ROMC FUND

2023
ANNUAL REPORT

For the year ending December 31, 2023

About ROMC Fund

ROMC Fund (ROMC) is a Canadian non-reporting issuer unit trust founded in 2007, offered by Offering Memorandum.

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 productive asset generates a high economic return on its capital. A good investment results from acquiring an interest in a good productive asset at a price that will produce an attractive economic return on investor capital. Economic returns typically take the form of earnings, dividends and interest income but can also derive from increasing asset values.

ROMC's manager encourages owners to focus on economic results, believing that attractive economic returns, as described above, lead to positive market returns that help investors maintain their purchasing power over time. Given the headwinds of long-term inflation and taxes, maintaining and even increasing one's purchasing power is easier said than done. As the great fund manager John Templeton advocated: "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**
Damelin Financial Services	Cooper & Company	McLean Asset Management
405 - 391 Brunswick Ave.	108 - 1120 Finch Ave. West	701 - 1 Richmond St. West
Toronto, Ontario M5R 2Z2	Toronto, Ontario M3J 3H7	Toronto, Ontario M5H 3W4
Tel. 647-360-4771	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 (inception October 1, 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%*	33.1%
2014 …………………………………………	21.5%	*1.5%*	20.1%
2015 …………………………………………	18.7%	*1.6%*	17.1%
2016 …………………………………………	8.6%	*1.5%*	7.1%
2017 …………………………………………	8.7%	*1.9%*	6.8%
2018 …………………………………………	-13.3%	*2.0%*	-15.2%
2019 …………………………………………	28.8%	*2.2%*	26.5%
2020 …………………………………………	-9.2%	*0.7%*	-9.9%
2021 …………………………………………	39.2%	*4.8%*	34.4%
2022 …………………………………………	-5.6%	*6.3%*	-11.9%
2023 …………………………………………	24.6%	*3.4%*	21.2%
Annual gain since inception …………………	12.8%	*2.2%*	10.6%
Overall gain since inception …………………	606.9%	*41.5%*	565.5%

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).

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 2023, ROMC's net asset value increased $12.5 million. On a class-weighted, per-security basis[1], the gain was 24.6 per cent. (Table 1 shows data for each class.) Since inception 16 ¼ years ago, our class-weighted per-security net asset value has risen from $10 to $70.69, an annual growth rate of 12.8 per cent.

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

			2023 change in NAVPS	
ROMC security	Start NAVPS	End NAVPS	$Cdn	%
Salary class	$56.98	$71.22	$14.24	25.0%
Performance-fee class	$54.03	$66.14	$12.11	22.4%

While inflation declined in 2023, it remains above the central bank's comfort zone and fixed income yields have risen in response. What I find refreshing, as an investor, is the return of real yield (interest rates that are higher than the rate of inflation). This once normal relationship became the stuff of folklore in the aftermath of 2008's financial crisis. The table below shows you just how ridiculous the situation became when negative real yields peaked in 2021 at almost seven per cent (inflation at seven and short-term rates at zero). Today, savers can hold cash and not lose too much purchasing power on an after-tax basis.

Annualized yields & inflation	**2024 (Feb)**	**2023**	**2022**	**2021**
S&P 500 Index TTM earnings yield	3.7%	4.1%	4.5%	4.2%
10-year US treasury bond yield	4.2%	3.9%	3.9%	1.5%
3-mth US treasury bill yield	5.3%	5.3%	4.3%	0.3%
Inflation - US	3.2%	3.4%	6.5%	7.0%

Source: www.us.spindices.com, www.bloomberg.com

What is not welcome is the level of earnings yield in the stock market. Over the last ten years, the S&P 500's market value, in US dollars, rose an annual average of 10 per cent. It's earnings, however, increased less than seven per cent annually. The result? A more expensive market. In 2013, the market's earnings yield was more than six per cent (the long-term average is seven). Today, it is less than four per cent and both short-term and long-term government bonds yield more than those earnings, something that hasn't happened since the year 2000.

Table 2: ROMC Fund vs. Equity Indices

				Annual gain:
Oct. 1, 2007 - Dec. 31, 2023	Overall gain	Since inception	Last 3 years	Last 5 years
ROMC Fund: Salary class	612%	12.8%	18.1%	13.9%
ROMC Fund: Performance-fee class	561%	12.3%	16.6%	13.6%
U.S. Equities (S&P 500 TR)	478%	11.4%	11.4%	15.0%
Global equities (MSCI World GR)	287%	8.7%	9.1%	12.6%
Canadian equities (S&P/TSX Composite TR)	142%	5.6%	9.5%	11.3%

Source: MSCI and S&P Dow Jones Indices

In Table 2, you can see that our relative record continues to improve. I show you this table to give you an idea of how we measure up against passive investment alternatives. In 2022, ROMC's 5-year annual return was four per cent behind the best performing index of the three shown: the S&P 500. At the end of 2023, that relative figure had declined to about one per cent and we'd surpassed the other two. I think the headwinds we faced in the last few years as value-oriented investors in a ZIRP (zero interest rate policy) world have abated.

