

September 30, 2019

MANAGEMENT REPORT OF FUND PERFORMANCE  
**NCM NORREP FUND**



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## NCM NORREP FUND

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This annual management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. You can get a copy of the Fund's financial statements at your request, and at no cost, by calling toll free (877) 531-9355, by writing us at 1850, 333-7<sup>th</sup> Avenue SW Calgary, Alberta T2P 2Z1 or by visiting our website at [www.ncminvestments.com](http://www.ncminvestments.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

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#### **INVESTMENT OBJECTIVE AND STRATEGIES**

The investment objective of the NCM Norrep Fund (the "Fund") is to achieve long-term capital appreciation by investing in small and mid-capitalization equities of issuers in Canada and the United States.

The Fund achieves this objective by employing a value approach as the primary methods of securities selection. This means searching for companies with superior long-term earnings and/or cash flow per share growth that exhibit a strong position in the market in which they operate, quality management and balance sheet strength. This analysis is supplemented by quantitative techniques that examine movements in general market trends as well as trends in earnings and the price of securities.

The Fund may invest in a combination of securities including common and preferred shares, income trust units, rights and warrants, convertible securities and government and corporate bonds. The Fund may also invest in permitted derivatives and engage in limited short selling in order to achieve its objective.

#### **RISK**

The Fund is suitable for investors seeking long-term capital appreciation with a tolerance for medium to high risk. Investors whose primary concern is preservation of capital should not be invested in this Fund. General risks of an investment in the NCM Norrep Fund are detailed in the simplified prospectus and include among others: equity risk, small and mid-capitalization company risk, liquidity risk and regulatory risk.

The Fund's investments in commodity-related companies, such as those operating in the Energy and Materials sectors, form a portion of the portfolio. As a result, changes in commodity prices such as crude oil, natural gas and metals may have an impact on portfolio returns. Similarly, the Fund's concentration in the Industrials and Consumer Discretionary sectors potentially increase the Fund's sensitivity to changes in GDP, commodity prices, foreign exchange rates, interest rates, stimulus removal, and/or credit conditions.

## RESULTS OF OPERATIONS

While the Canadian equity markets have been strong to date this year, with the S&P/TSX Total Return Index increasing 19.1%, the small caps have once again underperformed with the BMO Small Cap Total Return Index increasing a more modest 10.2% despite a strong performance in the Material sector on the back of the strength in the gold price. As we have written about in the past, the small cap underperformance in the past few years has come from ongoing economic concerns given where we are in the economic cycle and more importantly the ongoing trade uncertainties given the U.S. government's focus on renegotiating trade agreements around the world. In addition, the small cap sector continues to be negatively impacted by a flow of funds out of the sector as investors continue to shy away from the Canadian market and the strong growth in passive investing has further amplified the migration up cap, as exchange traded funds and index funds invest predominantly in the larger cap segment of the market.

Annual compound return for the Fund for the year ended September 30, 2019 was negative 3.2%, which compares favorably to the benchmark, which saw a decline of 7.3%. The outperformance versus the benchmark over the past year has come in part from sector allocation, as the Fund's exposure to the Energy and Material sectors remain below those of the benchmark index, as well as stock selection in the Energy sector. In addition, the Fund benefited from its larger exposure to the mid cap market. Given the liquidity challenges in the small cap market, over the past few years the managers of the Fund increased their focus on uncovering mid cap investment opportunities for the Fund, a number of which generated strong performance over the past year, contributing to the Fund's performance.

While it is difficult to predict a catalyst for small caps to start to outperform again, we continue to believe that as many small cap companies in the Fund continue to grow their earnings, valuation levels are becoming increasingly attractive. These valuation levels set up the potential for strong outperformance as investors return to the Canadian small cap market and stocks return closer to their intrinsic value. As always, we continue to be bottom-up investors as we focus on superior stock selection to contribute to outperformance in both bull and bear markets. Our focus remains on building a portfolio of high-quality cash flow generative companies with attractive long-term growth opportunities and valuations.

