

BAROMETER CAPITAL MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE for the year ended December 31, 2019

Barometer Disciplined Leadership Equity Fund



This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-866-601-6888, by writing to us at Barometer Capital Management Inc., Mutual Fund Account Documentation, 1 University Avenue, Suite 1800, P.O. Box 25, Toronto, Ontario M5J 2P1, or by visiting our website at www.barometercapital.ca or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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 Barometer Group of Funds (each a “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.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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 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 Barometer Group of Funds' Simplified Prospectus ("Prospectus") and Annual Information Form. In this report, "Barometer", "Manager", "Trustee" or "Portfolio Advisor" refers to Barometer Capital Management Inc., the Manager, Trustee and Portfolio Advisor of the Fund. The "Fund" refers to the Barometer Disciplined Leadership Equity 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 long-term capital appreciation by investing primarily in equity securities without geographic restrictions. Holdings are not restricted by market capitalization, size or sector, and there is an emphasis on investing in actively traded securities.

Risk

The risks associated with investing in the Fund remain as discussed in the Prospectus. This Fund is suitable for long-term investors who are seeking North American equity, global equity and on occasion fixed income exposure, and can tolerate medium investment risk.

For the year 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

During the year ended December 31, 2019, Class A units returned 10.6%, Class F units returned 11.8% and Class I* unit returned 13.3%. The Fund's benchmark is a 25/70/5 blend of the S&P/TSX Composite Total Return Index, MSCI World Net Total Return Index (CAD) and the FTSE TMX Canada Universe Bond Index, which returned 21.2% for the year. It is important to note that the Fund's return 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 decreased by 56.1% from \$24.8 million on December 31, 2018, to \$10.9 million on December 31, 2019. This change was composed primarily of net redemptions of \$16.0 million offset by an increase in investment performance for the year ended December 31, 2019.

The Fund underperformed the blended benchmark by -10.6%, -9.4%, and -7.9%, for each respective class, mainly due to the Fund's strongly defensive posture in early January. In September, the equity markets rallied sharply and the Fund had an overweight exposure to the momentum factor when investors rotated out of those stocks and into value stocks.

Equity markets finished the year on a positive trajectory with cyclically sensitive sectors like technology and financials outperforming as investors became more comfortable with firming economic data and accommodative policy from the Federal Reserve. During the year, U.S. equity markets rallied as investors saw key market concerns ease and recession fears abate.

With material progress being made on the U.S. - China trade front, tensions have de-escalated, and cyclically sensitive assets and sectors rallied. The technology sector was the best performing sector in the S&P 500 led by the semiconductor industry. The semiconductor industry in particular is an important gauge to measure economic strength. The healthcare sector fell back into favour in the U.S. as more left-leaning Democratic presidential candidates released their healthcare plans having less of a potential negative impact than feared. Headline risk still abounds, but moderation of the rhetoric from the political left in the U.S. released some of the pressure from the sector. Traditionally, defensive sectors such as real estate, utilities, and consumer staples had periods of outperformance due to investors exhibiting some risk aversion throughout the year. However, these sectors ultimately underperformed during the final quarter.

Both investment grade and high yield spreads remained tight as companies had relatively easy access to credit. As we entered into the final quarter of the year, the yield curve steepened benefiting the financial sector, a sector that borrows on the short end of the yield curve and lends on the long end. The bond market sold off as the long end of the U.S. yield curve moved higher. Investors demonstrated their unwillingness to accept such low yields for such long duration assets. The Federal Reserve continued to emphasize accommodative policy throughout the year, even communicating their comfort with allowing inflation to run up to one percent higher than the target rate. This reassured markets as it raises the bar for the Federal Reserve to take action to cool the economy through re-implementing stricter monetary policy as was seen through 2018.

Individually, the S&P/TSX Composite Total Return Index, MSCI World Net Total Return Index (CAD) and the FTSE TMX Canada Universe Bond Index posted returns of 22.9%, 21.6% and 6.9%, respectively, with every sector except energy and materials positive for the year.

*Class I of the Barometer Disciplined Leadership Equity Fund was launched on December 10, 2018.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

Throughout 2019, the Manager repositioned the Fund into different sectors which increased its exposure to the information technology, energy and financial sectors; while at the same time reducing its exposure to the exchange traded funds (ETFs), fixed income, and healthcare sectors.

The information technology sector weighting increased to approximately 30.4% from 2.8% over the year, as the sector benefitted from investor's willingness to take on additional risk, and from the increased probability of a favourable outcome to U.S. – China trade tensions. Positions which had a positive impact on the Fund's performance included Lightspeed POS Inc. and Shopify Inc. which gained 73.1% and 42.6%, respectively.

