

# ROMC TRUST

June 30, 2018

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance contains financial highlights but does not contain the complete financial statements of ROMC Trust (the Fund). You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-866-261-6669, by writing to McLean Asset Management Ltd., 1 Richmond Street West, Suite 800, Toronto, Ontario M5H 3W4 or by visiting [www.mamgmt.com](http://www.mamgmt.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

The report you are about to read contains opinions of the author as well as estimates and unaudited figures. The author has attempted accuracy. This report is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

### **About ROMC Trust**

ROMC Trust (ROMC or "the fund") is a Canadian reporting issuer unit trust founded in 2016.

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 unitholders 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. ROMC's fiscal year follows the calendar year. Valuations are currently performed daily (on each business day). Unitholders are entitled to receive an annual management report of fund performance, together with annual audited financial statements, as well as an interim management report of fund performance, together with interim financial statements. Unitholders can contact us to request a copy of ROMC's proxy voting policies and procedures, proxy voting record, and quarterly portfolio disclosure.

ROMC's service providers:

#### **Administrator**

Convexus Managed Services Inc  
135 Commerce Valley Drive East  
Thornhill, Ontario L3T 7T4  
Tel. 905-707-5998

#### **Auditor**

KPMG LLP  
333 Bay Street, Suite 4600  
Toronto, Ontario M5H 2S5  
Tel. 416-777-8500

#### **Fund Manager**

McLean Asset Management Ltd  
1 Richmond Street West, Suite 800  
Toronto, Ontario M5H 3W4  
Tel. 416-488-0547

For more information, including ROMC's Prospectus, historical performance results 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 Ontario Securities Act, under section 130.1(1).

## Management Discussion of Fund Performance

### Investment objectives & Strategies

To achieve ROMC Trust's objectives, your manager selects securities that offer a perceived discount to those offered generally in securities markets. It is his belief that a good investment is generally determined by acquiring a productive asset that generates 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. To do this, ROMC Trust will tend to hold only a handful securities at one time. There are few moments when most securities are available at perceived discounts, even when looking globally. As a result, the Fund will tend to concentrate positions.

### Risk

At June 30, 2018, ROMC held 21 per cent of the portfolio in cash. If stock and bond valuations are not compelling, and at present they do not appear compelling, we will hold cash. If the stock market continues to rise strongly, holding cash will limit the fund's ability to keep up. Unitholders should know that ROMC's focus is on value for money. A lack of it will likely see us do little to chase the market and that may mean periods of underperformance.

Risks involved with an investment fund with a global mandate like ROMC include: securities market risk, foreign-currency risk, security-issuer risk, political & legal risk, broker/dealer risk, tax risk, net asset value fluctuation, limited operating history, key personnel risk, multi-class risk, no guaranteed return, loss of limited liability, and a reliance on historical data risk. It's a good idea for all investors, whether existing or prospective, to read the fund's most recent prospectus and consider the fund's risks.

### Results of operations

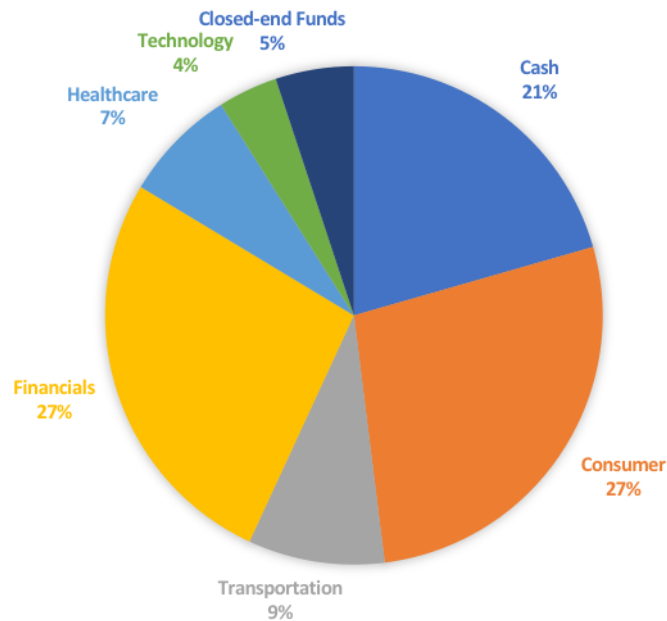
For the interim period ended June 30, 2018, series A units and series F units of the fund increased 4.64 per cent and 4.94 per cent, respectively. There were no distributions to unitholders over the period. By comparison, the MSCI World Equity Index (in Canadian dollars) returned 5.78 per cent on a gross basis.

