ROMC FUND

2019
ANNUAL REPORT

For the year ending December 31, 2019

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 headwinds of long-term inflation and taxes, maintaining purchasing power is easier said than done. As the great fund manager John Templeton said: "For all long-term investors, there is only one objective: maximum total real return after taxes."

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**
Convexus Managed Services	Cooper & Company	McLean Asset Management
135 Commerce Valley Drive East, 2nd Fl	1120 Finch Avenue West, Ste 108	1 Richmond Street West, Ste 701
Thornhill, Ontario L3T 7T4	Toronto, Ontario M3J 3H7	Toronto, Ontario M5H 3W4
Tel. 905-707-5998	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

	Change in:		
Year	ROMC NAVPS (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%
2013	34.3%	*1.2%*	33.0%
2014	21.5%	*1.5%*	20.0%
2015	18.8%	*1.6%*	17.2%
2016	8.6%	*1.5%*	7.1%
2017	8.7%	*1.9%*	6.8%
2018	-13.3%	*2.0%*	-15.3%
2019	28.7%	*2.2%*	26.5%
Annual gain since inception	13.6%	*1.6%*	11.9%
Overall gain since inception	375.2%	*21.9%*	353.3%

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).

Deal with the obvious. Present, reiterate, and glorify the obvious—because the obvious is what needs to be told.

Dale Carnegie

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 2019, ROMC's gain was $12.9 million. On a class-weighted, per-security basis[1], the increase was 28.7 per cent. (Table 1 shows performance for each class.) Since inception just over twelve years ago, our per-security net asset value has risen from $10 to $47.52, an annual growth rate of 13.6 per cent.

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

	2019 change in NAVPS:		
ROMC security	$Cdn	%	End NAVPS
Salary class	$10.63	28.7%	$47.71
Performance-fee class	$10.34	29.6%	$45.28

Last year was our second-best year on record and it was a relatively good year too, having outperformed all other equity indexes shown in Table 2; but as you will recall, 2019 followed our worst year on record so while our long-term and very short-term results are defensible, our last five years (shown) are not.

Table 2: ROMC Fund vs. Other Investment Categories

		Annual gain:	
Oct. 1, 2007 - Dec. 31, 2019	Overall gain	Since inception	Last 5 years
ROMC Fund: Salary class	377%	13.6%	9.3%
ROMC Fund: Performance-fee class	353%	13.1%	9.3%
U.S. Equities (S&P 500 TR)	259%	11.0%	14.2%
Global equities (MSCI World GR)	160%	8.1%	11.9%
Canadian equities (S&P/TSX Composite TR)	74%	4.6%	6.3%

Source: Morningstar and S&P Dow Jones Indices

Typically, differences in market performance can be explained with economic data. After all, the stock market is a reflection of business, generally defined by the level of earnings yield and the growth in that yield. As we know and unlike in fixed income, earnings in the stock market can and usually do grow over time. Over the last five years, ROMC had an average owner earnings yield of seven per cent with annual growth in owner economic profits of 12 per cent. The S&P 500, Table 2's best performer over the last five years, showed an average earnings yield of less than five per cent and an annual growth rate in its earnings of 10 per cent. Does it make sense, then, that the index outperformed ROMC by almost five per cent per year? Perhaps, this time is different. The material capital flow into passive investment vehicles (an important improvement in overall investor treatment), combined with ultra-low interest rates appears to have created some misalignment in the normal relationship between price and value. It has been preached to you that economic gains beget market gains; the faster economic gains accrue at a competitive yield, the better market performance. It is simple logic; and when reconciling the past five years, while not a short time, I can't help but be reminded of Benjamin Graham, who said: "In the short run, the market is a voting machine but in the long run, it is a weighing machine."

