

# ROMC TRUST

December 31, 2023

## MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2023

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 owners to think long term, believing that attractive returns occur over years, not each year. It is time in the market, not timing of the market that adds up. ROMC's manager does not see volatility as risk, but rather as opportunity. Risk is best defined as the permanent loss of capital and the long-term loss of purchasing power. 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. 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

Damelin Financial Services Inc  
405 – 391 Brunswick Avenue  
Toronto, Ontario M5R 2Z2  
Tel. 647-360-4771

### 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:

In 2023, ROMC Trust's net asset value rose \$3.2 million. On a per-unit percentage basis, the increase was 24.09 per cent for series A and 24.78 per cent for series F. Since inception (over seven years ago), our per-unit net asset value, including distributions, has increased from \$10 to \$22.08 for series A and to \$23.04 for series F, an average annual compound growth rate of 11.02 per cent and 11.65 per cent, respectively.

### Economic progress

While inflation declined last year, 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 above the rate of inflation). This once normal relationship became 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.

<u>Annualized yields &amp; inflation</u>	<u>2024 (Feb)</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
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](http://www.us.spindices.com), [www.bloomberg.com](http://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, has risen an annual average of 10 per cent. Its earnings, however, have increased only seven per cent annually. The result? A more expensive market. In 2013, the market's earnings yield was six per cent (the long-term average is seven). Today, it is less than four per cent and both short-term and long-term interest rates have increased to yield more than those earnings, something that hasn't happened since the year 2000.

### Expenses

Last year, ROMC's management expense ratio (MER) was 2.41 and 1.85 per cent for series A and series F, respectively (2.32 per cent and 1.66 per cent, respectively in 2022). The MER is calculated using the Fund's expenses. It is determined by adding up expenses charged against the Fund and dividing them by the Fund's average daily net assets over the same period.

### Taxes

For taxable owners, T3 slips show a per-unit distribution for last year in the amount of \$1.05 for each series. Since inception, more than seven-and-a-half years ago, we've had four income distributions, worth a total of 26 per cent of our \$10 value at inception. By comparison, at year end, the fund's per-unit market value was more than 120 per cent higher than at our start.

### Final thoughts

With fixed income yielding more than earnings in the stock market, we have pared back our long-term holdings in common equities. While they still account for a majority of our assets, fixed income and other shorter-term trading positions make up a material portion of our fund. This is quite a statement. As an equity fund, one would expect only common stocks in ROMC but with the market looking expensive—both absolutely and relatively—it might prove prudent to reduce exposure in anticipation of future opportunity.

## Management Discussion of Fund Performance

### Investment objectives & Strategies

To achieve ROMC Trust's objectives, your manager selects securities that offer a perceived discount to value found generally in securities markets. The belief is that a good investment is generally determined by acquiring a productive asset that generates an attractive economic return on investor capital. It involves an analysis of the strengths of individual issuers, with much less emphasis on short-term market factors. Greater importance is placed upon an assessment of an issuer's financial strength as well as current and future earnings power. The strategy follows disciplines regarding price paid to acquire portfolio investments. The level of investment in an issuer's securities is generally commensurate with the price of the issuer's securities in relation to its intrinsic value. The 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. 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 27 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

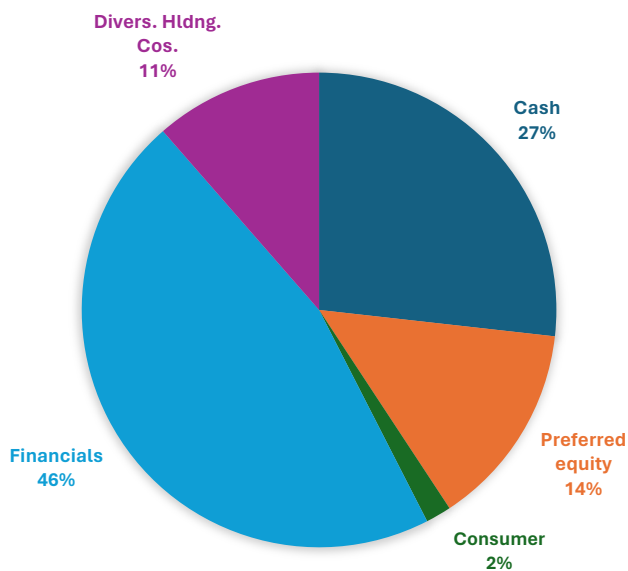
Last year, series A units and series F units of the Fund—including the year-end distribution—showed an increase of 24.09 per cent and 24.78 per cent, respectively. As we realized capital gains over the year, there was a per-unit distribution to unitholders of \$ to series A and \$ to series F. By comparison, the MSCI World Equity Index (in Canadian dollars) rose 21.08 per cent on a gross basis.

Last year, we had a comprehensive income of \$3,614,626 (including unrealized gains of \$2,100,820). Operating expenses were \$380,966. Because we had realized gains during the year, there was a distribution to unitholders.

