



## Management Report of Fund Performance

The annual Management Report of Fund Performance contains Financial Highlights but does not contain the complete annual financial statements of the Investment Fund.

For the period from  
commencement of operations, March 5, 2019 to December 31, 2019

## **Waypoint All Weather Alternative Fund**

## **Forward-Looking Statements (“FLS”)**

The annual Management Report of Fund Performance may contain forward-looking statements. FLS means disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action, and includes any future-oriented financial information (“FOFI”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is FLS about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action.

FLS can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe”, or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of one of the Fund may differ materially from those reflected or contemplated in such forward-looking information and statements. Material risk factors that could affect actual results are identified under the heading “What are the Risks of Investing in the Fund?” in the Fund’s Simplified Prospectus. Investors are also cautioned that FLS is based on a number of factors and assumptions, including a Fund’s current plans, estimates, opinions and analysis made in light of its experience, current conditions and expectations of future developments, as well as other relevant factors. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Financial Highlights – December 31, 2019

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This annual Management Report of Fund Performance represents the portfolio management team's view of the significant factors and developments affecting the investment fund's performance and outlook from commencement of operations, March 5, 2019 to December 31, 2019, the investment fund's fiscal year end. Every effort has been made to ensure the information contained in this Management Report of Fund Performance is accurate and complete, however, the investment fund cannot guarantee the accuracy or the completeness of this material. For more information, please refer to the Sample Funds' Simplified Prospectus ("Prospectus"). In this report, "Manager", refers to ABC Inc., the Manager of the Fund. The "Fund" refers to the Sample Fund. In addition, "net asset value" or "NAV" refers to the value of the Fund as calculated for transaction purposes, on which the discussion of Fund performance is based. All dollar figures are reported in Canadian dollars and are expressed in millions, unless otherwise indicated.

### Investment Objective and Strategies

The Fund seeks to provide investors with attractive risk-adjusted investment returns over the long term by investing in, or obtaining exposure to, issuers that the Manager believes are not typically included in institutional investment mandates. The Fund may use alternative investment strategies including borrowing for investment purposes and the use of derivatives including options trading to seek to manage market volatility. The Fund's aggregate exposure to leverage through these strategies will not exceed three times its Net Asset Value ("NAV"), measured on a daily basis. The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including NI 81-102.

### Risk

The risks associated with investing in the Fund remain as discussed in the simplified prospectus. The Fund is suitable for someone who is looking for low to medium risk, diversified portfolio of alternative investment strategies to hold as part of their balanced portfolio and has a medium to longer term investment horizon.

For the period ended December 31, 2019, there were no changes affecting the overall level of risk associated with an investment in the Fund. Therefore, the overall level of Fund risk and investor risk tolerance remains as stated in the Prospectus.

### Results of Operations

The Fund's benchmark is the S&P/TSX Composite Total Return Index. It is important to note that the NAV of the Fund reflects the effect of fees and expenses for professional management, while the benchmark does not have such costs. The net asset value of the Fund was \$11,325,869 on December 31, 2019, reflecting the capital raised in the Fund's first year and the changes in NAV due to valuations of the Fund's investments. The Fund paid cash distributions totalling \$102,000 during the period.

As compared to the benchmark Index the Fund was overweight exposure to smaller cap Canadian Equities.

The Canadian equity market was exceptionally strong throughout 2019. Virtually every sector in Canada ended the year positively – most notable being the Information Technology and Utility subsectors. The index's largest component, the Financials sector, was also the primary contributor in 2019, up over 20% and responsible for 1/3 of the total year's return. While measuring returns over the last 12 months may look impressive (up over 20%), investors with a longer time horizon are reminded that the annual compounded return over the past 2 years has only been 5.8%. The components of this total return were attributed to 2.6% of capital appreciation and 3.2% of dividend yield.

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Financial Highlights – December 31, 2019

---

For 2019, the top quintile of the TSX index by market cap outperformed the bottom quintile by over 10%. In addition, the TSX composite outperformed the TSX Small Cap by 7% and, the broadest measure of this divergence is the 14% outperformance of the top 20% of all Canadian listed companies versus the bottom 20% (top quintile +28% versus bottom quintile of +14%). Generally, the data shows that companies found in broad indices performed better than those excluded. Several factors could be the cause of this outcome, such as, the increased use of index ETFs, decrease in Canadian focused investment funds and the general desire for near-term liquidity. Although this was an unfavourable outcome for 2019, these divergences tend to occur over the short term and correct themselves throughout the cycle.

Throughout 2019, the Manager repositioned the Fund to take advantage of the divergence observed between large and small capitalized companies. The smaller cap portfolio offers investors a higher dividend yield, similar growth prospects and less balance sheet leverage for a significant discount. The Fund is positioned to take advantage of this divergence, with the belief that the two will eventually converge, much as we have observed in the past.

Low levels of volatility have been a headwind on performance since most of the options protection we have purchased has absorbed our dividend income. We continued to purchase these instruments with the view that they act as a form of insurance for our investors' capital. In our view, the biggest risk an investor faces is one where capital is permanently impaired, no longer able to compound, or unavailable to maintain one's lifestyle. Our options strategy manages this risk while allowing our clients to maintain investments in high quality, dividend paying companies.