During the period, we earned \$417,252 in comprehensive income (including unrealized gains of \$404,828). Gross operating expenses were \$129,686 but management fee absorptions/waivers brought the net operating expense figure down to \$83,181. Because most of our income was in the form of unrealized gains, there was no distribution to unitholders in the period.

Since year end, we have made some changes to the portfolio. The most significant change has been the reduction of our cash weighting as a percentage of the portfolio. At December 31, 2017, we had a cash weighting of 40 per cent of the portfolio. At June 30, 2018, it was 21 per cent. We made some minor changes within our common equity securities, but the main reason for the decline in cash as a percentage of the portfolio was net redemptions. At June 30, ROMC had the following allocations:

ROMC Trust asset mix as at:	30-Jun-18
Canadian equities	5%
US equities	37%
European equities	29%
International equities	9%
Cash & equivalents	21%
<b>Total - ROMC Trust</b>	<b>100%</b>

## ROMC Trust Sector allocation at 30-Jun-17



We continue to wait for opportunity. That can be tedious, especially as cash builds. We want to employ capital at attractive rates, but today attractive rates are hard to come by (I define attractive as near-double-digit earnings yields on stocks of stable, quality businesses).

#### Recent developments

Your manager continues to expect subscriptions to outpace redemptions in the near-term. The net redemptions experienced during the first six months of this year were due to a tax-related requirement for some initial (seed) investors to withdraw part of their holdings. Tax law requires that no individual own more than 10 per cent of an investment fund if they use their registered accounts to own it. Quirky as that may sound, we have a duty to comply with the rule.

Last year's weakness in the US dollar against the Canadian dollar reversed in the first half of the year and that had a positive impact on our holdings in US stocks (now about 37 per cent of the portfolio).

For the inquisitive unitholder, you can keep up with goings on at ROMC by viewing our fund's portfolio holdings—updated quarterly at [www.mamgmt.com](http://www.mamgmt.com), by clicking on “ROMC Trust” and then on “Reporting.” Also, while you are there, you can find the most recent report from the Independent Review Committee and other reporting details that might help you better understand your fund.

#### Related party transactions

McLean Asset Management Ltd. (the manager) is a related party and provides or arranges for the provision of all general management and administrative services rendered by ROMC Trust (the fund) in its day-to-day operations, including providing investment advice and arranging for the provision of record-keeping services for the fund. The manager also acts as trustee to the fund.

In providing or arranging for the provision of investment advisory and management services, the manager is entitled to receive an investment management fee from investors in the fund. Management fees are expensed against the net assets of the fund on each valuation day and paid out monthly or quarterly, at the

option of the manager. Since the fund's inception, including the first half of this year, the manager waived its share of management fees.

ROMC's manager is a unitholder and all transactions between the manager (and any parties related to the manager) with the fund are done on an arm's length basis, on the same terms as any unitholder.

### Financial Highlights

The following tables show selected financial data for ROMC Trust that is intended to help you understand your fund's financial performance. This information is derived from the fund's audited annual and unaudited interim financial statements.

ROMC Trust net assets per unit - series A	June 30, 2018	2017
Net asset value, beginning	11.88	11.09
Increase (decrease) from operations:		
Total revenue	0.14	0.15
Total expenses	(0.12)	(0.22)
Realized gains (losses) for the period	(0.13)	(0.17)
Unrealized gains (losses) for the period	0.58	0.96
Total increase (decrease) from operations (1)	0.47	0.72
Distributions:	-	-
From income (excluding dividends)		
From dividends		
From capital gains		
From return of capital		
Total distributions (2)		
Net asset value, end	12.43	11.88