For the year ended September 30, 2019, the Fund earned interest, dividend and securities lending income amounting to \$154,310, \$961,832 and \$61, respectively. The change in unrealized depreciation in current value of investments was a decrease of \$1,202,720. The realized loss on investments was \$986,357. Management fees of \$964,372 were paid. General and administrative costs of \$347,074, related to the operation of the Fund, were also incurred. As a result of the above, the decrease in net assets attributable to holders of redeemable units was \$2,384,320. Net assets attributable to holders of redeemable units at the beginning of the year were \$57,144,070. Proceeds from the issuance of units were \$1,559,662; reinvestment of distributions was \$3,103,697 and redemptions were \$9,762,504. Distributions declared to holders of redeemable units were \$3,375,944. By September 30, 2019, the Fund had net assets attributable to holders of redeemable units of \$46,284,661.

## RECENT DEVELOPMENTS

In August 2019, the Fund engaged in securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. The Bank of New York Mellon is administering the securities lending transactions.

## RELATED PARTY TRANSACTIONS

Management fees of \$964,372 were paid to NCM Asset Management Ltd. ("NCM"), the Fund's Manager and Portfolio Manager. Management fees are 2% for the Series A and 1.25% for the Series F, of the series net asset value of the Fund and are calculated and paid monthly. Series R units are only available for investment by the NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates and are not available for public purchase. There is no management fee attached to Series R. Administration fees of \$82,061 were paid to NCM. Administration fees are charged by NCM at or below cost and relate to accounting, trading, recordkeeping, compliance and other administrative costs.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund's Series A units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited annual financial statements.

<b>Net asset value (NAV) per unit <sup>(1)</sup> – Series A</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Asset Value, beginning of year	\$36.89	\$38.28	\$35.56	\$34.00	\$39.57
Increase (decrease) from operations:					
Total revenue	0.73	0.74	0.44	0.76	0.66
Total expenses	(0.88)	(0.87)	(0.95)	(0.91)	(0.91)
Realized gains (losses) for the year	(0.62)	3.27	5.13	1.17	2.30
Unrealized gains (losses) for the year	(0.87)	(2.49)	(1.09)	0.46	(3.63)
Total increase (decrease) from operations	(1.64)	0.65	3.53	1.48	(1.58)
Distributions:					
From income	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	(2.22)	(2.08)	(0.88)	Nil	(3.82)
Total distributions <sup>(2)</sup>	(2.22)	(2.08)	(0.88)	Nil	(3.82)
Net Asset Value, end of year <sup>(3)</sup>	\$32.93	\$36.89	\$38.28	\$35.56	\$34.00

(1) This information is provided as at September 30, 2019 and 2018 and October 31 for the balance preceding years presented. The information is in accordance with International Financial Reporting Standards. The opening net asset value for 2015 was restated in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and 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 year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

<b>Ratios and Supplemental Data – Series A <sup>(1)</sup></b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Assets (000's of \$)	42,396	54,230	60,538	70,852	89,614
Number of units outstanding	1,287,507	1,469,941	1,581,473	1,992,542	2,635,505
Management expense ratio (MER) <sup>(2)</sup>	2.55%	2.51%	2.46%	2.44%	2.36%
MER before waivers or absorptions <sup>(2)</sup>	2.55%	2.51%	2.46%	2.44%	2.36%
Portfolio turnover rate <sup>(3)</sup>	24.73%	18.71%	31.29%	48.72%	23.96%
Trading expense ratio <sup>(4)</sup>	0.15%	0.12%	0.20%	0.21%	0.17%
Net asset value per unit	\$32.93	\$36.89	\$38.28	\$35.56	\$34.00

(1) This information is provided as at September 30, 2019 and 2018 and October 31 for the balance preceding years presented. The information is in accordance with International Financial Reporting Standards.

(2) Management expense ratio (MER) is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net asset value of the year.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the 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 performance of the Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series F units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited annual financial statements.