At year end, we held eight investments, spread out globally over four industry groups. Over the period since I last reported to you, changes made to the portfolio were as follows: (i) an increase in cash; (ii) an increase in Canadian equities, in insurance; and (iii) a decrease in US equities, in technology. At year end, ROMC had the following allocations:

ROMC Trust asset mix as at:	31-Dec-23	% Fund net assets
Canadian equities		35.0%
US equities		7.4%
European equities		19.4%
International equities		11.4%
Cash & equivalents		26.8%
<b>Total - ROMC Trust</b>		<b>100.0%</b>

## ROMC Trust Sector allocation at 31-Dec-23

Recent developments

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.

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	Year ended December 31, 2023	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net asset value, beginning	16.17	17.11	13.99	14.97	11.24	11.88	11.09
Increase (decrease) from operations:							
Total revenue	0.53	0.11	0.18	0.15	0.25	0.27	0.15
Total expenses	-0.48	-0.19	-0.38	-0.28	-0.23	-0.25	-0.22
Realized gains (losses) for the period	1.36	1.76	1.52	0.18	0.32	-0.07	-0.17
Unrealized gains (losses) for the period	2.49	-3.66	2.53	-0.26	3.36	-0.55	0.96
Total increase (decrease) from operations (1)	3.90	-1.98	3.85	-0.21	3.7	-0.6	0.72
Distributions:							
From income (excluding dividends)							
From dividends							
From capital gains			0.83	0.53			
From return of capital							
Total distributions (2)	0.00	-	0.83	0.53	-	-	-
Net asset value, end	20.06	15.16	17.11	13.99	14.97	11.24	11.88

ROMC Trust supplemental data - series A	Year ended December 31, 2023	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net assets (000's) (3)	\$11,889	\$9,614	\$14,126	\$10,275	\$9,229	\$6,163	\$7,491
Number of units outstanding (3)	592,645	634,015	825,436	734,648	616,388	548,347	630,649
Management expense ratio (4)	2.41%	2.32%	2.30%	2.15%	1.67%	1.88%	1.80%
Management expense ratio before waivers	2.41%	2.32%	2.30%	2.69%	2.75%	3.01%	3.18%
Portfolio turnover rate (5)	26.51%	21.60%	34.68%	110.81%	45.19%	27.66%	7.66%
Trading expense ratio (6)	0.05%	0.03%	0.04%	0.32%	0.07%	0.12%	0.02%
Closing market price	20.06	15.16	17.11	13.99	14.97	11.24	11.88

ROMC Trust net assets per unit - series F	Year ended December 31, 2023	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net asset value, beginning	16.67	17.59	14.35	15.28	11.41	11.99	11.13
Increase (decrease) from operations:							
Total revenue	0.55	0.07	0.20	0.18	0.25	0.28	0.15
Total expenses	-0.39	-0.14	-0.30	-0.22	-0.16	-0.18	-0.16
Realized gains (losses) for the period	1.43	1.63	1.59	0.33	0.29	-0.03	-0.14
Unrealized gains (losses) for the period	2.53	-3.16	2.70	-2.23	3.59	-0.80	0.69
Total increase (decrease) from operations (1)	4.11	-1.60	4.19	-1.94	3.97	-0.73	0.54
Distributions:							
From income (excluding dividends)							
From dividends							
From capital gains			0.93	0.54			
From return of capital							
Total distributions (2)	0.00	-	0.93	0.54	-	-	-
Net asset value, end	20.80	15.63	17.59	14.35	15.28	11.41	11.99

ROMC Trust supplemental data - series F	Year ended December 31, 2023	Year ended Dec. 31, 2022	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net assets (000's) (3)	\$3,947	\$2,949	\$454	\$417	\$660	\$835	\$538
Number of units outstanding (3)	189,788	188,725	25,815	29,081	43,216	73,192	44,862
Management expense ratio (4)	1.85%	1.66%	1.74%	1.58%	1.10%	1.32%	1.22%
Management expense ratio before waivers	1.85%	1.66%	1.74%	2.12%	2.19%	2.45%	2.63%
Portfolio turnover rate (5)	26.51%	21.60%	34.68%	110.81%	45.19%	27.66%	7.66%
Trading expense ratio (6)	0.05%	0.03%	0.04%	0.26%	0.05%	0.13%	0.02%
Closing market price	20.80	15.63	17.59	14.35	15.28	11.41	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.