The investment performance of the Fund includes income and expenses which will vary year over year.

### Recent Developments

Investors are often most optimistic after a year of strong results, therefore, heading into 2020, our conviction remains that we are investing in the later period of the investment cycle. We do not profess to be market timers but know that late-cycle drawdowns are often much more severe in magnitude than those intermediate corrections.

Volatility remains historically cheap in the Canadian market and despite the geopolitical and election risks already evident in 2020, these gauges remain at or near the historic lows.

The number of individual positions in the Fund has been reduced in order to benefit from the valuation disconnects discussed previously. In addition, the derivative positions have been moved closer to the money reflecting the markets strength throughout the period.

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. We will continue to monitor the impact COVID-19 has on the Fund's investments and reflect the consequences as appropriate in our accounting and reporting

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

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### Related Party Transactions

#### Management fees:

The Fund pays the Manager a monthly management fee for providing its services to the Fund. Redeemable units of the Fund, other than Series I units and Series I (OM), are charged annual management fees equal to the following percentages of the Series NAV of the said series of the Fund, calculated and accrued on each Valuation Date and payable monthly:

Series A	1.75%
Series A - OM	1.00%
Series F	1.00%
Series F - OM	1.00%
Series F (US) - OM	1.00%
Series W - OM	Nil

Series I units: Negotiated by the investor and paid directly by the investor.

During the period from commencement of operations on March 5, 2019 to December 31, 2019, no management fees were paid by the Fund.

#### Performance fees:

The Manager receives performance fees from the Fund equal to 10% of any positive net returns (before sales tax) in excess of 10% for each calendar year attributable to each Series A - OM, Series F - OM and Series F (US) - OM units. The performance fees are accrued daily on each Valuation Date and are payable monthly.

The performance fee resets at the start of each calendar year. Performance fees are subject to applicable taxes, including QST, GST or HST. In the case of Series I units and Series I - OM units, performance fees, if any, are negotiated with each unitholder and paid directly to the Manager. No performance fee is charged to the Fund in respect of Series W - OM units.

The Manager receives a performance fee in respect of Series A and Series F units of the Fund, which is calculated and accrued for each such series each business day during the relevant Performance Fee Determination Period (as defined below). The Fund will pay the Manager a performance fee plus HST and any other applicable taxes for each Performance Fee Determination Period equal to 15% of the Net Profit (as defined below) of each of the applicable series of units, subject to the High Watermark (as defined below).

The "Performance Fee Determination Period" means (i) each calendar quarter for those investors that remain in the Fund at the end of the calendar quarter and (ii) the period from the beginning of a calendar quarter until the redemption date for those investors that redeem prior to the end of the calendar quarter. "Net Profit" means, in respect of each series of units of the Fund for any Performance Fee Determination Period, the amount calculated by deducting the relevant Series NAV per unit on the first business day of that Performance Fee Determination Period from the Series NAV per unit on the last business day of that Performance Fee Determination Period and multiplying the resulting amount by the total number of units of such series outstanding at the close of business on the last business day in that Performance Fee Determination Period. "High Watermark" means, in respect of each series of units of the Fund, the highest Series NAV per unit in respect of which a performance fee has been previously paid for that series, or the initial offering price of the units of such series if no performance fee has yet been paid in respect of such series.

No performance fee shall be paid in respect of a series unless the Series NAV per unit exceeds the High Watermark for that series and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the High Watermark. The Manager may make such adjustments to the NAV and/or the calculation of the performance fee as may be determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the calculation of the performance fees.

During the period from commencement of operations on March 5, 2019 to December 31, 2019, no performance fees were paid by the Fund.

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

### Financial Highlights

The following tables show selected key financial information about the Series A - OM, Series F – OM and Series W - OM units of the Fund, respectively, and are intended to help you understand the Fund's financial performance for the period since the inception date.

**The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit <sup>(1)</sup> (Fund inception March 5, 2019)**

	December 31, 2019		
	Series A - OM	Series F - OM	Series W - OM
<b>Net assets attributable to holders of redeemable units, beginning of period <sup>(1)(2)</sup></b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>			
Total revenue	0.32	0.33	0.32
Total expenses	(0.13)	(0.13)	(0.02)
Realized loss for the period	(0.41)	(0.41)	(0.41)
Unrealized gain for the period	(0.33)	(0.31)	(0.31)
<b>Total decrease in net assets attributable to holders of redeemable units <sup>(3)</sup></b>	<b>(0.55)</b>	<b>(0.52)</b>	<b>(0.42)</b>
<b>Distributions:</b>			
From income (excluding dividends)	0.01	0.01	0.05
From dividends	0.14	0.13	0.14
<b>Total Annual Distributions <sup>(3) (4)</sup></b>	<b>0.15</b>	<b>0.14</b>	<b>0.19</b>
<b>Net assets attributable to holders of redeemable units, end of period <sup>(3)</sup></b>			
<b>Ratios and Supplemental Data</b>			
Total Net Asset Value <sup>(5)</sup>	\$ 2,127,016	\$ 3,186,545	\$ 6,012,308
Number of units outstanding <sup>(5)</sup>	225,496	337,710	635,126
Management expense ratio <sup>(6)</sup>	1.43%	1.46%	0.31%
Trading expense ratio <sup>(7)</sup>	0.26%	0.26%	0.26%
Portfolio turnover rate <sup>(8)</sup>	55.71%	55.71%	55.71%
<b>Net Asset Value per Unit</b>	<b>\$9.43</b>	<b>\$9.44</b>	<b>\$9.47</b>