<b>Net asset value (NAV) per unit <sup>(1) (2)</sup> – Series F</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015 <sup>(4)</sup></b>
Net Asset Value, beginning of year	\$37.91	\$39.05	\$36.02	\$34.21	\$37.07
Increase (decrease) from operations:					
Total revenue	0.75	0.72	0.44	0.72	0.22
Total expenses	(0.63)	(0.62)	(0.68)	(0.66)	(0.20)
Realized gains (losses) for the year	(0.68)	2.62	5.04	1.09	0.75
Unrealized gains (losses) for the year	(0.59)	(2.28)	(1.33)	1.88	(1.19)
<b>Total increase (decrease) from operations</b>	<b>(1.15)</b>	<b>0.44</b>	<b>3.47</b>	<b>3.03</b>	<b>(0.42)</b>
Distributions:					
From income	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	(2.28)	(2.12)	(0.89)	Nil	Nil
<b>Total distributions <sup>(2)</sup></b>	<b>(2.28)</b>	<b>(2.12)</b>	<b>(0.89)</b>	<b>Nil</b>	<b>Nil</b>
<b>Net Asset Value, end of year <sup>(3)</sup></b>	<b>\$34.12</b>	<b>\$37.91</b>	<b>\$39.05</b>	<b>\$36.02</b>	<b>\$34.21</b>

(1) This information is provided as at September 30, 2019 and 2018 and October 31 for the balance preceding years presented and is in accordance with International Financial Reporting Standards. The opening net asset value for 2015 was restated in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and 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 year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) NCM Norrep Fund Series F commenced operations July 6, 2015.

<b>Ratios and Supplemental Data – Series F <sup>(1)</sup></b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015 <sup>(5)</sup></b>
Net Assets (000's of \$)	2,705	2,914	6,996	9,499	3,489
Number of units outstanding	79,297	76,880	179,185	263,719	101,982
Management expense ratio (MER) <sup>(2)</sup>	1.80%	1.77%	1.71%	1.74%	1.66%
MER before waivers or absorptions <sup>(2)</sup>	1.80%	1.77%	1.71%	1.74%	1.66%
Portfolio turnover rate <sup>(3)</sup>	24.73%	18.71%	31.29%	48.72%	23.96%
Trading expense ratio <sup>(4)</sup>	0.15%	0.12%	0.20%	0.21%	0.17%
<b>Net asset value per unit</b>	<b>\$34.12</b>	<b>\$37.91</b>	<b>\$39.05</b>	<b>\$36.02</b>	<b>\$34.21</b>

(1) This information is provided as at September 30, 2019 and 2018 and October 31 for the balance preceding years presented and is in accordance with International Financial Reporting Standards.

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the 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 performance of the Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(5) NCM Norrep Fund Series F commenced operations July 6, 2015.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series R units and are intended to help you understand the Fund's financial performance for the fiscal year indicated. This information is derived from the Fund's audited annual financial statements.

<b>Net asset value (NAV) per unit <sup>(1)(2)</sup> – Series R</b>	<b>2019 <sup>(4)</sup></b>
Net Asset Value, beginning of year	\$37.96
Increase (decrease) from operations:	
Total revenue	0.80
Total expenses	(0.14)
Realized gains (losses) for the year	(1.63)
Unrealized gains (losses) for the year	3.24
<b>Total increase (decrease) from operations</b>	<b>2.27</b>
Distributions:	
From income	Nil
From dividends	Nil
From capital gains	(2.29)
<b>Total distributions <sup>(2)</sup></b>	<b>(2.29)</b>
<b>Net Asset Value, end of year <sup>(3)</sup></b>	<b>\$34.62</b>

(1) This information is provided as at September 30, 2019 in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and 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 year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) NCM Norrep Fund Series R commenced operations October 1, 2018.

<b>Ratios and Supplemental Data – Series R <sup>(1)</sup></b>	<b>2019 <sup>(5)</sup></b>
Net Assets (000's of \$)	1,183
Number of units outstanding	34,165
Management expense ratio (MER) <sup>(2)</sup>	0.45%
MER before waivers or absorptions <sup>(2)</sup>	0.45%
Portfolio turnover rate <sup>(3)</sup>	24.73%
Trading expense ratio <sup>(4)</sup>	0.15%
<b>Net asset value per unit</b>	<b>\$34.62</b>

(1) This information is provided as at September 30, 2019 in accordance with International Financial Reporting Standards.

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the 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 performance of the Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(5) NCM Norrep Fund Series R commenced operations October 1, 2018.

