2015**	**2014**	**2013**
Reported earnings attrib. to ROMC (a)	1,423,681	1,038,000	987,486
Average capital invested (b)	7,612,565	8,446,348	7,267,894
Return on ROMC capital (a ÷ b)	19%	12%	14%

Table 4 shows a lower average capital invested in banking in 2015, because we rejigged some of our exposure. We partially sold a position that had done little to improve our economics but had done a good job of improving our market value. At the right price, even a mediocre business can be a good investment. As in past years, a description follows of how economics and market returns compared.

($Cdn)	**2015**	**2014**	**2013**	**2012**	**Total**
Reported earnings attrib. to ROMC (a)	-	29,938	72,681	14,325	116,945
Average capital invested (b)	-	909,582	879,245	425,478	
Return on ROMC capital (a ÷ b)		3%	8%	3%	
Dividends received [c]	-	8,480	2,661	1,263	12,404
Capital gain on disposal (d)	484,885				484,885
Other profit (c + d - a)					380,344

In the table above, you can see how our sale candidate's returns on capital were poor, averaging a little over three per cent since 2012. The table also shows that we received dividends and a capital gain of more than four times the earnings reported. In realizing the gain, the excess profits recorded over what was reported to you in past letters was added to our "Other" profits.

The proceeds from the sale, which reduced our weighting in banking from 35 per cent in 2014 to a year-end value (at cost) of 27 per cent, were allocated to Communications, media and technology, where we earned a nine per cent economic return on capital—three times what it was earning in Banking.

Table 5: Capital Invested (Banking)

	2015	**2014**	**2013**
$Cdn yearend cost of investment	7,612,565	8,522,147	8,117,831
% of ROMC capital invested	27%	35%	39%

Insurance

In 2015, *comprehensive earnings* attributed to our interests in insurance amounted to $45,286 ($0.03 per ROMC security), which earned us nothing on invested capital. (See our glossary for a definition of *comprehensive earnings* and why comprehensive rather than reported earnings are used for insurance.)

Table 6: Economic Results (Insurance)

($Cdn)	**2015**	**2014**	**2013**
Reported earnings	870,790	1,483,575	957,928
Other comprehensive income	(825,504)	423,782	(373,624)
Comprehensive earnings attrib. to ROMC (a)	45,286	1,907,356	584,304
Average capital invested (b)	9,514,365	12,152,379	6,962,209
Return on ROMC capital (a ÷ b)	0%	16%	8%

It was a poor year in insurance. In past letters, it has been emphasized that insurance economics are volatile because a great deal of how we measure economic returns comes from changes in the value of our insurers' own investments. Last year, the market value of our insurers' investments declined. In Table 6, you can see how a reasonable "reported" earnings line was almost entirely negated by other comprehensive income, which is where our insurers record their own investments' market value gains—or, in our case, losses.

We hold three insurers, two of which are quite good at managing their investments. One is not. This was known when we initially invested. It was also known that the same insurer was not among the best underwriters. But the price paid for our interest was so low that even a mediocre economic outcome would likely prove satisfactory to our net asset value. Over the four-plus years of ownership, that pretty much played out: Annual economic returns on capital averaged just over 10 per cent, but annual dividends and capital gain averaged more than 20 per cent. The double-digit economic figure looked in jeopardy going forward, so when an opportunity arose in Communications, media & technology, we began a switch.

($Cdn)	**2015**	**2014**	**2013**	**2012**	**Total**
Comprehensive earnings attrib. to ROMC (a)	(100,609)	725,901	212,456	227,333	1,065,081
Average capital invested (b)	654,863	3,453,216	3,420,558	1,333,809	
Return on ROMC capital (a ÷ b)	-15%	21%	6%	17%	
Dividends received [c]	10,942	121,424	42,375	-	174,741
Capital gain on disposal (d)	2,301,354				2,301,354
Other profit (c + d - a)					1,411,014

By year end, we owned half of our original position and we sold the rest in the new year, securing an additional $2 million in "Other" profits (to be booked in 2016). At present, our exposure to insurance is about 26 per cent of our capital (at cost).

Table 7: Capital Invested (Insurance)

	2015	**2014**	**2013**
$Cdn yearend cost of investment	8,859,502	12,312,718	10,516,212
% of ROMC capital invested	31%	51%	50%

Retail

Our retail investments produced $258,199 of *reported earnings* attributable to ROMC in 2015 ($0.19 per ROMC security), which equated to a return on our capital of eight per cent, a still too-low figure.

Table 8: Economic Results (Retail)

($Cdn)	**2015**	**2014**	**2013**
Reported earnings attrib. to ROMC (a)	258,199	178,916	139,292
Average capital invested (b)	3,265,672	2,728,634	2,089,489
Return on ROMC capital (a ÷ b)	8%	7%	7%

When we allocate our capital, it is double-digit economic returns that interest us. Since we've been invested in retail, we've only witnessed one year in which we saw at least 10 per cent: 2008, when the figure was 12 per cent. Since then, we've seen one modest year after another, ranging from less than six per cent in 2012 to just over nine per cent in 2010. In such company, 2015's eight per cent looks average. So why do we stick it out?

