

September 30, 2021

MANAGEMENT REPORT OF FUND PERFORMANCE

# NCM SMALL COMPANIES CLASS



# MANAGEMENT REPORT OF FUND PERFORMANCE NCM SMALL COMPANIES CLASS

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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, 333-7th 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 NCM Small Companies Class (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 method 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 Fund are detailed in the simplified prospectus and include equity risk, small and mid-capitalization company risk, class and series risk, liquidity risk, and regulatory risk, among others.

The Fund's investment 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 investments 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**

Most equity markets around the world performed favorably for the one-year period ended September 30, 2021. Accommodating central banks around the world continue to provide ample liquidity for their economies. Governments provided, and in some cases continue to provide, employer and employee relief programs helping to keep vital businesses afloat. The global vaccine rollout has occurred with few interruptions and in most OECD countries those that wish to be vaccinated have had the opportunity to do so. High rates of vaccine uptake have allowed governments to slowly re-open the economy.

The developed country economic normalization has for the most part happened recently and created a global synchronous recovery with the help of accommodative monetary policies and resulted in a strong backdrop for strong equity markets. For example, for the year ended September 30, 2021, the S&P/TSX Composite Total Return Index was up 28.0% and 17.5% calendar year to date. Note that during the last quarter, the index took a breather and was up only 0.2%.

## RESULTS OF OPERATIONS (continued)

The generally downward trajectory of novel Coronavirus (COVID-19) infections, central banks and the population's high rate of vaccination take up were arguably the most significant tail winds for the economy. Given the markets are forward looking, earnings growth, interest rate hikes and economic supply chains will be the focus. We expect all these factors to return to normal over the next couple of years.

The Fund has recently increased cash levels in the portfolio to approximately 11% versus 6% at September 30, 2020. Other positional changes involve a larger weight in the Energy portion of the portfolio, adding 10% to 15% at end of the period. Our Materials weight has dropped to 22% from 28% reflecting some profit taking. The other two notable industry weight changes over the fiscal year involve an increase in Information Technology to 9% from 7% and a reduction in Real Estate to 7% from 15%.

For the year ending September 30, 2021, the NCM Small Companies Series F shares returned 37.6% versus the BMO Small Cap Total Return Index of 46.0%. For the 6-month period with the same end date, the shares returned 13.5% versus 7.1% for the benchmark and for the 3-month period, the shares generated a positive return of 1.4% compared to the same index of -1.5%. Note the S&P/TSX Composite Total Return Index generated returns of 28.0%, 8.7% and 0.2% over the one year, 6-month and 3-month periods.

Within the BMO Small Cap Index, Energy stocks were the biggest winners over the past year with a price-based return of 170.4% followed by Consumer Discretionary stocks at 86.3%. Technology stocks were not far behind with a return of 80.7%. No industry group had a negative return. Not surprisingly, Health Care and Consumer Staples generated comparatively muted returns at 7.7% and 19.7% respectively.

Small caps, as a group, have enjoyed a very strong year as the ingredients for outperformance remained throughout the period. We continue to believe our bottom-up style focusing on stock selection based on attractive fundamental and quantitative attributes are the key to strong performance. The portfolio is a group of businesses with strong cash flow characteristics, impressive management teams and attractive long-term growth opportunities.

The net assets have increased by 71% with net assets increasing from \$75,427,933 to \$128,754,324, \$35,734,904 of

this change is attributable to positive investment performance and \$17,591,487 was due to positive net contributions to the Fund, mostly as a result of the assets transferred in from NCM Entrepreneurs Class on November 6, 2020.

## RECENT DEVELOPMENTS

On May 19, 2021, the low load deferred sales charge option was closed to new purchases.

On November 6, 2020, NCM Entrepreneurs Class of NCM Opportunities Corp. transferred its net assets, at fair market value, of the Fund to NCM Small Companies Class of NCM Opportunities Corp. in exchange for 376,885 NCM Small Companies Class Series A shares, 191,382 NCM Small Companies Class Series F shares, and 36,521 NCM Small Companies Class Series I shares with a value of \$27,718,026. The assets transferred were as follows:

<i>(in Canadian dollars)</i>	November 6, 2020
Cash	4,473,700
Other liabilities – net of assets	(77,102)
Investments, at fair value	23,321,428
Value of assets received and mutual fund shares issued	27,718,026

## RELATED PARTY TRANSACTIONS

Management fees of \$1,641,150 were paid to NCM Asset Management Ltd. (“NCM”), the Fund's Manager and Portfolio Manager. Management fees are 2% for Series A, and 1% for Series F, of the series net asset value of the Fund and are calculated and paid monthly. In addition, administrative fees of \$165,098 were paid to NCM. Administration fees are charged by NCM at or below cost. They relate to accounting, trading, record keeping, compliance and other administrative costs.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund's shares 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.

