

# ROMC TRUST

December 31, 2020

## MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2020

This annual 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 701, 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.

### **About ROMC Trust**

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.

ROMC's service providers:

#### **Administrator**

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

#### **Auditor**

BDO Canada LLP  
222 Bay Street, Suite 2200  
Toronto, Ontario M5K 1H1  
Tel. 416-865-0200

#### **Fund Manager**

McLean Asset Management Ltd  
1 Richmond Street West, Suite 701  
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).

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.

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).

## To the Owners of ROMC Trust:

From January 1 to December 31, 2020, ROMC Trust had an operating loss of \$210,602. On a per-unit percentage basis, our loss was 3.02 per cent for series A and 2.52 per cent for series F. Since inception (over four years ago), our per-unit net asset value, including distributions, has increased from \$10 to \$14.52 for series A and to \$14.90 for series F, an average annual compound growth rate of 8.50 per cent and 9.10 per cent, respectively.

### Economic progress

The following table shows you how yields looked recently and over the last couple of years (for the S&P 500 Index, 2020 earnings are based on 98.1 per cent of companies reporting):

Asset class relative yields	2020	2019	2018
S&P 500 Index earnings yield *	3.4%	4.3%	5.3%
10-year treasury bond yield to maturity **	0.7%	1.9%	2.7%
3-mth treasury bill **	0.1%	1.6%	2.5%

\* Source: [www.us.spindices.com](http://www.us.spindices.com)

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

Over the last few years, fixed income yields have declined materially. Both short-term and long-term rates have reached levels that ensure investors a loss in their future purchasing power. Meanwhile and despite a material but likely momentary decline in earnings in 2020, equities continue to chug along, providing a large and growing relative advantage, while protecting investors from the erosion of inflation.

### Expenses

Last year, ROMC's management expense ratio (MER) was 2.15 per cent for series A and 1.58 per cent for series F (up from 1.67 per cent and 1.10 per cent, respectively on a year-over-year basis). The MER is calculated using the Fund's operating expenses. It is determined by adding up all relevant expenses charged against the Fund and dividing them by the Fund's average daily net assets over the same period.

### Taxes

Taxable owners received their T3s recently, showing a per-unit income distribution for last year in the amount of \$0.53 for series A and \$0.54 for series F. Since inception, more than four-and-a-half years ago, we've only had one distribution, worth about four per cent of year-end market value, and yet at time of writing, the fund's per-unit net asset value, including that distribution, is about 70 per cent higher than at our start.

### Partnership

Last year was difficult for value-oriented investors. We continued to wage an uphill battle against technology and other "growth" stories. Companies that trade at 100 times sales, with little or no earnings, continued their rise. Profitable but slower growing companies' stock prices stagnated, or worse, declined. In a world of zero interest rates, what does valuation matter? Without cost to money acting as gravity on investment fundamentals, speculation comes without penalty. What we learned in the early 2000s may need to be relearned by a new generation of "investors."

March 24, 2021

David McLean

## 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. It involves a detailed analysis of the strengths of individual issuers, with much less emphasis on short-term market factors. Far greater importance is placed upon an assessment of an issuer's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential and management ability. The investment strategy follows disciplines regarding price paid to acquire portfolio investments. The level of investments in the issuer's securities is generally commensurate with the current price of the issuer's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide a margin of safety, which in turn serves to reduce overall portfolio risk. 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 year end, ROMC held six per cent of the portfolio in cash. As we compare ourselves to a cashless index, any amount of cash on ROMC's balance sheet will act as a drag on relative performance in a rising market environment. ROMC's focus is less on the level of cash held in the portfolio than on value for money in investment opportunities and any lack of perceived value will likely see us with cash. ROMC will 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

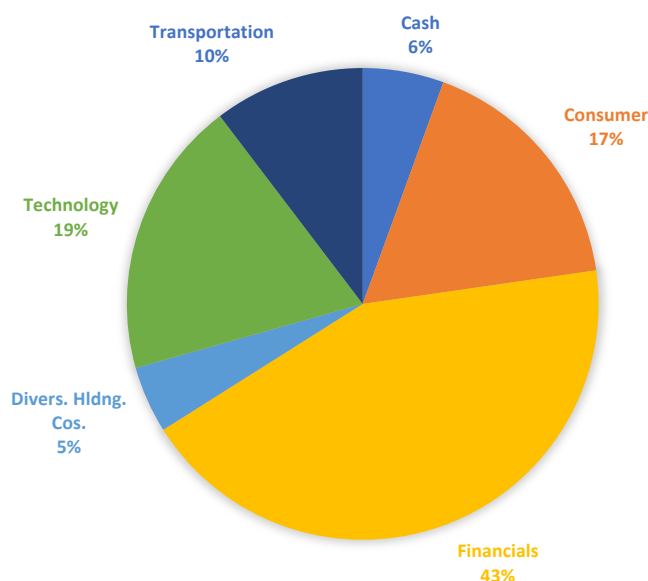
Last year, series A units and series F units of the Fund—including the year-end distribution—showed a decrease of 3.02 per cent and 2.52 per cent, respectively. As we realized capital gains over the year, there was a per-unit distribution to unitholders of \$0.53 to series A and \$0.54 to series F. By comparison, the MSCI World Equity Index (in Canadian dollars) returned 14.45 per cent on a gross basis.