At time of writing, the distinction between ROMC and the market is yet more pronounced:

	March 23, 2020	
($Cdn)	**ROMC Fund ***	**S&P 500 Index ****
2019 Owner economic profit (a)	3.25	185.81
Market value (b)	29.00	3,278.88
Earnings yield (a ÷ b)	11%	6%

* On a class-weighted, per-security basis ** Trailing twelve-month earnings in CAD

[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]

Let's put 2019 market performance in perspective. We do so, as you well know by now, using economic data:

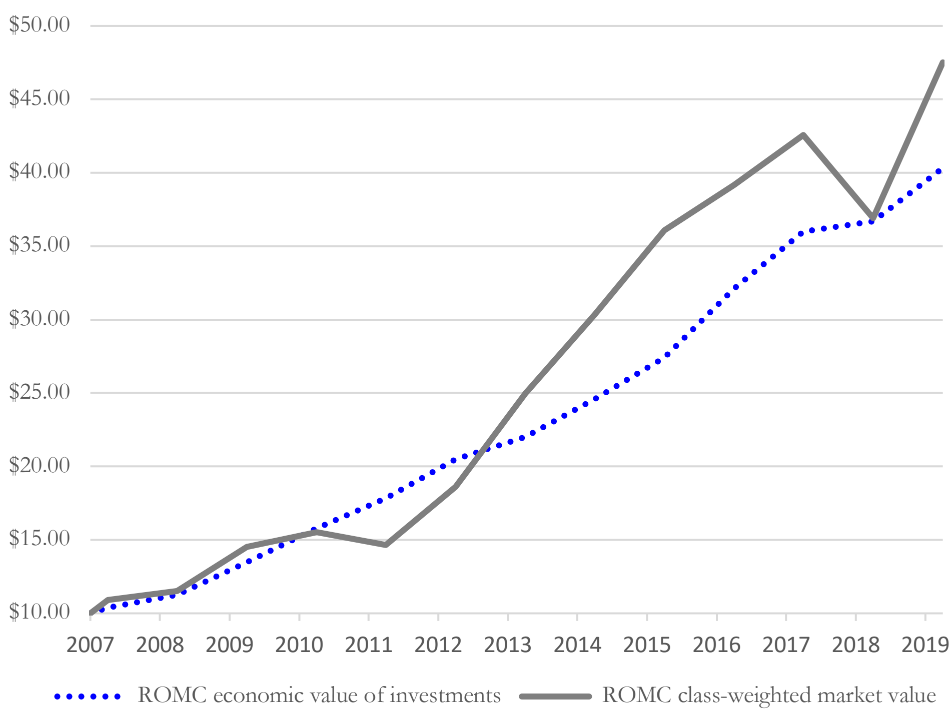
1) My annual calculation of our economic progress shows that on a class-weighted per-security basis, our economic value increased by 11 per cent. The S&P 500 showed a seven per cent increase. One for the good guys.

2) Based on the same calculations, our earnings yield for 2019 averaged more than eight per cent. The S&P 500 earnings yield was less than five per cent. That's two.

3) Using the same figures, owner economic profits (our "earnings") increased by 1,429 per cent over the year (they have increased on average by 12 per cent per annum over the past five years) and the S&P 500's increased by seven per cent (10 per cent per year, on average, for the last five years). Three.

That's more like it.

Figure 1: A comparison of economic values[3] **and market value**



The improvement in our economics resulted in a rebound in our market value. Figure 1 gives you some understanding of where we've been on a market price to economic value basis, with figures to the end of last year. It has been our experience that when our market value has approached what has been my calculation of the economic value of our investments, it has meant a reasonable opportunity to be an owner. Whether the phenomenon continues in future is uncertain, but that insecurity won't keep me from assuming a correlation.

[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] Calculations are performed by ROMC's manager and are non-GAPP/IFRS. Our auditor does not offer an opinion of them.

