

For the six months ended March 31, 2021

MANAGEMENT REPORT OF FUND PERFORMANCE  
**NCM SMALL COMPANIES CLASS**



# MANAGEMENT REPORT OF FUND PERFORMANCE NCM SMALL COMPANIES CLASS

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This interim management report of fund performance contains financial highlights but does not contain the interim 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.

## RESULTS OF OPERATIONS

The economic situation in Canada is vastly different than 12 months ago. As the year began in January 2020, we had a global synchronous recovery providing optimism for investors. The S&P/TSX Composite increased about 5.5% from the start of the year until February 20, 2020 when the index reached an all-time high. However, the situation deteriorated significantly in the weeks that followed evidenced by the S&P/TSX Composite Total Return Index declining 20.9% for the first calendar quarter of 2020. Not a lot of investors or economists could have predicted the strength of the market after posting close to a negative 37% return in March of 2020. The index ended up posting a positive return for the year as a whole.

The situation was even more dramatic for Canadian small caps. The BMO Small Cap Total Return Index was up 109.0% for the year and 36.4% for the 6 months ending March 31, 2021. This was a very difficult period to keep up with the benchmark as many of the lower quality businesses did well in this risk on environment. The NCM Small Companies Class was up 81.6% for the one year period and 21.4% for the 6 month period ending March 31, 2021. Energy, Technology and Material sectors were all up over 100% for that same period. Many of these companies are not profitable, have low return on equity, and in many cases, will not be cash flow profitable in the near future. Over a

business cycle, we expect that many of these company's share prices to struggle.

As we look forward, the world is awash in inexpensive capital, strong commodity prices and a reinvigorated consumer. Economists have been aggressively increasing their expectations of global growth. These are some important catalysts for strong market and small cap performance. Offsetting some of these positives are the fact that stock multiples are high from a historical perspective and will likely come down in 2021.

The novel Coronavirus (COVID-19) created a very different recession than we have seen in the past. In most recessions, demand falters while the supply chain continues to produce goods. This creates an oversupply situation that is corrected with layoffs, lower commodity prices and factory floors operating at much lower capacity utilization numbers. Once the excess inventory is corrected, businesses hire again, starting the chain of economic re-acceleration. After March of 2020, the demand side of the economy remained, but the supply side of the slowed. This created a situation where we needed factory floors to operate around the clock, explaining the reason why the markets reacted positively shortly after the start of the bear market in March.

The Fund is currently underweight Energy (13.0%), Materials (28.8%), Industrials (12.0%), Health Care (2.1%) and Financials (6.2%) and overweight Consumer Discretionary (12.7%), Technology (8.8%), Real Estate (9.2%) and Utilities (3.1%). The combination of these sector weights have produced a portfolio with a trailing price earnings ratio of 23.9x and a estimated price earnings ratio of 12.2x. The estimate price to cash flow ratio is 6.4x. On the profitability side, the trailing return on equity ratio is 13.1% and the estimated return on equity is 20.8%. The fund has strong earnings momentum metrics as well.

We are pleased to see a renewed interest in small caps. The strength of the Canadian dollar, technology, commodity prices, cannabis, blockchain and material stocks has created an inflow of foreign capital. We have noticed a material increase in small cap share volumes which signals an increased level of attention. Further, capital markets are open for businesses needing additional resources in a variety of sectors. With the end of the spike in Coronavirus

## RESULTS OF OPERATIONS (continued)

cases in sight, we expect continued strength in the economy and in Canadian small caps in particular.

The net assets have increased by 57% with net assets increasing from \$75,427,933 to \$118,358,396, \$20,195,662 of this change is attributable to positive investment performance and \$22,734,801 was mainly due to the assets transferred in from NCM Entrepreneurs Class on November 6, 2020.

## RECENT DEVELOPMENTS

On or about 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 \$27,748,026. The assets transferred were as follows:

|  | November 6,<br>2020 |
|--|---------------------|
| <i>(in Canadian dollars)</i>                           |                     |
| 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 \$752,723 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 \$89,305 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 periods indicated. This information is derived from the Fund’s audited annual financial statements and unaudited interim financial statements.