ROMC Trust ratios and supplemental data - series A	June 30, 2018	2017
Net assets (000's) (3)	\$6,585	\$7,491
Number of units outstanding (3)	529,816	630,649
Management expense ratio (4)	1.80%	1.80%
Management expense ratio before waivers	2.93%	3.18%
Portfolio turnover rate (5)	10.81%	7.66%
Trading expense ratio (6)	0.03%	0.02%
Closing market price	12.43	11.88

ROMC Trust net assets per unit - series F	June 30, 2018	2017
Net asset value, beginning	11.99	11.13
Increase (decrease) from operations:		
Total revenue	0.15	0.15
Total expenses	(0.09)	(0.16)
Realized gains (losses) for the period	(0.11)	(0.14)
Unrealized gains (losses) for the period	0.64	0.69
Total increase (decrease) from operations (1)	0.59	0.54
Distributions:	-	-
From income (excluding dividends)		
From dividends		
From capital gains		
From return of capital		
Total distributions (2)		
Net asset value, end	12.58	11.99

ROMC Trust ratios and supplemental data - series F	June 30, 2018	2017
Net assets (000's) (3)	\$952	\$538
Number of units outstanding (3)	75,685	44,862
Management expense ratio (4)	1.24%	1.22%
Management expense ratio before waivers	2.37%	2.63%
Portfolio turnover rate (5)	10.81%	7.66%
Trading expense ratio (6)	0.04%	0.02%
Closing market price	12.58	11.99

- (1) Net asset value distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. Differences between the two methods of calculation can create inconsistent results, as happened in 2016. If I were you, I would focus on the net asset value of ROMC because that is what you pay when you buy or receive if you were to sell.
- (2) Distributions were reinvested in additional units.
- (3) This information is provided as at period end shown and is rounded to the nearest thousand.
- (4) Management expense ratio (MER) is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

### Management fees

In consideration for the provision of management services to ROMC, McLean Asset Management Ltd. (the manager) receives a management fee at the annual rate of 1 per cent, plus applicable sales taxes, of the net asset value of the fund's series F units and 1.5 per cent, plus applicable sales taxes, of the net asset value of the fund's series A units, calculated and accrued daily and payable monthly or quarterly in arrears.

The manager will pay to registered dealers a service fee equal to 0.5 per cent per year of the net asset value of the series A units held by clients of the registered dealer. No service fees are paid to registered dealers in respect of the series F units.

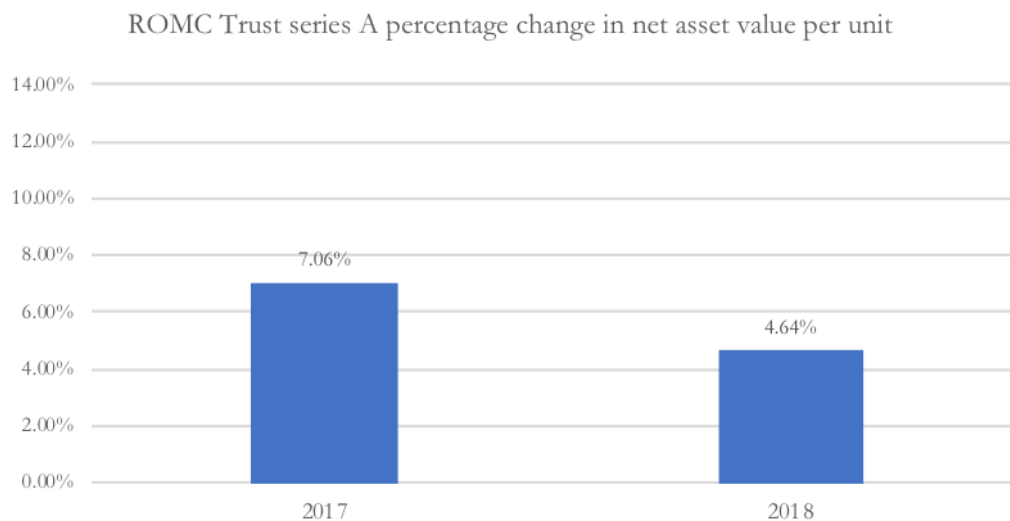
For the first half of 2018, total management fees for both series were \$67,571 of which \$46,505 was waived/absorbed by the manager. The net amount was paid to registered dealers.