Expenses

Administration and audit expenses for 2019 were 0.12 per cent of average assets, declining by close to four basis points (0.038 per cent). To the sharp eyed, that's a year-over-year decline of 24 per cent. Toward the end of 2018, we changed administrators. As with our auditor, we followed our main relationship manager after moving from Commonwealth to Convexus. In the process, we secured some savings and their impact was evident last year.

As a result of net redemptions last year, the salary class management fee—totalling $500,000, plus HST—actually got a little dearer for class owners, increasing to 1.21 per cent of average class assets for the year (up from 1.03 per cent in 2018). That's not ideal, we want Salary class to grow from compounding but also from net subscriptions. Since offering the Salary class option to owners in 2013, the fee has dropped from 2.7 per cent of class assets to now a little over one per cent.

In 2019, Performance-fee class owners paid a little less than $20,000 in management fees which represented 0.44 per cent of average class assets for the year. Some class owners hadn't paid management fees in more than 2 years, something they really do not want. Last year, we managed to catch up from the high-water mark reached in 2017.

The "all-in" management expense ratio (MER) for 2019 came to 1.33 per cent for Salary class and 0.56 per cent for Performance-fee class.

Taxes [4]

Taxable owners recently received their T3. The slip showed income and capital gains. The total to report came to a per-security figure of about $1.20, or about 11 per cent of last year's gain in net worth. The tax owing for marginal-rate Ontarians is about $0.33 per security which equates to a tax rate of less than 28 per cent.

At the end of last year, the unrealized gain in market value of our investments was about $33 million. For marginal-rate Ontarians, the deferred tax on that gain is almost $9 million. On a per-security basis, the deferred tax amounts to almost $8. Meaning, about 18 per cent of ROMC's value is now owed to Ottawa. Owed, but payable only after the voluntary sale of our investments and until then our "debt" incurs no interest.

Partnership

As this is being written, owners are witnessing remarkable turns of events. One might suggest that hope is lost. I disagree. What we are witnessing is a world that has come together under task.

Especially at times like these, the market asks itself what is to come? That question cannot be answered with precision or really even at all, but it never could and it never will. What we have learned from history is that humanity copes with stress. Countless examples exist. In the end, it is as Mr. Carnegie suggests: we need to tell ourselves, even repeat, the obvious. What seems obvious is that we will overcome and things will return to normal.

ROMC has a simple task but simple isn't always easy. To tell you today that opportunity abounds is difficult and yet someday, maybe soon, that may become obvious. At year end, 100 per cent of my savings were invested in ROMC. I believe in our journey. Along the way, I know that we will experience highs and lows, I also know that it is how we manage through them that determines our success. It is my hope that you also know this.

March 25, 2020 David McLean

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

Manager's discussion and analysis: Economic results[5]

2019 economic results derived from two groups:

(i) Common equity investments, where earnings attributable to our proportional interests were $5.1 million ($4.25 per ROMC security), a year-over-year increase of 76 per cent (15 per cent on average over the last five years); and

(ii) Fixed income & Other showed an aggregate loss of $554,597 ($0.46 per ROMC security).

The total for both groups, at $4.6 million, came to $3.79 per security and showed a year-over-year increase of 446 per cent (an average increase of 8 per cent over the last five years).

Table 3: Economic Profit, Book and Market Value

		Average for the year:	
($Cdn)	**2019 economic profit**	**Book value**	**Market value**
Banking	1,784,503	9,293,602	21,429,520
Insurance	2,134,638	6,423,438	13,795,088
Consumer (Retail)	277,614	3,032,914	4,674,482
Communications, media & technology	515,707	8,125,703	10,024,285
Energy, industrial & transportation	467,492	1,840,345	1,335,813
Fixed income (incl. cash)	(42,118)	(2,876,209)	(2,876,209)
Other	(554,597)	-	-
Attributable to ROMC investments	**4,583,238**	**25,839,794**	**48,382,979**
ROMC expenses	(652,557)		
Attributable to ROMC owners	3,930,681		
On a per-security basis:			
ROMC investments	3.79	21.37	
Salary class	3.23		41.79
Performance-fee class	3.54		39.58
	2019		
Salary securities - average	1,109,528		
Performance-fee securities - average	99,480		
Average ROMC securities outstanding	1,209,009		