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

| Series A   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016   |
|--|--------|--------|--------|--------|--------|--------|
| <b>Net Asset Value, beginning of period</b>          | 41.00  | 41.25  | 43.18  | 42.43  | 38.90  | 36.73  |
| <b>Increase (decrease) from operations:</b>          |        |        |        |        |        |        |
| Total revenue  | 0.34   | 0.67   | 0.89   | 0.85   | 0.75   | 0.80   |
| Total expenses                                       | (0.59) | (1.01) | (1.09) | (1.01) | (1.09) | (0.69) |
| Realized gains (losses) for the period               | 0.75   | (0.85) | (0.83) | 3.58   | 4.54   | 2.33   |
| Unrealized gains (losses) for the period             | 8.13   | 0.49   | (0.97) | (2.77) | (0.37) | (0.30) |
| <b>Total increase (decrease) from operations</b>     | 8.63   | (0.70) | (2.00) | 0.65   | 3.83   | 2.14   |
| <b>Distributions:</b>                                |        |        |        |        |        |        |
| From income  | Nil    | Nil    | Nil    | Nil    | Nil    | Nil    |
| From dividends                                       | Nil    | Nil    | Nil    | Nil    | Nil    | Nil    |
| From capital gains                                   | Nil    | Nil    | (0.25) | Nil    | (0.35) | Nil    |
| <b>Total distributions <sup>(2)</sup></b>            | Nil    | Nil    | (0.25) | Nil    | (0.35) | Nil    |
| <b>Net Asset Value, end of period <sup>(3)</sup></b> | 49.55  | 41.00  | 41.25  | 43.18  | 42.43  | 38.90  |

| Series F   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016   |
|--|--------|--------|--------|--------|--------|--------|
| <b>Net Asset Value, beginning of period</b>          | 48.37  | 48.14  | 49.84  | 48.50  | 44.03  | 41.14  |
| <b>Increase (decrease) from operations:</b>          |        |        |        |        |        |        |
| Total revenue  | 0.42   | 0.78   | 1.03   | 0.98   | 0.86   | 0.88   |
| Total expenses                                       | (0.47) | (0.73) | (0.75) | (0.70) | (0.74) | (0.39) |
| Realized gains (losses) for the period               | 1.07   | (1.04) | (0.98) | 4.03   | 5.04   | 2.45   |
| Unrealized gains (losses) for the period             | 9.37   | (0.02) | (1.19) | (3.04) | (0.20) | 0.02   |
| <b>Total increase (decrease) from operations</b>     | 10.39  | (1.01) | (1.89) | 1.27   | 4.96   | 2.96   |
| <b>Distributions:</b>                                |        |        |        |        |        |        |
| From income  | Nil    | Nil    | Nil    | Nil    | Nil    | Nil    |
| From dividends                                       | Nil    | Nil    | Nil    | Nil    | Nil    | Nil    |
| From capital gains                                   | Nil    | Nil    | (0.29) | Nil    | (0.41) | Nil    |
| <b>Total distributions <sup>(2)</sup></b>            | Nil    | Nil    | (0.29) | Nil    | (0.41) | Nil    |
| <b>Net Asset Value, end of period <sup>(3)</sup></b> | 58.70  | 48.37  | 48.14  | 49.84  | 48.50  | 44.03  |