Last year, we earned \$23,733 in comprehensive income (including unrealized losses of \$225,308). Gross operating expenses were \$284,936 but management fee absorptions/waivers brought the net operating expense figure down to \$234,335. Because most of our income was in the form of realized gains, there was a distribution to unitholders in the period.

At year end, we held 13 common stock investments, spread out globally over five industry groups. Over the period since I last reported to you, changes made to the portfolio were as follows: (i) a decrease in cash; and (ii) a net increase in financials through further investment in insurance in North America. At year end, ROMC had the following allocations:

ROMC Trust asset mix as at:	31-Dec-20	% of fund net assets
Canadian equities		18%
US equities		50%
European equities		11%
International equities		15%
Cash & equivalents		6%
Total - ROMC Trust		100%

ROMC Trust Sector allocation at 31-Dec-20



### Recent developments

Last year, we enjoyed modest positive net flows into the fund from new and existing owners. We managed to put that new capital to work during the year at what your manager believes was in undervalued investment opportunities, especially in the insurance industry. Today, an investment in something like insurance causes about the same excitement as the prospect of watching paint dry, or water boil. It isn't sexy, it isn't new and exciting. It also isn't profitless, or assetless. ROMC is a value-oriented investment fund and when your manager sees what appears to be value, that's where our money goes.

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, the manager continued to waive a material share of management fees, amounting to \$50,601 for the year.

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	2020	2019	2018	2017	2016*
Net asset value, beginning	14.97	11.24	11.88	11.09	10.00
Increase (decrease) from operations:					
Total revenue	0.15	0.25	0.27	0.15	0.10
Total expenses	(0.28)	(0.23)	(0.25)	(0.22)	(0.16)
Realized gains (losses) for the period	0.18	0.32	(0.07)	(0.17)	(0.04)
Unrealized gains (losses) for the period	(0.26)	3.36	(0.55)	0.96	1.24
Total increase (decrease) from operations (1)	(0.21)	3.70	(0.60)	0.72	1.14
Distributions:	-	-	-	-	-
From income (excluding dividends)					
From dividends					
From capital gains	0.53				
From return of capital					
Total distributions (2)	0.53				
Net asset value, end	13.99	14.97	11.24	11.88	11.09

ROMC Trust ratios and supplemental data - series A	2020	2019	2018	2017	2016*
Net assets (000's) (3)	\$10,275	\$9,229	\$6,163	\$7,491	\$4,690
Number of units outstanding (3)	734,648	616,388	548,347	630,649	422,700
Management expense ratio (4)	2.15%	1.67%	1.88%	1.80%	2.39%
Management expense ratio before waivers	2.69%	2.75%	3.01%	3.18%	3.49%
Portfolio turnover rate (5)	110.81%	45.19%	27.66%	7.66%	7.45%
Trading expense ratio (6)	0.32%	0.07%	0.12%	0.02%	0.23%
Closing market price	13.99	14.97	11.24	11.88	11.09

\* Period from June 3, 2016 to December 31, 2016

ROMC Trust net assets per unit - series F	2020	2019	2018	2017	2016*
Net asset value, beginning	15.28	11.41	11.99	11.13	10.00
Increase (decrease) from operations:					
Total revenue	0.18	0.25	0.28	0.15	0.05
Total expenses	(0.22)	(0.16)	(0.18)	(0.16)	(0.09)
Realized gains (losses) for the period	0.33	0.29	(0.03)	(0.14)	0.01
Unrealized gains (losses) for the period	(2.23)	3.59	(0.80)	0.69	1.15
Total increase (decrease) from operations (1)	(1.94)	3.97	(0.73)	0.54	1.12
Distributions:	-	-	-	-	-
From income (excluding dividends)					
From dividends					
From capital gains	0.54				
From return of capital					
Total distributions (2)	0.54				
Net asset value, end	14.35	15.28	11.41	11.99	11.13

ROMC Trust ratios and supplemental data - series F	2020	2019	2018	2017	2016*
Net assets (000's) (3)	\$417	\$660	\$835	\$538	\$238
Number of units outstanding (3)	29,081	43,216	73,192	44,862	21,336
Management expense ratio (4)	1.58%	1.10%	1.32%	1.22%	1.31%
Management expense ratio before waivers	2.12%	2.19%	2.45%	2.63%	2.44%
Portfolio turnover rate (5)	110.81%	45.19%	27.66%	7.66%	7.45%
Trading expense ratio (6)	0.26%	0.05%	0.13%	0.02%	0.23%
Closing market price	14.35	15.28	11.41	11.99	11.13

\* Period from June 3, 2016 to December 31, 2016

- (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.