### Net asset value (NAV) per share <sup>(1)</sup>

Series A	2021	2020	2019	2018	2017
<b>Net Asset Value, beginning of year</b>	41.00	41.25	43.18	42.43	38.90
<b>Increase (decrease) from operations:</b>					
Total revenue	0.72	0.67	0.89	0.85	0.75
Total expenses	(1.22)	(1.01)	(1.09)	(1.01)	(1.09)
Realized gains (losses) for the year	3.48	(0.85)	(0.83)	3.58	4.54
Unrealized gains (losses) for the year	12.26	0.49	(0.97)	(2.77)	(0.37)
<b>Total increase (decrease) from operations</b>	15.24	(0.70)	(2.00)	0.65	3.83
<b>Distributions:</b>					
From income	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	(0.25)	Nil	(0.35)
<b>Total distributions <sup>(2)</sup></b>	Nil	Nil	(0.25)	Nil	(0.35)
<b>Net Asset Value, end of year <sup>(3)</sup></b>	56.00	41.00	41.25	43.18	42.43

Series F	2021	2020	2019	2018	2017
<b>Net Asset Value, beginning of year</b>	48.37	48.14	49.84	48.50	44.03
<b>Increase (decrease) from operations:</b>					
Total revenue	0.88	0.78	1.03	0.98	0.86
Total expenses	(0.99)	(0.73)	(0.75)	(0.70)	(0.74)
Realized gains (losses) for the year	4.41	(1.04)	(0.98)	4.03	5.04
Unrealized gains (losses) for the year	13.89	(0.02)	(1.19)	(3.04)	(0.20)
<b>Total increase (decrease) from operations</b>	18.19	(1.01)	(1.89)	1.27	4.96
<b>Distributions:</b>					
From income	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	(0.29)	Nil	(0.41)
<b>Total distributions <sup>(2)</sup></b>	Nil	Nil	(0.29)	Nil	(0.41)
<b>Net Asset Value, end of year <sup>(3)</sup></b>	66.57	48.37	48.14	49.84	48.50

Series I	2021	2020	2019	2018	2017
<b>Net Asset Value, beginning of year</b>	52.42	51.61	52.82	50.92	45.78
<b>Increase (decrease) from operations:</b>					
Total revenue	0.94	0.84	1.10	1.04	0.90
Total expenses	(0.57)	(0.31)	(0.23)	(0.25)	(0.26)
Realized gains (losses) for the year	4.39	(0.89)	(0.99)	4.35	5.29
Unrealized gains (losses) for the year	15.55	3.22	(0.93)	(3.27)	(0.35)
<b>Total increase (decrease) from operations</b>	20.31	2.86	(1.05)	1.87	5.58
<b>Distributions:</b>					
From income	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	Nil	Nil
<b>Distributions (continued):</b>					
From capital gains	Nil	Nil	(0.31)	Nil	(0.43)
<b>Total distributions <sup>(2)</sup></b>	Nil	Nil	(0.31)	Nil	(0.43)
<b>Net Asset Value, end of year <sup>(3)</sup></b>	72.73	52.42	51.61	52.82	50.92

(1) This information is provided as at September 30, 2021, 2020, 2019, 2018 and October 31, 2017. The information is in accordance with International Financial Reporting Standards.

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

(3) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares 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.

### Ratios and Supplemental Data <sup>(1)</sup>

Series A	2021	2020	2019	2018	2017
Net Assets (000's of \$)	71,698	45,560	55,306	67,781	78,137
Number of shares outstanding (000's)	1,280	1,111	1,341	1,570	1,842
Management expense ratio (MER) <sup>(2)</sup>	2.52%	2.62%	2.56%	2.54%	2.53%
MER before waivers or absorptions <sup>(2)</sup>	2.52%	2.62%	2.56%	2.54%	2.53%
Portfolio turnover rate <sup>(3)</sup>	48.62%	31.42%	27.04%	19.27%	35.32%
Trading expense ratio <sup>(4)</sup>	0.09%	0.09%	0.15%	0.11%	0.17%
Net asset value per share	56.00	41.00	41.25	43.18	42.43