[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]

Economic results derive from two groups:

(i) Common equity investments, our long-term holdings in businesses through fractional ownership in common stocks. These economic profits are derived from per-share earnings of the businesses in which we own stock, multiplied by the average shares held by ROMC during the year. Last year, these "earnings" amounted to about $5 million ($6.21 per ROMC security); and

(ii) Fixed income & other, where we sometimes operate on a shorter-term nature, mainly in trading strategies related to arbitrage, fixed income, foreign exchange and/or derivative instruments. Last year, profits in this category aggregated $5.9 million ($6.81 per ROMC security).

The total for both groups, at $10.9 million, came to $13.02 per security. After the payment of expenses and on a per-security basis, Salary class had an economic profit of $12.15 while Performance-fee class earned $10.75.

Table 3: Economic Profit Compared to Cost and Market Value

		Average for the year:			
2023 ($Cdn)	**Economic Profit (a)**	**Cost (b)**	**Market Value (c)**	**Return on Capital (a/b)**	**Earnings Yield (a/c)**
Banking	2,445,179	4,492,445	10,898,273	54.4%	22.4%
Insurance	2,507,166	4,910,240	11,653,080	51.1%	21.5%
Consumer	33,256	440,200	1,429,040	7.6%	2.3%
Fixed income & other (incl. cash)	5,866,729	30,181,187	31,519,042	19.4%	18.6%
Attributable to ROMC	**10,852,330**	**40,024,072**	**55,499,435**	**27.1%**	**19.6%**
ROMC expenses	(863,919)				
Attributable to ROMC owners	9,988,411				
On a per-security basis:					
Salary class	12.15	46.71	66.85	26.0%	18.2%
Performance-fee class	10.75	44.21	62.50	24.3%	17.2%
S&P 500 Index (C$)	258.34	1,417.11	5,763.29	18.2%	4.5%

ROMC's job is to invest in productive assets at prices that ensure an enviable return on our capital and Table 3 is our scoreboard (including comparative data for the S&P 500 Index, a useful proxy for the general experience in business and the stock market). In 2023, our results were good. Of the four investment categories, three had results that I would define as enviable. The only disappointment was in the Consumer category where return on capital (economic profit/average cost) was less than eight per cent. Because it is better to be lucky than good, we had little invested. In aggregate, ROMC's return on capital was 27 per cent which compared favourably even to the S&P 500's impressive 18 per cent. It gets better. Because we are sticklers for value, our "earnings" yield (economic profit/average market value) for Performance-fee and Salary class was 17 & 18 per cent, respectively. Compare that to the S&P 500's 4 ½ per cent.

From Table 3, you may notice a current lack of long-term equity investments in ROMC. At time of writing, our long-term holdings in common stocks accounted for less than half of the portfolio. For the first time in our history, cash, fixed income and other trading positions make up the majority of our assets.

[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.