The energy sector weighting increased to approximately 9.1% from zero percent over the year, as the sector benefitted from periodically higher oil prices due to geopolitical tensions seen throughout the year. Arc Resources Ltd. and Parkland Fuel Corporation both had a positive impact on the Fund's performance which gained 24.6% and 9.0%, respectively.

In addition, exposure to the financial sector weighting increased from 5.4% to 12.4% of the portfolio as the sector benefitted from higher interest rates in the U.S. and Canada. Toronto-Dominion Bank and iA Financial Corporation Inc. both had a positive impact on the Fund's performance which gained 12.7% and 17.4%, respectively.

During the year, the Fund eliminated its exposure in the exchange traded fund (ETF) sector weighting from 13.0% to zero percent. ETF exposure was added to the Fund in late December 2018, as the market began to rally sharply but stocks exhibiting leadership characteristics had yet to assert themselves. The Manager took positions in selective index ETFs so as to not miss the upside while single stock positions were evaluated for inclusion into the Fund. As single stock positions were identified and included, the index ETF positions were sold down.

In addition, existing positions in the fixed income sector decreased from 20.8% to 4.4%, as the fixed income market fell out of favour with investors as decreased probability of economic turmoil globally made riskier assets more attractive during the year. Invesco QQQ Trust Series 1 and iShares PHLX Semiconductor ETF, as well as Government of Canada Treasury Bills all had a negative impact on the Fund's performance by 4.2%, 0.4%, and 0.1%, respectively.

In addition, the healthcare sector weighting decreased from 13.2% to 3.4% as a result of increased headline risk stemming from the U.S. political left as the presidential election approaches. Positions such as Amgen Inc. and Danaher Corporation had a negative impact on the Fund's performance by 7.2% and 5.8%, respectively.

The investment performance of the Fund includes income and expenses which vary year over year. The Fund's income and expenses changed compared to the previous year, mainly as a result of fluctuations in average net assets, portfolio activity, and changes in the Fund's investments.

Recent Developments

With a backdrop of easier monetary policy due to lower interest rates in both Europe and the U.S., as well as headway on U.S. - China talks, the year concluded on a positive note. With this, economically sensitive sectors have responded with sectors such as technology, industrials and financials outperforming defensive sectors. The U.S. housing market remains strong, with home sales up 30% over the year. This outlook remains positive with low interest rates. With recession fears receding, and even Brexit related issues abating, the market heads into 2020 with these positive macro resolutions as a tailwind. Strong economic data, with strong corporate earnings will provide underlying strength for markets to continue where they left off in 2019.

Related Party Transactions

Related party transactions consist of services provided by the Manager to the Fund. Pursuant to the management agreement, the Manager receives a management fee from the Fund amounting to 1.95% and 0.95% from Class A and Class F unitholders of the Fund, respectively. The Manager may also receive a negotiated management fee directly from Class I unitholders. Management fees are accrued in arrears daily (plus applicable taxes) and paid monthly. The management fee is in consideration for providing management, portfolio management, and administrative services and facilities to the Fund, as well as trailing commissions paid to dealers for Class A units.

The percentages and major services paid out of management fees are set out below:

Units	Management Fees (%)	As a percentage of Management Fees	
		Dealer Compensation (%)	General Administration, Investment Advice and Profit (%)
Class A	1.95	52	48
Class F	0.95	-	100
Class I	-	-	-

For the year ended December 31, 2019, the management fee earned, inclusive of applicable taxes, was \$0.2 million.

As compensation for its services as a portfolio advisor of the Fund, the Portfolio Advisor is entitled to receive a performance fee (the "Performance Fee") from the Class A units and Class F units of the Fund equal to 20% of the amount by which the NAV per unit of that class of the Fund at the end of a year (the "Year-End Class NAV per Unit") exceeds the annual target NAV per unit of that class of the Fund (the "Year-End Target Class NAV per Unit"), multiplied by the number of outstanding units of that class of the Fund at the end of that year (the "Year-End Class Units"), plus applicable taxes.

The Performance Fees are calculated and accrued daily and paid at the end of each year or upon redemption. There were no accrued Performance Fees for the year ended December 31, 2019.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

The following tables show selected key financial information about the Class A, F, and I units of the Fund, respectively, and are intended to help you understand the Fund's financial performance for the past 5 years.