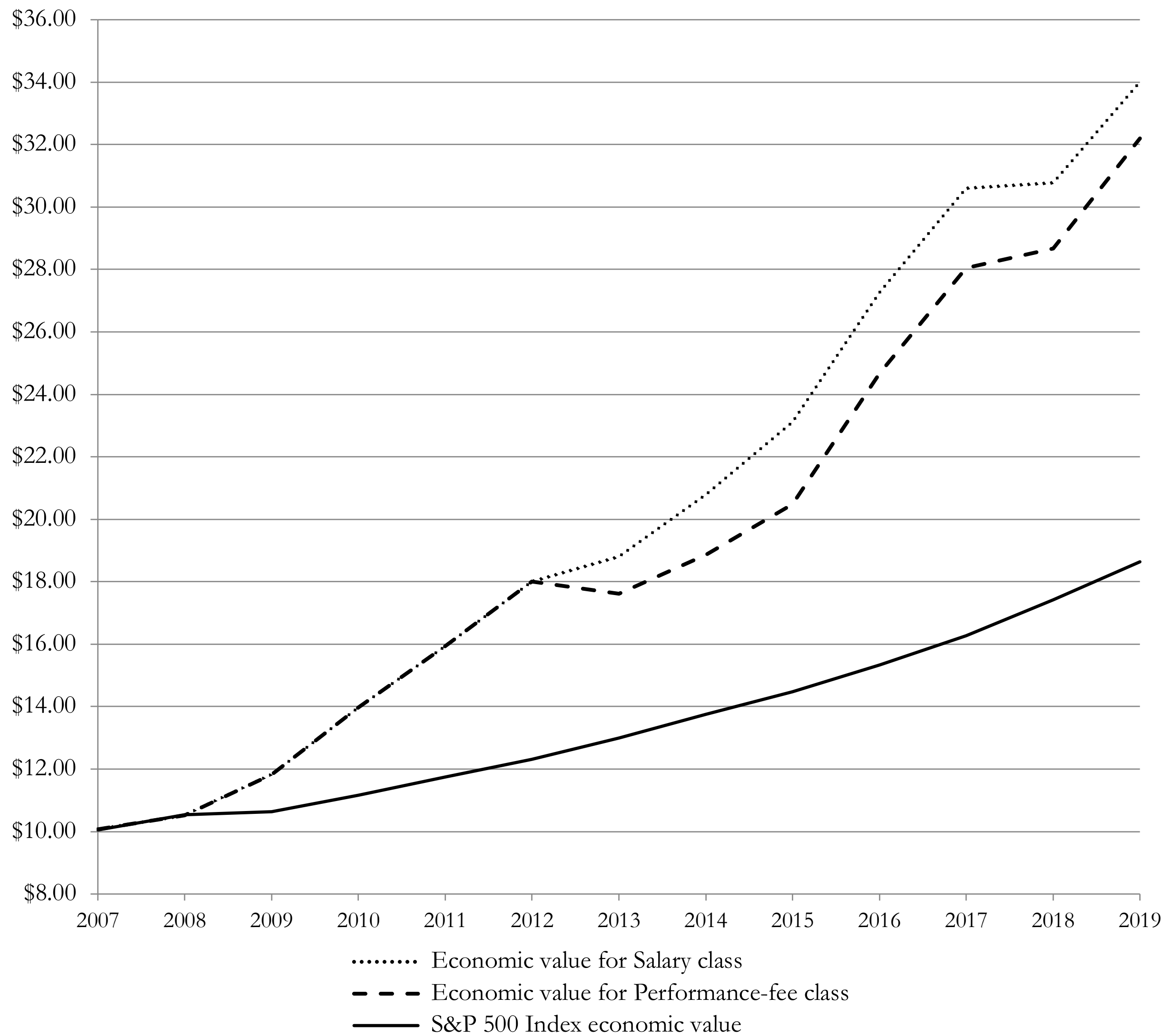
Last year's economic return on capital (economic profit ÷ book value) attributable to ROMC investments was 18 per cent, above our historical average of 14 per cent. In 2019, Salary class paid per security expenses of $0.56, up from $0.52 in 2018. Owners had a return on capital of more than 15 per cent, again above average. Performance-fee-class owners paid expenses of $0.25 last year and earned almost 17 per cent return on capital. The S&P 500's 2019 return on equity was 16 per cent.