To answer, let's take a look at our longest-held retailer. We acquired our interest in 2008 and, in that year, we earned a 7.5-per-cent economic return on investment. In the years since, the business has expanded, almost doubling its store count and, in the process, almost tripling its earnings per share. Because we haven't added to our position, our investment, for economic purposes, is still measured at its 2008 cost. As a result, in 2015, we earned 16-per-cent return on capital. That's why we stick it out. Of course, it only works if we find others that will eventually be terrific earners, and there I have struggled. I do think our two other retailers have the right stuff, but then I'd have told you the same a couple of times over our retail history. It's obvious from looking at past economic returns that I was misinformed.

Despite not adding to our retail holdings during 2015, we saw an increase in economic profits. On a per-ROMC-security basis, the difference was 37% and came largely from underlying earnings growth in our holdings but also from currency translation differences due to a weak Canadian dollar.

Table 9: Capital Invested (Retail)

	2015	**2014**	**2013**
$Cdn yearend cost of investment	3,265,672	3,265,672	2,281,419
% of ROMC capital invested	11%	14%	11%

Communications, media and technology

This area hasn't been of much interest to us since 2011. Last year, however, things changed and an opportunity to acquire productive assets at reasonable prices appeared. Time will tell. While we wait, we'll keep count of our economic profits—and last year's were decent. Our holdings generated $526,014 of *reported earnings* attributable to our ownership ($0.38 per ROMC security) on almost $6 million invested, equating to a return on our capital of nine per cent.

Table 10: Economic Results (Communications, media and technology)

($Cdn)	**2015**	**2014**	**2013**
Reported earnings attrib. to ROMC (a)	526,014	-	-
Average capital invested (b)	5,956,772	-	-
Return on ROMC capital (a ÷ b)	9%		

Table 11: Capital Invested (Communications, media and technology)

	2015	2014	2013
$Cdn yearend cost of investment	8,906,653	-	-
% of ROMC capital invested	31%	0%	0%

Fixed income and Other

In 2015, Fixed income showed a net gain of $3,887 and came from interest earned on temporary cash balances. Other profits totalled $1.7 million.

Table 12: Economic Results (Fixed income and other)

($Cdn)	2015	2014	2013
Fixed income & gains (losses) (a)	-	-	274,583
Cash interest income (expense)	3,887	1,142	69
Net fixed income & cash (b)	3,887	1,142	274,652
Assets invested in fixed income (c)	-	-	180,294
Cash (borrowings)	996,462	(51,617)	11,574
Average capital invested (d)	996,462	(51,617)	191,869
Return on assets (a ÷ c)	n/m	n/m	152%
Return on ROMC capital (b ÷ d)	0%	n/m	143%
Other profits (losses)	1,669,298	219,854	(566,751)

The bulk of last year's Other profits have already been detailed. They came from the sale of holdings in banking and insurance. Otherwise, two derivative transactions—both of which were sales of put options—amounted to an aggregate loss of $122,060. We did not acquire any shares through either of the option contracts. One expired in our favour and the other was disposed of at a loss before contract maturity due to an error that I made in my business analysis. Trading losses are never fun, but being shackled to a questionable enterprise as an owner produces sleepless nights, and that seems worse.

At year-end, we had a modest cash position, amounting to 0.5 per cent of assets.

Table 13: Capital Invested (Fixed income and other)

	2015	2014	2013
$Cdn yearend assets (incl. cash)	241,766	-	304,960
% of ROMC capital invested	1%	0%	1%

Manager's discussion and analysis: Expenses

We've previously discussed ROMC's management-expense ratios—costs that are expressed as a percentage of ROMC's average assets for the year. While important, the figures do not fully describe the impact that expenses have on market returns. In Table 14, you can see how the various expenses associated with our operation impacted returns last year and since inception.

Table 14: Administration and Management Expenses

	2015		
	Salary class	**Performance-fee class**	**Since inception ***
ROMC gross return	20.1%	20.1%	338.5%
Administration & audit expense	-0.19%	-0.19%	-10.1%
ROMC operating return	19.9%	19.9%	328.5%
Management expense	-1.49%	-3.85%	-69.6%
ROMC owner return	18.5%	16.1%	258.8%

* On a class-weighted basis

Manager's discussion and analysis: Taxes [5]

2015 reportable income for taxable owners was $2.6 million: $2.5 million in realized capital gains and $63,017 in foreign investment income. In 2015, reportable income represented just over one-third of our total gain in market value. Since inception, the reportable figure is 16 per cent of our total gain, meaning 84% remains deferred. On a per-security basis, the deferred portion—our interest-free loan from Ottawa—equates to more than $5.

Table 15: After-tax Real Return

($Cdn)	**2015**	**Since inception**			
Change in ROMC NAVPS (class-weighted)	18%	259%			
Estimated impact of personal tax accrual	-4%	-62%	------>	Tax accrual since inception	
Change in ROMC NAVPS, net of tax accrual	14%	197%		Reported & paid	-10%
Impact of inflation	-2%	-13%		Deferred	-52%
ROMC after-tax real return	12%	184%		Total	-62%

[5] Tax figures are an estimate, done for illustrative purposes, using the highest marginal tax rates for Ontarians.

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 have 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 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.

(ii) Fixed income and 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' economic results.

This math is performed for all of ROMC's 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).

ROMC's economic results do not conform to IFRS. Our auditors offer no opinion on management's calculations. But 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 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: Morningstar (www.morningstar.ca), S&P Dow Jones Indices (www.spindices.com) & 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 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). 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 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 individual circumstances. Source of income tax rates: www.taxtips.ca.