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

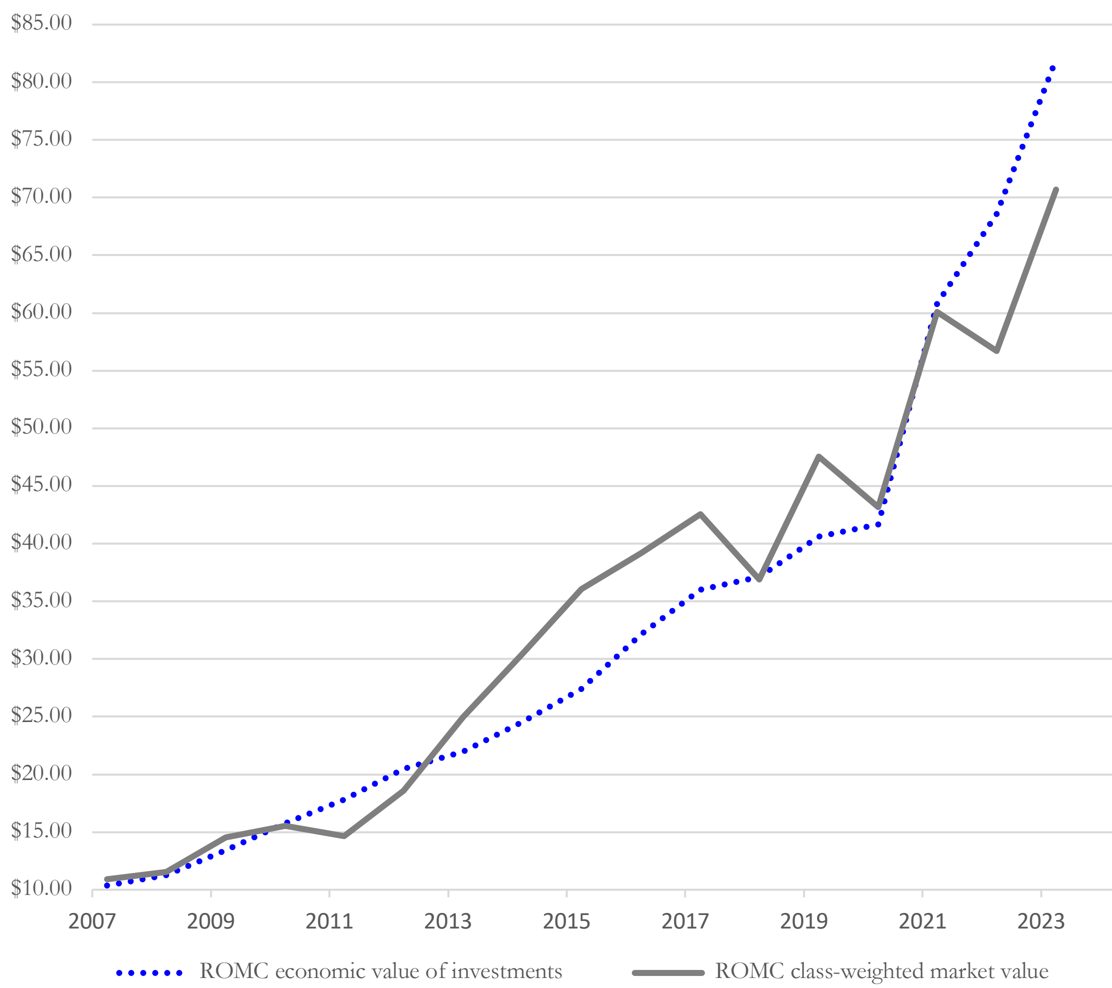

Figure 1 is an update of our position vis-à-vis economic value and market price. It is an illustrative attempt to provide owners with an understanding of the old saying: "Price is what you pay, value is what you get." I calculate our economic value based on all profits accrued to our interest since inception. It approximates how we have performed, economically, over time. It does not guarantee our future path (even if it has matched our past), but I do think it helps to show a correlation between economics and market prices and it probably isn't too farfetched to suggest some correlation in future. Historically, when ROMC's market price approximates its economic value, it has been opportune to be an owner. In 2023, that market price rose 25 per cent to end the year at $71. My calculation of ROMC's economic value ended the year at $82, 15 per cent above market value.

Economically speaking, we have had more than three doubles in capital since October 2007 (from $10 to $20; then from $20 to $40; and most recently from $40 to $82). That's a double every 5.33 years. If we were able to keep up the pace over ROMC's next 16 ¼ years, our economic value would reach $670 per security. I wonder where our market value would be.

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

Expenses

Last year's administration and audit expenses were 0.189 per cent of average assets (declining from 2022's 0.192 per cent). Salary class management fee—totaling $500,000, plus HST—was also down, on a percentage-of-assets basis, from 2022, at 1.07 per cent. A strong year for Performance-fee class owners saw the management fee climb from zero to 3.27 per cent. The "all-in" management expense ratio (MER) for last year came to 1.26 per cent for Salary class and 3.46 per cent for Performance-fee class.

Taxes [4]

With a good deal of our 2023 economic profits coming from Fixed Income and Other (mainly Other), taxable owners saw a T3 this year. The per-security tally came to $7.13, representing little over half of last year's increase in net asset value. The breakdown is as follows: $6.05 of capital gain, $1.00 of Canadian dividends and $0.09 of foreign income (net of withholding taxes). At time of writing, ROMC's unrealized capital gain position was more than $24 million (38 per cent of our asset value).

Partnership

ROMC prides itself on the treatment of its owners. You could count on one hand the number of active fund managers that offer investors an absolute performance-fee arrangement like ours. Even rarer still is the active manager who offers a fixed-money management fee option like our Salary class. I mean, why would they? They are in business to make money off you, not with you. We feel differently and the reason is not selfless. We believe that our fee arrangements put incentives for both investor and manager where they should be, in favour of competence. Without competence, an active manager has no business being in business. That has not stopped them. With the average active fund management fee fixed at well over 1 per cent of assets, the incentive is to have lots of assets. If those assets cannot grow with superior performance, then another approach is warranted—that of the marketing variety. Despite our not having any idea how to sell an investment fund, we have not failed and the reason is simple: You do well, I do well.

To take this concept of fairness a step further, imagine that a manager HAD to beat the stock market to earn its fee. Such a notion seems inconceivable but that doesn't make it wrong. In fact, that's what we are doing at ROMC with the launch of a new class of securities, known as Relative Performance series (the current Performance-fee series being renamed Absolute Performance series). Unless owners beat a global equity index, they don't pay a fee. Beat it and owners pay 1/3 of the upside. As revolutionary as that reads, the question investors should be asking is: Why is that not standard industry practice? After all, you can buy the same global index at almost zero cost, ensuring market performance. With Relative Performance series, ROMC rounds out its stable of unheard-of fee arrangements that make us unique in the treatment of investors.

ROMC Annual Owners' Meeting
Tuesday, May 14, 2024
11 a.m.
1 Richmond Street West, Suite 701, Toronto, Ontario

Sticklers for value and sticklers for continuity: After our annual meeting as highlighted above, we have yet again booked lunch at the Richmond Station (www.richmondstation.ca), conveniently located in our own building. Bring your spouse, bring your partner or even better, bring someone you think might be interested in joining us on our journey of increasing our purchasing power by maximizing real return after taxes.

March 15, 2024 David McLean

[4] 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: Damelin Financial 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: Damelin Financial 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.