[5] *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.

That's pretty much where the similarities end. By comparing economic profits to average market value in Table 3, owners can see that last year's earnings yield for Salary class was eight per cent and for Performance-fee class it was nine per cent. The earnings yield for the S&P 500 was less than five per cent. At more than three-per-cent, the difference in earnings yield between ROMC and the market was, in a time of very low interest rates, material.

In Figure 2, you can see how our respective journeys have evolved. At the end of 2019 and by my calculation, Salary class had an economic value of approximately $34 per ROMC security and Performance-fee class was a little over $32. By comparison, the S&P 500 value calculated in the same manner showed a figure of less than $19. We continue to enjoy a material advantage in economic experience.

Figure 2: A comparison of economic values[6]



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

[6] Calculations are performed by ROMC's manager and are non-GAPP/IFRS. Our auditor does not offer an opinion of them.

Banking

Last year, our common equity investments in banking generated $1.8 million of *reported earnings* attributable to our ownership ($1.48 per ROMC security), equating to a return on our capital of 19 per cent.

Table 4: Economic Results (Banking)

($Cdn)	**2019**	**2018**	**2017**
Reported earnings attrib. to ROMC (a)	1,784,503	2,324,063	1,900,898
Average capital invested (b)	9,293,602	11,786,597	11,477,917
Return on ROMC capital (a ÷ b)	19%	20%	17%
Other profits (losses)	629,409	(252,956)	1,179,241

You will notice from the average capital invested in Table 4 that we reduced our bank holdings during 2019. We continued to hold three banks but took profits in a long-held position that has not shown much in the way of earnings growth over the past five years. In the process, we generated a capital gain that exceeded the earnings reported over our 11 years as shareholders. The sale proceeds went to investments in insurance.

Toward the end of last year, ROMC took a more restrained approach to the economy and securities markets in general. Banking is a business that requires a decent spread between loan rates earned and deposit rates paid. The spread between the two is known as net interest margin. Bond yields generally determine the loan rates earned and short-term rates typically instruct deposit rates paid. Today, those rates are not dissimilar and so net interest margins are quite low, affecting the ability of banks to earn attractive profits. In such an environment, banks may not provide much profit growth, even with an increasing loan book. The result is stagnant earnings and that affects investor perception of bank stock valuation. So even when low interest rates should support higher stock prices, banks may not enjoy that support.

At the end of last year, 30 per cent of our capital (at cost) was invested in banking, down from 37 per cent in 2018, and 45 per cent in 2017.

Table 5: Capital Invested (Banking)

	2019	**2018**	**2017**
$Cdn yearend cost of investment	8,515,551	12,204,599	11,647,263
% of ROMC capital invested (at book value)	30%	37%	45%

Insurance

In 2019, *reported earnings* attributed to our interests in insurance amounted to $2.2 million ($1.77 per ROMC security), which earned us 33 per cent on invested capital. (See our glossary for a definition of *comprehensive earnings* and why comprehensive rather than reported earnings were used prior to 2018.)