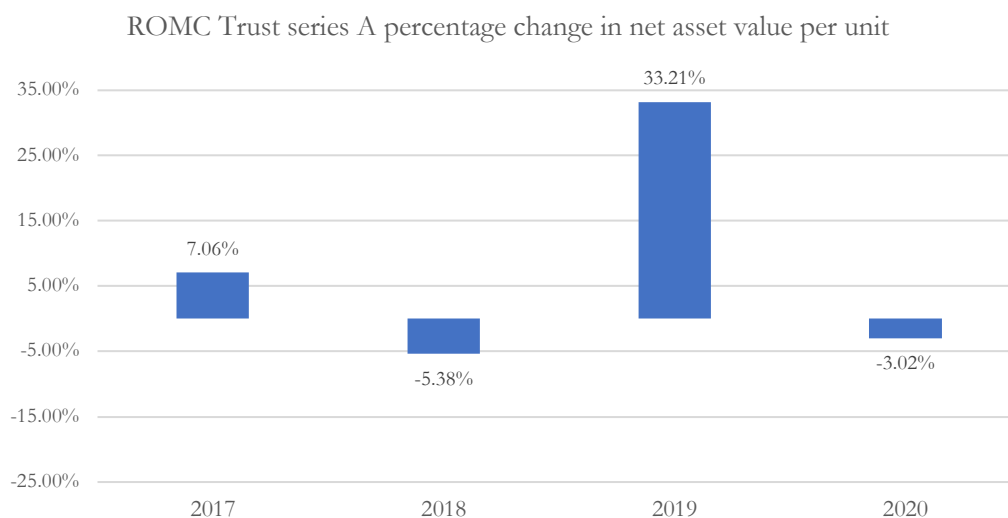
For 2020, total management fees for both series were \$156,716 of which \$50,601 was waived/absorbed by the manager.

### Past performance

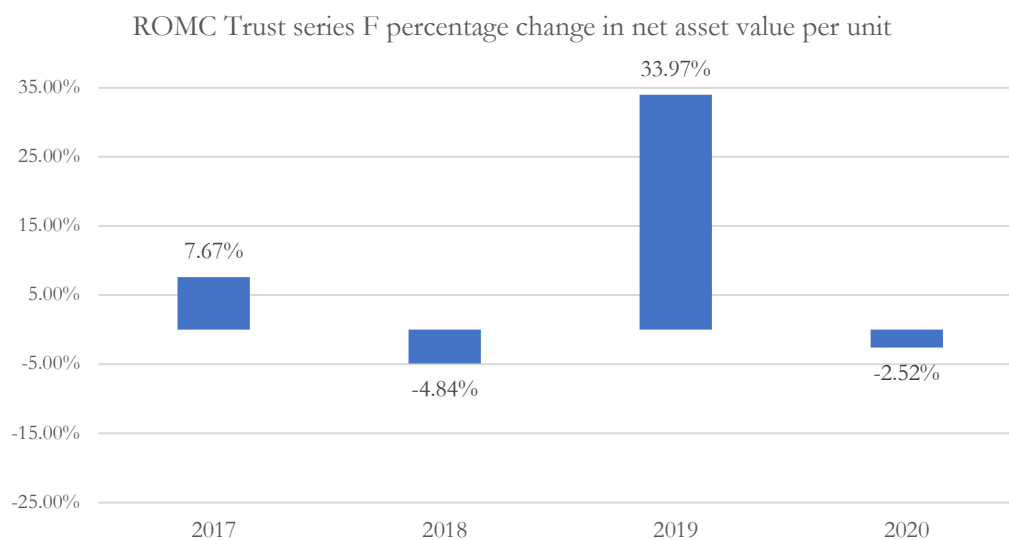
Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions (if any), 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.







#### *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. 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.

Over the past year, ROMC Trust underperformed the MSCI World Index (in Canadian dollars). The reason had most to do with what your manager believes has been a disconnect between value and growth investment methodologies. Our asset allocation favours financials and they lagged materially last year. Our investments in consumer, energy, technology, and transportation showed attractive gains but not enough to overcome our laggards in banking and insurance.

Since inception, ROMC Trust series A and series F have both underperformed the MSCI World Index.

To December 31, 2020	Past year	Past 3 years	Since inception *
ROMC Trust series A	-3.02%	6.92%	8.50%
ROMC Trust series F	-2.52%	7.51%	9.10%
MSCI World Index (CAD)	14.45%	11.77%	12.87%

\* Inception June 3, 2016

Summary of investment portfolio

Asset Allocation as at:	31-Dec-20	% of fund net assets
Cash & equivalents		6%
Equities & equivalents		94%
<b>Total net asset value of ROMC Trust</b>	<b>\$10,696,292</b>	<b>100%</b>

Common equities & equivalents as at:	31-Dec-20	% of fund net assets
Alliance Data Systems Corp		4%
Apple Inc		6%
Aritzia Inc		8%
Atlas Corp		10%
Bank of America Corp		5%
Berkshire Hathaway Inc, class B		6%
Cairo Mezzanine Plc		0%
Eurobank Ergasias SA		11%
Facebook Inc		13%
Fairfax Financial Holdings Limited		10%
Fairfax India Holdings Corp		5%
Wells Fargo		7%
WW International Inc		9%
<b>Total - Equities</b>		<b>94%</b>

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