## MANAGEMENT FEES

The Fund pays an annual management fee of 2% for the Series A, and 1.25% for the Series F, multiplied by the net asset value of the Fund, to NCM, the Fund's Manager and Portfolio Manager. The management fee is calculated and paid monthly. There is no management fee attached to Series R. For the year ended September 30, 2019 management fees amounted to \$964,372. NCM paid servicing commissions of \$336,807 (i.e. 34.92%) from these management fees to investment dealers. NCM also received fees for portfolio management and administrative services with respect to this Fund as well as all the other funds in the NCM group.

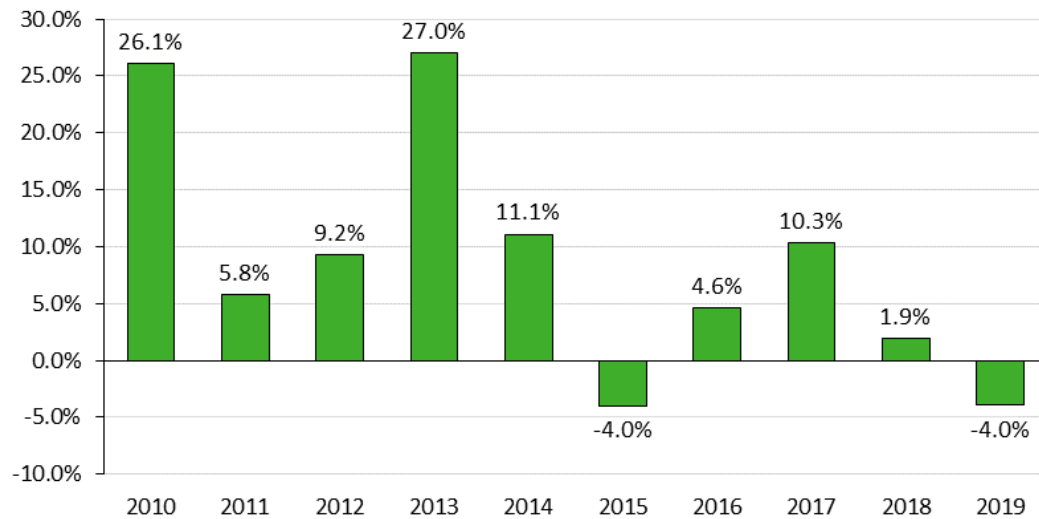
## PAST PERFORMANCE

The charts below illustrate the performance of the Fund for its last 10 fiscal years as a public mutual fund. The Series F inception was July 6, 2015. These charts reflect the performance you would have received if you invested in the Fund on the first day of the year through the last day of the year.

They assume that all distributions made by the Fund in the years shown are reinvested in additional securities of the Fund. They do not take into account sales, redemption, distribution or other optional charges which would have reduced returns or performance. Each year the Fund's performance has changed and past performance does not guarantee future performance.