Table 6: Economic Results (Insurance)

($Cdn)	**2019**	**2018**	**2017**
Reported earnings	2,134,638	96,235	1,066,209
Other comprehensive income			504,705
Comprehensive earnings attrib. to ROMC (a)	2,134,638	96,235	1,570,914
Average capital invested (b)	6,423,438	5,531,181	5,531,181
Return on ROMC capital (a ÷ b)	33%	2%	28%

Much like ROMC, insurance had a strong economic 2019. In fact, it was the best on record. Including last year, our average annual economic returns from this area are almost 14 per cent. To me, that is a not unattractive. It has been volatile, though, with large gyrations from one year to the next as a result of changes in our insurers holdings of marketable investments. When stock markets swoon, our insurers must show the change in market values in their earnings statements. In 2018, stocks swooned and the results above show it. The opposite effect impacted 2019 results, with much higher than average results. Going forward, that year-to-year volatility won't change.

Toward the end of last year, we invested more into insurers. We did so through the purchase of a well-known and previously-invested-in position, itself an investor in common stocks. Our results, therefore, will be tied to how well their own investments fair.

At year end, we had invested 32 per cent of ROMC's capital (at cost) into this area, our highest current concentration.

Table 7: Capital Invested (Insurance)

	2019	**2018**	**2017**
$Cdn yearend cost of investment	9,100,207	5,531,181	5,531,181
% of ROMC capital invested (at book value)	32%	17%	21%

Consumer

Our consumer-related investments produced $277,614 of *reported earnings* attributable to ROMC in 2019 ($0.22 per ROMC security), which equated to a return on our capital of nine per cent.

Table 8: Economic Results (Consumer)

($Cdn)	2019	2018	2017
Reported earnings attrib. to ROMC (a)	277,614	47,080	322,694
Average capital invested (b)	3,032,914	2,940,959	3,779,231
Return on ROMC capital (a ÷ b)	9%	2%	9%
Other profits (losses)	(482,033)	(1,817,085)	-

You will likely remember our 2018 trouble in retail. We finished the clean up this past year and as a result, continued to show other losses. None of these came from trading activity in ROMC, they came from the final write down of our troubled retailer through its sale to a strategic buyer at a discounted price.

We did increase our investments in this area last year, mainly through the purchase of a subscription-based consumer business. It is not a store but rather a service, a health and wellness lifestyle service that has a long history, a strong following and even a technology bent. It is our largest holding here and as a result of its differentiation from typical retail, we have renamed this space from Retail to Consumer.

Historically speaking, this new position has shown long-term growth in its customer base, has generated attractive free cash flow and has transitioned from capital intensive to asset light through the use of technology. There has been some insecurity over its ability to maintain its competitive edge during its transition and that made for what could be an attractive entry point for ROMC. We acquired shares at a 2019 earnings yield of 9.5 per cent and those earnings, due mainly to reorganization efforts, were half of 2018 earnings. If the business achieves a reasonable return to normal, it will prove a productive addition to our roster.

At year end, we had increased our holdings in consumer-oriented businesses to 16 per cent of our capital (at cost).

Table 9: Capital Invested (Consumer)

	2019	2018	2017
$Cdn yearend cost of investment	4,466,006	608,409	3,779,231
% of ROMC capital invested (at book value)	16%	2%	14%

Communications, media and technology

Last year, our holdings in this area generated $515,707 of *reported earnings* attributable to our ownership ($0.43 per ROMC security) on $8.1 million invested, equating to a return on our capital of six per cent.

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

($Cdn)	**2019**	**2018**	**2017**
Reported earnings attrib. to ROMC (a)	515,707	536,510	326,702
Average capital invested (b)	8,125,703	7,772,862	5,670,815
Return on ROMC capital (a ÷ b)	6%	7%	6%
Other profits (losses)	(1,523,321)	(120,100)	330,500

Last year, I suggested that our increased investment in this space would offer growth at a reasonable price. At the start of 2019, we held interests in four businesses, three of which continued to show revenue growth through 2019. One did not. It was in advertising. A lot of change has come to advertisers, not all of which was priced into valuations when we invested. When ROMC saw redemptions last spring and summer, we sacrificed our advertising concern and recorded a loss in other profits. Had we continued to hold the position, we would have an even larger loss, even if unrealized, as the industry has continued to show fundamental deterioration.