## FINANCIAL HIGHLIGHTS (continued)

| Series I   | 2021         | 2020         | 2019          | 2018         | 2017          | 2016         |
|--|--------------|--------------|---------------|--------------|---------------|--------------|
| <b>Net Asset Value, beginning of period</b>          | 52.42        | 51.61        | 52.82         | 50.92        | 45.78         | 42.34        |
| <b>Increase (decrease) from operations:</b>          |              |              |               |              |               |              |
| Total revenue  | 0.43         | 0.84         | 1.10          | 1.04         | 0.90          | 0.93         |
| Total expenses                                       | (0.24)       | (0.31)       | (0.23)        | (0.25)       | (0.26)        | 0.11         |
| Realized gains (losses) for the period               | 0.82         | (0.89)       | (0.99)        | 4.35         | 5.29          | 2.65         |
| Unrealized gains (losses) for the period             | 10.50        | 3.22         | (0.93)        | (3.27)       | (0.35)        | (0.24)       |
| <b>Total increase (decrease) from operations</b>     | <b>11.51</b> | <b>2.86</b>  | <b>(1.05)</b> | <b>1.87</b>  | <b>5.58</b>   | <b>3.45</b>  |
| <b>Distributions:</b>                                |              |              |               |              |               |              |
| From income  | Nil          | Nil          | Nil           | Nil          | Nil           | Nil          |
| From dividends                                       | Nil          | Nil          | Nil           | Nil          | Nil           | Nil          |
| From capital gains                                   | Nil          | Nil          | (0.31)        | Nil          | (0.43)        | Nil          |
| <b>Total distributions <sup>(2)</sup></b>            | <b>Nil</b>   | <b>Nil</b>   | <b>(0.31)</b> | <b>Nil</b>   | <b>(0.43)</b> | <b>Nil</b>   |
| <b>Net Asset Value, end of period <sup>(3)</sup></b> | <b>63.91</b> | <b>52.42</b> | <b>51.61</b>  | <b>52.82</b> | <b>50.92</b>  | <b>45.78</b> |

- (1) This information is provided as at March 31, 2021, September 30 for 2020, 2019 and 2018 and October 31 for the balance preceding periods presented. The information is in accordance with International Financial Reporting Standards. The opening net asset value for 2015 is restated 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 period. 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   | 2016   |
|--|--------|--------|--------|--------|--------|--------|
| Net Assets (000's of \$)                         | 67,741 | 45,560 | 55,306 | 67,781 | 78,137 | 91,150 |
| Number of shares outstanding (000's)             | 1,367  | 1,111  | 1,341  | 1,570  | 1,842  | 2,343  |
| Management expense ratio (MER) <sup>(2)</sup>    | 2.59%  | 2.62%  | 2.56%  | 2.54%  | 2.53%  | 1.69%  |
| MER before waivers or absorptions <sup>(2)</sup> | 2.59%  | 2.62%  | 2.56%  | 2.54%  | 2.53%  | 1.69%  |
| Portfolio turnover rate <sup>(3)</sup>           | 26.43% | 31.42% | 27.04% | 19.27% | 35.32% | 49.32% |
| Trading expense ratio <sup>(4)</sup>             | 0.12%  | 0.09%  | 0.15%  | 0.11%  | 0.17%  | 0.21%  |
| Net asset value per share                        | 49.55  | 41.00  | 41.25  | 43.18  | 42.43  | 38.90  |

| Series F                             | 2021   | 2020   | 2019   | 2018   | 2017   | 2016   |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Net Assets (000's of \$)             | 29,954 | 14,792 | 20,782 | 24,516 | 27,801 | 24,856 |
| Number of shares outstanding (000's) | 510    | 306    | 432    | 492    | 573    | 564    |

| Series F   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016   |
|--|--------|--------|--------|--------|--------|--------|
| Management expense ratio (MER) <sup>(2)</sup>    | 1.52%  | 1.56%  | 1.49%  | 1.47%  | 1.45%  | 0.59%  |
| MER before waivers or absorptions <sup>(2)</sup> | 1.52%  | 1.56%  | 1.49%  | 1.47%  | 1.45%  | 0.59%  |
| Portfolio turnover rate <sup>(3)</sup>           | 26.34% | 31.42% | 27.04% | 19.27% | 35.32% | 49.32% |
| Trading expense ratio <sup>(4)</sup>             | 0.12%  | 0.09%  | 0.15%  | 0.11%  | 0.17%  | 0.21%  |
| Net asset value per share                        | 58.70  | 48.37  | 48.14  | 49.84  | 48.50  | 44.03  |