## YEAR BY YEAR RETURNS

### Series A

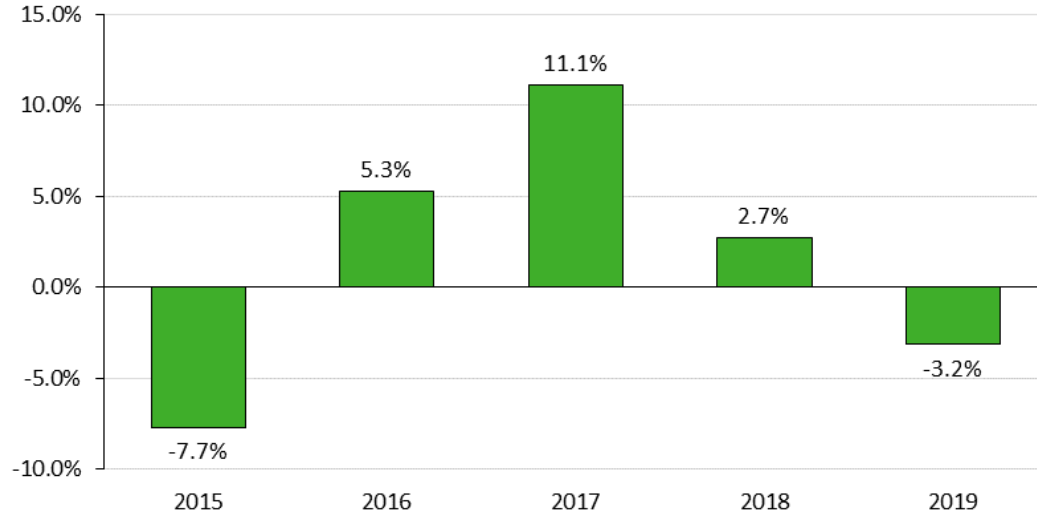


From November 1 to October 31 until 2018 which is from November 1, 2017 to September 30, 2018 then October 1 to September 30 thereafter.



## YEAR BY YEAR RETURNS (continued)

### Series F



From July 6, 2015 to October 31, 2015 then November 1 to October 31 until 2018 which is from November 1, 2017 to September 30, 2018 then October 1 to September 30 thereafter.

### Series R

No performance data is available for this series as it was not distributed under a simplified prospectus for 12 consecutive months.

## ANNUAL COMPOUND RETURNS

The following table shows the percent compounded returns to September 30, 2019 of the Fund for the years indicated. It also presents the returns for the BMO Small Capitalization Equity Only Weighted Total Return Index which is the Fund's benchmark index.

	Series A	Series F	Index
One year	-4.0%	-3.2%	-7.3%
Three Year*	1.9%	2.7%	-1.5%
Five Year*	0.7%		-0.2%
Ten Year*	8.2%		4.4%
Since Inception* – Series A (April 12, 2000)	13.7%		5.4%**
Since Inception* – Series F (July 06, 2015)		1.7%	1.7%**

\* annualized

\*\*estimated due to inception date not being at the beginning of the month and the index returns only being provided on monthly basis.

## SUMMARY OF INVESTMENT PORTFOLIO

The following investments were held by the Fund as at September 30, 2019.

<b>Securities</b>	<b>Percent of net assets</b>
Major Drilling Group International Inc.	6.5%
Badger Daylighting Ltd.	4.9%
North American Construction Group Ltd.	4.6%
Parkland Fuel Corp.	4.5%
FirstService Corp.	4.2%
Chorus Aviation Inc.	4.2%
Chemtrade Logistics Income Fund	4.2%
Descartes Systems Group Inc. (The)	4.1%
Air Canada	4.0%
Lundin Mining Corp.	3.8%
Parex Resources Inc.	3.8%
Intertape Polymer Group Inc.	3.8%
Altus Group Ltd.	3.5%
Superior Plus Corp.	3.4%
Detour Gold Corp.	3.3%
Aritzia Inc.	3.2%
Boyd Group Income Fund	3.1%
Canada Goose Holdings Inc.	2.8%
BMO Junior Gold Index ETF	2.6%
Enerflex Ltd.	2.2%
Transcontinental Inc., Class 'A'	1.7%
GDI Integrated Facility Services Inc.	1.7%
Enerplus Corp.	1.7%
Ensign Energy Services Inc.	1.7%
Hamilton Thorne Ltd.	1.5%
Other Securities	1.4%
<b>Total Securities</b>	<b>86.4%</b>
<b>Other</b>	
Cash	13.3%
Other assets - net of liabilities	0.3%
<b>Total Net Asset Value</b>	<b>100.0%</b>
<b>Industry Sectors</b>	
Materials	25.6%
Industrials	19.6%
Energy	18.5%
Real Estate	7.7%
Consumer Discretionary	6.0%
Information Technology	4.1%
Utilities	3.4%
Health Care	1.5%
Other	13.6%
<b>Total</b>	<b>100.0%</b>

The investments held by the Fund change due to ongoing portfolio transactions. A revised summary is posted on our website at [www.ncminvestments.com](http://www.ncminvestments.com) no later than 60 days after each quarter-end.

## OTHER MATERIAL INFORMATION

The simplified prospectus and other Fund related materials can be obtained by calling us toll-free at (877) 531-9355, by writing to us at 1850, 333-7<sup>th</sup> Avenue SW Calgary, Alberta T2P 2Z1, or on our website at [www.ncminvestments.com](http://www.ncminvestments.com).



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