In addition to our advertiser and also as a result of last year's redemptions, we sold one of the growing media concerns we held last year. It was also showing an unrealized loss at the time and so its sale forms part of the other loss shown above.

For taxable accounts, the two capital losses lowered taxable income for the year. This is not an excuse, selling positions at a loss is not sustainable but when faced with outflows from selling owners, my mind does turn to those sticking around and my wish to minimize the impact on their continuing investment in ROMC.

We continue to hold two strong media/technology businesses that continue to exhibit topline growth and attractive margins. At year end, 22 per cent of ROMC's capital (at cost) was invested in them.

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

	2019	**2018**	**2017**
$Cdn yearend cost of investment	6,107,171	13,102,432	6,286,567
% of ROMC capital invested (at book value)	22%	40%	24%

Energy and transportation

Last year, holdings in this area generated $467,492 of *reported earnings* attributable to our ownership ($0.39 per ROMC security) on an average of $1.8 million invested, equating to a return on our capital of 25 per cent.

Table 12: Economic Results (Energy and transportation)

($Cdn)	**2019**	**2018**
Reported earnings attrib. to ROMC (a)	467,492	374,661
Average capital invested (b)	1,840,345	2,085,725
Return on ROMC capital (a ÷ b)	25%	18%
Other profits (losses)	592,265	-

Our economic performance continued to improve here last year and the market value of our one holding rose significantly. So much so that we sold it at a material profit. There are two sides to value investing: buying below intrinsic value and (sometimes) selling well in excess of it. We acted on the latter with respect to our shipping concern. In the process, we realized a capital gain well in excess of the earnings reported to you, net of very attractive dividends. In total, we received $305,000 in dividends (net of withholding taxes) and $1.13 million of capital gain on a total investment of $2.5 million, or approximately 57 per cent return in less than two years.

Our story does not end there. Due to the market convulsion that we are presently witnessing, I can report that we may also be buying below intrinsic value. In 2020, we have repurchased most of the original position and for less than we first paid for it.

Fixed income and Other

In 2019, we paid interest of $42,118 and recorded aggregate Other losses, previously described, of $554,597.

Table 14: Economic Results (Fixed income and other)

($Cdn)	**2019**	**2018**	**2017**
Fixed income & gains (losses) (a)	-	-	-
Cash interest income (expense)	(42,118)	24,224	63,804
Net fixed income & cash (b)	(42,118)	24,224	63,804
Assets invested in fixed income (c)	-	-	-
Cash (borrowings)	(2,876,209)	3,265,286	6,846,914
Average capital invested (d)	(2,876,209)	3,265,286	6,846,914
Return on assets (a ÷ c)	n/a	n/a	n/a
Return on ROMC capital (b ÷ d)	-1.5%	0.7%	0.9%
Other profits (losses)	(554,597)	(2,433,739)	1,229,708

All of last year's Other losses were in the form of capital losses in excess of reported economic earnings and have already been described by sector. We also had $211,946 of gains that came in the form of a disposal from a security held for less than 12 months. The gain was in a stock that was originally bought for long-term investment in energy but that because of redemptions, its own gain and a perceived stretch in valuation, was sold.

Table 15: Other profits (Fixed income and other)

($Cdn)	**2019**	**2018**	**2017**
Gains (losses) net of reported economic profits	(554,597)	(2,433,739)	1,298,466
Equity-index hedging	-	-	(68,758)
Currency hedging	-	-	-
Other profits (losses)	(554,597)	(2,433,739)	1,229,708

Last year's interest expense was also as a result of redemptions. We settled redemptions for selling owners without immediately selling stock and so we carried a negative cash balance for some of the year. When the market rallied strongly toward the end of 2019, we began to sell some positions and lowered that negative balance. The timing difference, while not predictable, was well worth the cost. At year end, we still had no cash in the portfolio.