| Series I   | 2021   | 2020   | 2019   | 2018   | 2017   | 2016    |
|--|--------|--------|--------|--------|--------|---------|
| Net Assets (000's of \$)                         | 20,663 | 15,076 | 12,459 | 14,595 | 15,494 | 14,241  |
| Number of shares outstanding (000's)             | 323    | 288    | 241    | 276    | 304    | 311     |
| Management expense ratio (MER) <sup>(2)</sup>    | 0.42%  | 0.45%  | 0.39%  | 0.37%  | 0.36%  | (0.49%) |
| MER before waivers or absorptions <sup>(2)</sup> | 0.42%  | 0.45%  | 0.39%  | 0.37%  | 0.36%  | (0.49%) |
| Portfolio turnover rate <sup>(3)</sup>           | 26.43% | 31.42% | 27.04% | 19.27% | 35.32% | 49.32%  |
| Trading expense ratio <sup>(4)</sup>             | 0.12%  | 0.09%  | 0.15%  | 0.11%  | 0.17%  | 0.21%   |
| Net asset value per share                        | 63.91  | 52.42  | 51.61  | 52.82  | 50.92  | 45.78   |

- (1) This information is provided as at March 31, 2021, September 30 for 2020, 2019 and 2018 and October 31 for the balance preceding periods presented. 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 period 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 period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 period.

## 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 six months ended March 31, 2021, management fees amounted to \$752,723. NCM paid

## MANAGEMENT FEES (continued)

servicing commissions of \$261,477 (i.e. 34.74%), as well as, selling commissions of \$72 (i.e. 0.01%) 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 six months ended March 31, 2021, a performance bonus of \$nil was reported.

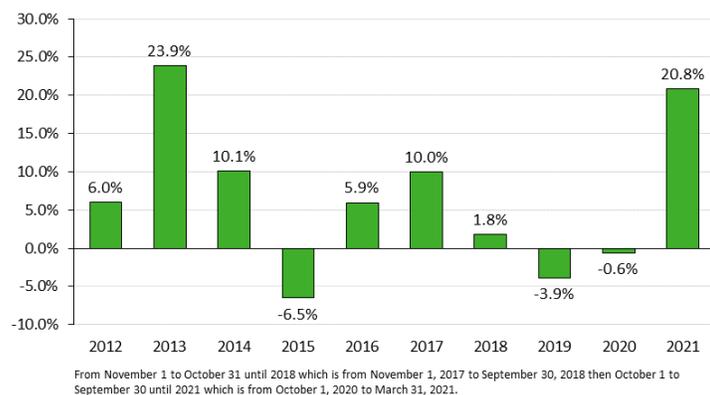
## PAST PERFORMANCE

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.

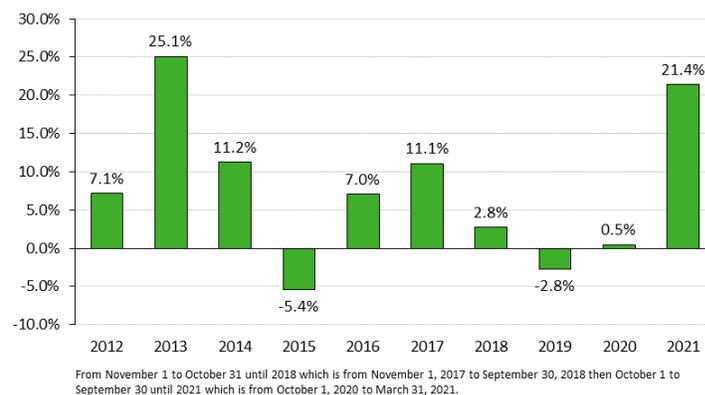
They assume that all distributions made by the Fund in the periods shown are reinvested in additional securities of the Fund. They do not take into account sales, redemption, distribution or other optional charges which would have reduced returns or performance. Each year the Fund's performance has changed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