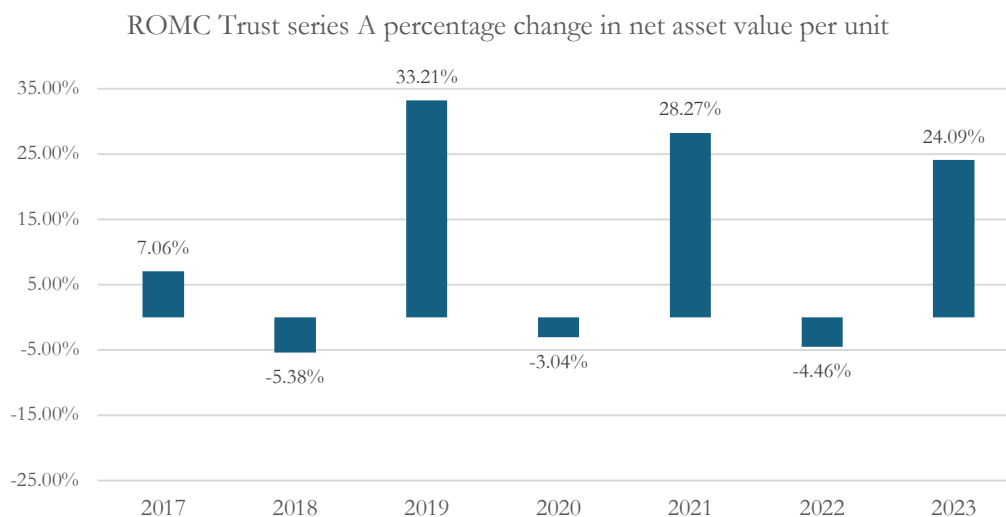
For 2023, management fees for both series were \$239,960 of which \$58,836 was paid to registered dealers.

Past performance

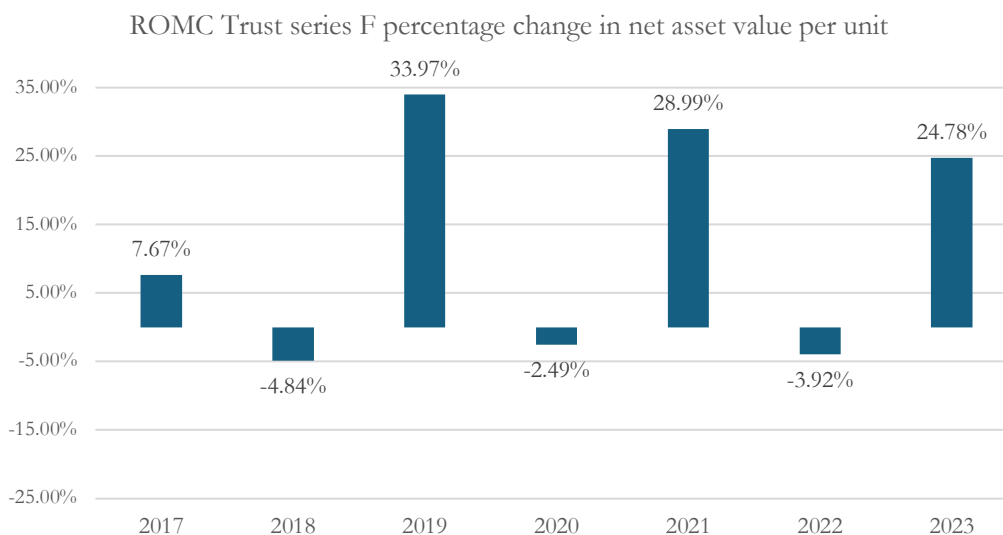
Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions (if any),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







#### *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 overperformed the MSCI World Index (in Canadian dollars). The reason had mostly to do with outperformance of value versus growth investment methodologies but also our asset allocation favours financials and they outperformed materially last year.

Since inception, ROMC Trust series A underperformed the MSCI World Index by 0.31 per cent yearly and series F outperformed the MSCI World Index by 0.32 per cent yearly. At time of writing, both series are ahead of the MSCI World Index since inception as well as over each of the periods identified below.

To December 31, 2023	Past year	Past 3 years	Past 5 years	Since inception *
ROMC Trust series A	24.09%	15.00%	14.46%	11.02%
ROMC Trust series F	24.78%	15.64%	15.10%	11.65%
MSCI World Index (CAD)	21.08%	9.03%	12.58%	11.33%

\* Inception June 3, 2016

Summary of investment portfolio

Asset Allocation as at:	31-Dec-23	% Fund net assets
Cash & equivalents		26.8%
Equities & equivalents		73.2%
<b>Total net asset value of ROMC Trust</b>	<b>\$15,836,415</b>	<b>100.0%</b>

Common equities & equivalents as at:	31-Dec-23	% Fund net assets
Aritzia Inc		1.7%
Berkshire Hathaway Inc, class B		7.4%
Cairo Mezzanine Plc		0.2%
Eurobank Group Holdings SA		19.2%
Fairfax Financial Holdings Limited		19.3%
Fairfax Financial preferred securities		14.0%
Fairfax India Holdings Corp		11.4%

<b>Total - Equities</b>		<b>73.2%</b>
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The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund and a quarterly update is available.