Table 16: Capital Invested (Fixed income and other)

	2019	**2018**	**2017**
$Cdn yearend assets	-	-	6,560,181
% of ROMC capital invested (at book value)	0%	0%	25%

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 illustrate the impact that expenses have on market returns. In Table 17, you can see how the various expenses associated with our operation impacted returns last year as well as the average since inception.

Table 17: Administration and Management Expenses

	2019		
(Any differences are due to rounding)	**Salary class**	**Performance-fee class**	**Avg. since inception ***
ROMC gross return	30.2%	30.2%	15.9%
Administration & audit expense	-0.15%	-0.15%	-0.27%
ROMC operating return	30.0%	30.2%	15.6%
Management expense	-1.4%	-0.7%	-2.1%
ROMC owner return	28.7%	29.6%	13.5%

* On a class-weighted basis

Manager's discussion and analysis: Taxes [7]

2019 reportable income for taxable accounts was $1.20 and it was mainly from capital gains. The table below shows you the breakdown by income class:

2019 distribution ($Cdn)	Per-security income	Marginal tax rate
Capital gain	$1.10	26.77%
Eligible dividends	$0.01	39.34%
Foreign investment income	$0.08	38.53%
Total	$1.20	27.71%

* Marginal tax rate is shown net of any withholding tax previously paid

For taxable owners, last year's reportable income amounted to 11 per cent of our gain in net asset value. Meaning, almost 90 per cent of last year's increase in net worth was added to our deferred income account. For marginal-tax-rate Ontarians, the total tax to be paid amounts to less than 28% of the reportable income, versus a full marginal rate of 54%.

Table 18 shows that since inception, the reportable portion of ROMC's personal tax accrual (for marginal-rate Ontarians) at the end of the year was about one-quarter of the total tax accrual. That leaves almost three-quarters to compound as interest-free capital.

Table 18: After-tax Real Return

($Cdn)	**2019**	**Since inception**
Change in ROMC NAVPS (class-weighted)	28%	373%
Estimated impact of personal tax accrual	-7%	-100%
Change in ROMC NAVPS, net of tax accrual	21%	273%
Impact of inflation	-2%	-22%
ROMC after-tax real return	18%	251%

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Tax accrual since inception	
Reported & paid	-27%
Deferred	-73%
Total	-100%

[7] 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: Convexus Managed Services.

Comprehensive earnings/other comprehensive income

Comprehensive earnings refer to reported earnings plus "other comprehensive income". Prior to 2018, "Other comprehensive income" measured the unrealized gains/losses in assets/liabilities (after corporate taxes) of a corporation's balance sheet, including marketable securities held. Again prior to 2018, since these gains are unrealized (meaning they have not been sold), they usually did not appear in a company's income statement. Comprehensive earnings, prior to 2018, were 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.

Economic value

The economic value of ROMC investments is the aggregate of ROMC initial capital value of $10 per security and each year's economic profit. On October 1, 2007, ROMC started operations with a per-security value of $10. That starting figure was the same for both economic and market value. From that point on, all economic profits (as described above) have been calculated on a per-security basis and added to the initial figure of $10. Economic value is the cumulative amount of economic profit, plus the original $10 of capital. Our auditors do not offer any opinion on ROMC's manager's calculations.

The economic value for owners is the economic value of ROMC investments less owner expenses. All administrative and management expenses are netted from the economic value of investments to produce an approximation of ROMC's historical record of adding net economic value to owners. Again, the calculations are done by ROMC's manager and they are not reviewed by ROMC's auditor.

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 economic result(s) divided by the cost of investment for the year, net of borrowings, if any.

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.