## FINANCIAL HIGHLIGHTS (continued)

Series F	2021	2020	2019	2018	2017
Net Assets (000's of \$)	33,632	14,792	20,782	24,516	27,801
Number of shares outstanding (000's)	505	306	432	492	573
Management expense ratio (MER) <sup>(2)</sup>	1.46%	1.56%	1.49%	1.47%	1.45%
MER before waivers or absorptions <sup>(2)</sup>	1.46%	1.56%	1.49%	1.47%	1.45%
Portfolio turnover rate <sup>(3)</sup>	48.62%	31.42%	27.04%	19.27%	35.32%
Trading expense ratio <sup>(4)</sup>	0.09%	0.09%	0.15%	0.11%	0.17%
Net asset value per share	66.57	48.37	48.14	49.84	48.50

Series I	2021	2020	2019	2018	2017
Net Assets (000's of \$)	23,425	15,076	12,459	14,595	15,494
Number of shares outstanding (000's)	322	288	241	276	304
Management expense ratio (MER) <sup>(2)</sup>	0.35%	0.45%	0.39%	0.37%	0.36%
MER before waivers or absorptions <sup>(2)</sup>	0.35%	0.45%	0.39%	0.37%	0.36%
Portfolio turnover rate <sup>(3)</sup>	48.62%	31.42%	27.04%	19.27%	35.32%
Trading expense ratio <sup>(4)</sup>	0.09%	0.09%	0.15%	0.11%	0.17%
Net asset value per share	72.73	52.42	51.61	52.82	50.92

(1) This information is provided as at September 30, 2021, 2020, 2019, 2018 and October 31, 2017. The information is in accordance with International Financial Reporting Standards.

(2) Management expense ratio (MER) is based on the Funds total expenses for the stated year including the Funds proportionate share of the expenses of the underlying funds and is expressed as an annualized percentage of daily average net asset value of the period. As such, the MERs presented for the Funds is all-inclusive and includes the portion of MERs of the other funds attributable to the investment.

(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.

## MANAGEMENT FEES

The Fund pays an annual management fee of 2% for Series A, and 1% for Series F, multiplied by the series net asset value of the Fund, to NCM, the Fund's Manager and Portfolio Manager. Management fees are calculated and paid monthly. No management fee is charged to Series I; instead, the investors pay a management fee directly to the Manager, in an amount determined through negotiation with the Manager. For the year ended September 30, 2021, management fees

amounted to \$1,641,150. NCM paid servicing commissions of \$565,445 (i.e., 34.45%) 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. NCM is entitled to a performance bonus of 20% of the excess performance of the Fund compared to its benchmark index multiplied by the weighted average net asset value of the Fund. The performance bonus is more fully described in the simplified prospectus. For the year ended September 30, 2021, a performance bonus of \$nil was reported.

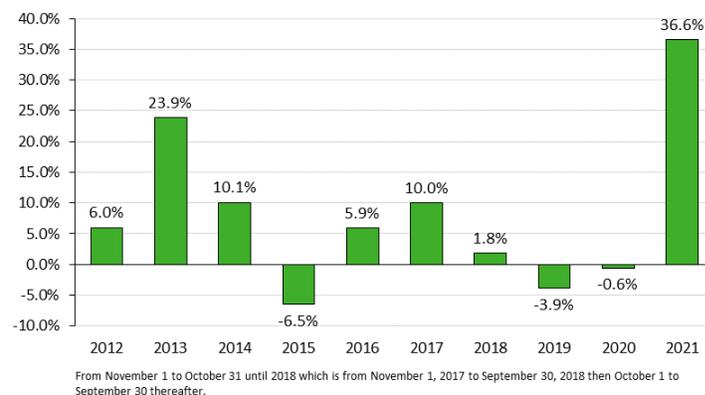
## PAST PERFORMANCE

The charts below illustrate the performance of the Fund for its last 10 fiscal years as a public mutual fund. The Series I inception date is February 8, 2013. 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.