#### Notes:

- (1) This information is derived from the Fund's audited annual financial statements for December 31, 2019 and is not a reconciliation of beginning and ending net assets per unit.
- (2) The Fund commenced operations on March 5, 2019; as a result, financial highlights are currently available only from the date of commencement.
- (3) Net assets 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 period.
- (4) Distributions were paid in cash or automatically reinvested in additional units of the Fund, or both.
- (5) This information is provided as at December 31, 2019.
- (6) Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average NAV during the period.
- (7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period. Included in the trading expense ratio are the forward fees.
- (8) The Fund's portfolio turnover rate indicates how actively the Fund's advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the units in its portfolio once in the course of the period. The higher a funds' portfolio turnover rate in the 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 the performance of a fund.

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

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	<u>December 31, 2019</u>		
	<u>Series A - OM</u>	<u>Series F - OM</u>	<u>Series W - OM</u>
MER excluding performance fees	1.43%	1.46%	0.31%
MER excluding performance fees and sales tax	1.43%	1.46%	0.31%

### Benchmark(s) Information

The benchmark for the Fund is the S&P/TSX Composite Total Return Index. The S&P/TSX Composite Total Return Index is the headline index for the Canadian Equity market. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices including but not limited to Equity Indices, Income Trust Indices, Capped Indices, GICS Indices and Market Cap based Indices.<sup>1</sup>

<sup>1</sup> "S&P/TSX Composite Total Return Index." S&P Dow Jones Indices by S&P Global. Web. December 31, 2019

### Past Performance

There were no prospectus-qualified units outstanding during the period and therefore past performance information has not been presented.

# WAYPOINT ALL WEATHER ALTERNATIVE FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

### Summary of Investment Portfolio as at December 31, 2019

The following table shows selected key financial information about the Fund, and is intended to assist in the understanding of the Fund's financial performance for the period ended December 31, 2019.

<b>By Country/ Region</b>	<b>Percentage of Total Net Asset value</b>	<b>By Asset Type</b>	<b>Percentage of Total Net Asset value</b>
Canadian Securities	56.90%	Equities	68.04%
U.S. Securities	11.14%	Cash	31.91%
		Other Net Liabilities	0.04%

  

<b>By Industry long position</b>	<b>Percentage of Total Net Asset value</b>	<b>Top 25 Long Position Holdings</b>	<b>Percentage of Total Net Asset value</b>
Communications	1.03%	Cash	31.91%
Consumer, Cyclical	6.32%	Chesswood Group Ltd.	6.37%
Consumer, Non-cyclical	11.03%	WPT Industrial Real Estate Investment Trust	5.54%
Energy	3.80%	Chorus Aviation Inc.	5.42%
Financial	27.59%	Brookfield Property Partners LP	4.09%
Exchange Traded Funds	1.47%	AirBoss of America Corp.	4.02%
Industrial	7.37%	Inter Pipeline Ltd.	3.80%
Technology	2.53%	VersaBank	3.40%
Utilities	7.10%	Sienna Senior Living Inc.	3.23%
		Brookfield Infrastructure Partners LP	3.12%
		The North West Co Inc.	2.97%
		Fairfax India Holdings Corp.	2.82%
		BSR Real Estate Investment Trust	2.77%
		Northland Power Inc.	2.66%
		The Westaim Corp.	2.60%
		Sylogist Ltd.	2.53%
		Knight Therapeutics Inc.	2.50%
		Corby Spirit and Wine Ltd.	2.34%
		Wajax Corp.	1.85%
		Evertz Technologies Ltd.	1.50%
		Northland Power Inc.	1.32%
		Aimia Inc.	1.03%
		SIR Royalty Income Fund	0.90%
		iShares S&P/TSX 60 Index ETF Put \$25.50 20MAR20	0.63%
		iShares S&P/TSX 60 Index ETF Put \$25 20MAR20	0.59%

  

<b>By Industry short position</b>	<b>Percentage of Total Net Asset value</b>	<b>All Short Position Holdings</b>	<b>Percentage of Total Net Asset value</b>
Exchange Traded Funds	-0.20%	iShares S&P/TSX 60 Index ETF Put \$20.50 20MAR20	-0.20%

The "Top 25 Holdings" of the Fund, as a percentage of Net Asset Value of the Fund, have been presented in accordance with National Instrument 81-106. The Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates of the Investment Portfolio are available within 60 days of each quarter end.