## YEAR BY YEAR RETURNS

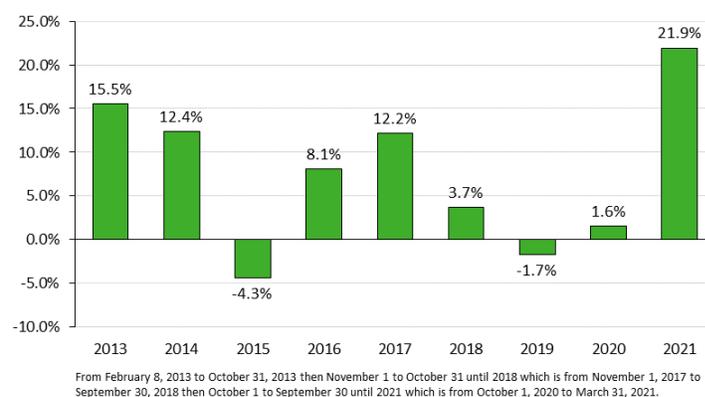
### Series A



### Series F



### Series I



## ANNUAL COMPOUND RETURNS

The following table shows the percent compounded returns to March 31, 2021 for each series of the Fund for the periods 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  | 80.3%    | 81.6%    | 82.9%    | 109.0% |
| Three Year*                                     | 6.6%     | 7.7%     | 8.9%     | 10.8%  |
| Five Year*                                      | 6.8%     | 7.9%     | 9.0%     | 10.6%  |
| Ten Year*                                       | 4.4%     | 5.5%     |          | 2.9%   |
| Since Inception* – Series A (February 15, 2002) | 10.1%    |          |          | 7.2%** |
| Since Inception* – Series F (January 31, 2005)  |          | 8.4%     |          | 5.6%   |
| Since Inception* – Series I (February 08, 2013) |          |          | 8.2%     | 5.7%** |

\* 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 March 31, 2021.

| <b>Securities</b>                       | <b>Percent of net assets</b> |
|---|------------------------------|
| Stelco Holdings Inc.                    | 6.4%                         |
| Intertape Polymer Group Inc.            | 5.3%                         |
| BRP Inc. Year                           | 4.3%                         |
| FirstService Corp.                      | 4.0%                         |
| Major Drilling Group International Inc. | 3.9%                         |
| Hardwoods Distribution Inc.             | 3.5%                         |
| Aritzia Inc.                            | 3.4%                         |
| Alaris Equity Partners Income           | 3.2%                         |
| Superior Plus Corp.                     | 3.1%                         |
| Lundin Mining Corp.                     | 3.1%                         |
| Element Fleet Management Corp.          | 3.1%                         |
| Parex Resources Inc.                    | 3.0%                         |
| Altus Group Ltd.                        | 3.0%                         |
| North American Construction Group Ltd.  | 3.0%                         |
| Descartes Systems Group Inc. (The)      | 2.9%                         |
| GDI Integrated Facility Services Inc.   | 2.9%                         |
| Parkland Corp.                          | 2.7%                         |
| Boyd Group Services Inc.                | 2.5%                         |
| Dye & Durham Ltd.                       | 2.5%                         |
| Tourmaline Oil Corp.                    | 2.2%                         |
| Real Matters Inc.                       | 2.2%                         |
| Hamilton Thorne Ltd.                    | 2.1%                         |
| Enerplus Corp.                          | 2.0%                         |
| Canadian Tire Corp. Ltd., Class 'A'     | 2.0%                         |
| Martinrea International Inc.            | 1.9%                         |
| Other Securities                        | 18.9%                        |
| <b>Total Securities</b>                 | <b>97.1%</b>                 |
| <b>Other</b>                            |                              |
| Cash                                    | 3.2%                         |
| Other assets – net of liabilities       | -0.3%                        |
| <b>Total net asset value</b>            | <b>100.0%</b>                |

### Industry Sectors

|                        |       |
|------------------------|-------|
| Energy                 | 13.0% |
| Materials              | 28.8% |
| Industrials            | 12.0% |
| Consumer Discretionary | 12.7% |
| Health Care            | 2.1%  |
| Financials             | 6.2%  |
| Information Technology | 8.8%  |

|                       |               |
|-----------------------|---------------|
| Utilities             | 3.1%          |
| Real Estate           | 9.2%          |
| Exchange Traded Funds | 1.2%          |
| Other                 | 2.9%          |
| <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

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).

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

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

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