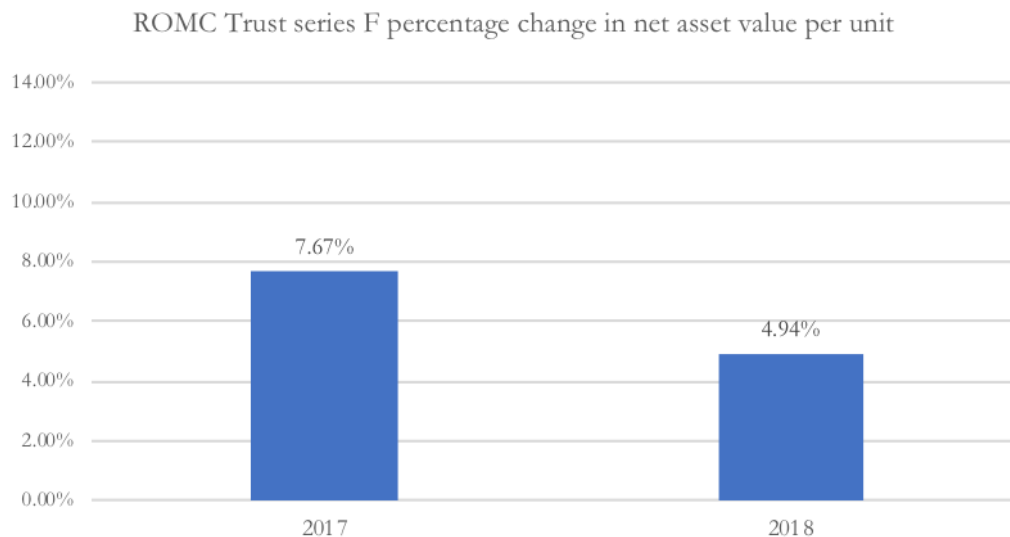
### Past performance

Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions (if any), and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the Fund is not guaranteed. Its value changes frequently and past performance may not be repeated. The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold the Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

### *Year-by-year returns*

The following charts show the Fund's performance for each of the series A and series F units for each of the years shown. The charts show, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year, or period under review. For 2018, the return is for the six-month period from January 1 to June 30.





#### *Annual compound returns*

The following table compares the fund's annual compounded total return for each series of the Fund along with a comparable market index. The MSCI World Index is a broad global equity benchmark that represents large and mid-cap equity performance across developed-market countries.

Over the past year, ROMC Trust underperformed the MSCI World Index (in Canadian dollars). The reason for this underperformance was mostly due to a significant cash weighting but also because of our holdings in financial services. Financial services as a group lagged the broader indexes over the past year. Since inception and due to our material weighting in cash, ROMC Trust lagged the MSCI World Index by about three per cent per year for series A and a little over two-and-a-half per cent per year for series F. ROMC Trust has been operating for approximately two-and-one-half years.

The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or future returns on investments in the Fund.

To June 30, 2018	Past year	Since inception *
ROMC Trust series A	7.49%	11.06%
ROMC Trust series F	8.10%	11.69%
MSCI World Index (CAD)	13.14%	14.25%

\* Inception June 3, 2016



Summary of investment portfolio

Asset Allocation as at:	30-Jun-18	% of fund net assets
Cash & equivalents		21%
Common equities & equivalents		79%
Total net asset value of ROMC Trust		7,537,299

Common equities & equivalents as at:	30-Jun-18	% of fund net assets
American Express Company		5.5%
Apple Inc		3.9%
Banco Santander, SA		5.2%
Bank of America Corp		8.6%
Berkshire Hathaway Inc, class B		3.9%
Empire Company Ltd		5.3%
GameStop Corp		3.8%
Gilead Sciences Inc		7.4%
Nomad Foods Ltd		6.7%
Pershing Square Holdings Ltd		5.1%
Seaspan Corp		8.9%
Sports Direct International Plc		4.6%
Wells Fargo & Company		3.6%
WPP plc		7.1%
Total - Equities		79%

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund and a quarterly update is available.