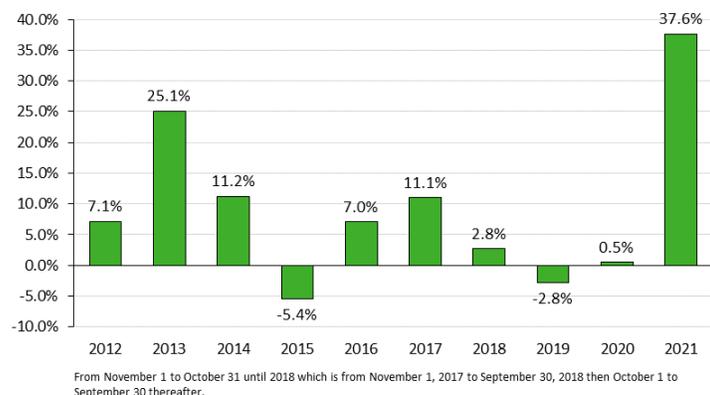
## YEAR BY YEAR RETURNS

### Series A

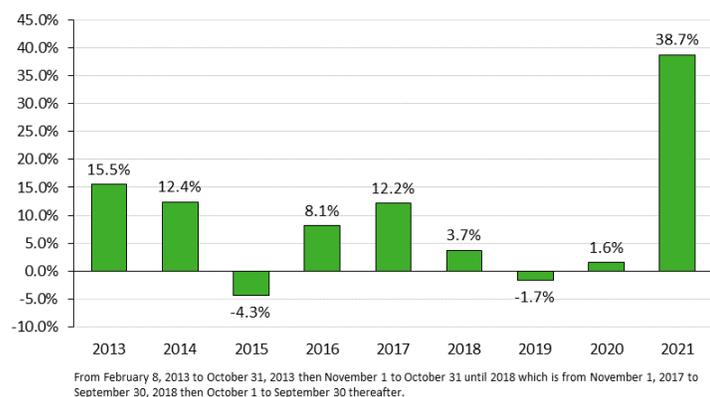


## YEAR BY YEAR RETURNS (continued)

### Series F



### Series I



## ANNUAL COMPOUND RETURNS

The following table shows the percent compounded returns to September 30, 2021, for each series of the Fund for the years indicated. It also shows the returns for the BMO Small Capitalization Equity Only Weighted Total Return Index, which is the Fund's benchmark index.

	Series A	Series F	Series I	Index
One year	36.6%	37.6%	38.7%	46.0%
Three Year*	9.3%	10.4%	11.5%	11.8%
Five Year*	7.4%	8.5%	9.6%	7.5%
Ten Year*	9.0%	10.1%		6.3%
Since Inception* – Series A (February 15, 2002)	10.5%			7.4%**
Since Inception* – Series F (January 31, 2005)		8.9%		5.9%
Since Inception* – Series I (February 08, 2013)			9.3%	6.2%**

\* annualized

\*\*estimated as official index values are only calculated at month-end

## SUMMARY OF INVESTMENT PORTFOLIO

The following investments were held by the Fund as at September 30, 2021.

Securities	Percent of net assets
Intertape Polymer Group Inc.	4.8%
BRP Inc.	4.6%
Stelco Holdings Inc.	4.5%
FirstService Corp.	4.5%
Major Drilling Group International Inc.	4.5%
Aritzia Inc.	4.3%
Tourmaline Oil Corp.	3.7%
North American Construction Group Ltd.	3.7%
Hardwoods Distribution Inc.	3.7%
Descartes Systems Group Inc.	3.5%
Alaris Equity Partners Income	3.2%
Parex Resources Inc.	2.9%
goeasy Ltd.	2.9%
Altus Group Ltd.	2.8%
Superior Plus Corp.	2.7%
GDI Integrated Facility Services Inc.	2.7%
Parkland Corp.	2.4%
Dye & Durham Ltd.	2.4%
Whitecap Resources Inc.	2.2%
TECSYS Inc.	2.1%
Hamilton Thorne Ltd.	1.9%
Martinrea International Inc.	1.9%
Canadian Tire Corp. Ltd., Class 'A'	1.8%
Thinkific Labs Inc.	1.8%
Other Securities	13.9%
<b>Total Securities</b>	<b>89.4%</b>
<b>Other</b>	
Cash	11.0%
Other assets – net of liabilities	-0.4%
<b>Total net asset value</b>	<b>100.0%</b>

### Industry Sectors

Energy	14.9%
Materials	22.0%
Industrials	10.0%
Consumer Discretionary	13.7%
Health Care	1.9%
Financials	6.1%
Information Technology	9.0%
Communication Services	1.8%
Utilities	2.7%
Real Estate	7.3%
Other	10.6%
<b>Total</b>	<b>100.0%</b>

## **SUMMARY OF INVESTMENT PORTFOLIO (continued)**

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**

NCM Small Companies Class is a class of NCM Opportunities Corp. The simplified prospectus and all 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 from our website at [www.ncminvestments.com](http://www.ncminvestments.com).



Suite 1850, 333 – 7 Avenue S.W.,  
Calgary, Alberta T2P 2Z1

[ncminvestments.com](http://ncminvestments.com)

1.877.431.1407