The Fund's Net Asset Value (NAV) per Class A Unit (1) (2)	2019	2018	2017	2016	2015
Net asset value, beginning of year	\$10.04	\$13.11	\$11.85	\$11.40	\$10.68
Increase (decrease) from operations:					
Total revenue	0.17	0.10	0.11	0.14	0.13
Total expenses	(0.36)	(0.35)	(0.33)	(0.32)	(0.34)
Realized gains/(losses) for the year	0.62	(1.20)	0.98	0.75	0.75
Unrealized gains/(losses) for the year	0.99	(1.63)	0.50	(0.09)	0.10
Total increase (decrease) from operations (3)	\$1.42	(\$3.08)	\$1.26	\$0.48	\$0.64
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions (3) (4)	-	-	-	-	-
Net asset value, end of year (3)	\$11.08	\$10.04	\$13.11	\$11.85	\$11.40
Ratios and Supplemental Data					
Total net asset value (5)	\$ 4,540,870	\$11,392,937	\$14,425,739	\$16,682,531	\$17,449,480
Number of units outstanding (5)	409,867	1,137,197	1,100,129	1,408,151	1,530,413
Management expense ratio (6)	3.31%	2.68%	2.66%	2.75%	2.80%
Trading expense ratio (7)	0.87%	0.87%	0.80%	1.00%	0.61%
Portfolio turnover rate (8)	467.76%	512.67%	372.88%	483.06%	366.22%
Net asset value per unit	\$11.08	\$10.04	\$13.11	\$11.85	\$11.40
The Fund's Net Asset Value (NAV) per Class F Unit (1) (2)					
Net asset value, beginning of year	\$10.62	\$13.72	\$12.26	\$11.67	\$10.81
Increase (decrease) from operations:					
Total revenue	0.18	0.10	0.12	0.15	0.13
Total expenses	(0.26)	(0.22)	(0.21)	(0.20)	(0.21)
Realized gains/(losses) for the year	0.69	(1.19)	1.09	0.75	0.65
Unrealized gains/(losses) for the year	0.87	(1.56)	0.44	(0.09)	0.14
Total increase (decrease) from operations (3)	\$1.48	(\$2.87)	\$1.44	\$0.61	\$0.71
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions (3) (4)	-	-	-	-	-
Net asset value, end of year (3)	\$11.85	\$10.62	\$13.72	\$12.26	\$11.67
Ratios and Supplemental Data					
Total net asset value (5)	\$ 6,039,773	\$11,174,484	\$17,010,883	\$14,786,423	\$17,082,536
Number of units outstanding (5)	509,876	1,054,545	1,240,204	1,206,439	1,464,261
Management expense ratio (6)	2.24%	1.57%	1.55%	1.64%	1.69%
Trading expense ratio (7)	0.87%	0.87%	0.80%	1.00%	0.61%
Portfolio turnover rate (8)	467.76%	512.67%	372.88%	483.06%	366.22%
Net asset value per unit	\$11.85	\$10.62	\$13.72	\$12.26	\$11.67

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2019

The Fund's Net Asset Value (NAV) per Class I Unit (1) (2)	2019	2018*
Net asset value, beginning of year	\$9.49	\$10.00
Increase (decrease) from operations:		
Total revenue	0.21	0.01
Total expenses	(0.11)	-
Realized gains/(losses) for the year	0.02	(0.39)
Unrealized gains/(losses) for the year	2.07	0.10
Total increase (decrease) from operations (3)	\$2.19	(\$0.48)
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions (3) (4)	-	-
Net asset value, end of year (3)	\$10.72	\$9.49
Ratios and Supplemental Data		
Total net asset value (5)	\$ 319,811	\$2,195,536
Number of units outstanding (5)	29,821	231,994
Management expense ratio (6)	1.10%	0.82%
Trading expense ratio (7)	0.87%	0.87%
Portfolio turnover rate (8)	467.76%	512.67%
Net asset value per unit	\$10.72	\$9.49

*Class I of the Fund was created on December 10, 2018.

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 January 1, 2014; as a result, financial highlights are currently available for the past five years.
- (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) As at December 31, 2019, 2018, 2017, 2016, 2015, and 2014, there were no distributions to be reinvested.
- (5) This information is provided as at December 31, of the year shown, as applicable.
- (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 year.
- (7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the year. 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 year. The higher a funds' portfolio turnover rate in the year, the greater the trading costs payable by a 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 a fund.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND MANAGEMENT REPORT OF FUND PERFORMANCE

Past Performance – December 31, 2019

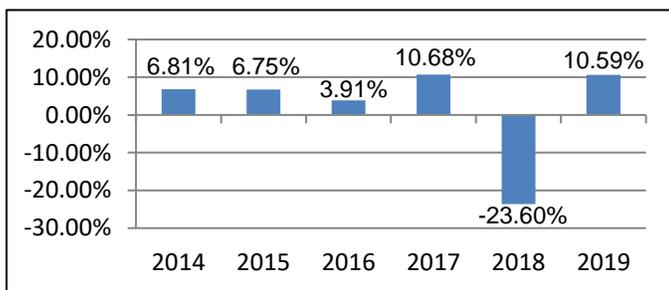
The following information shown assumes that all distributions made by the Fund in the year shown were reinvested in additional securities of the investment fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

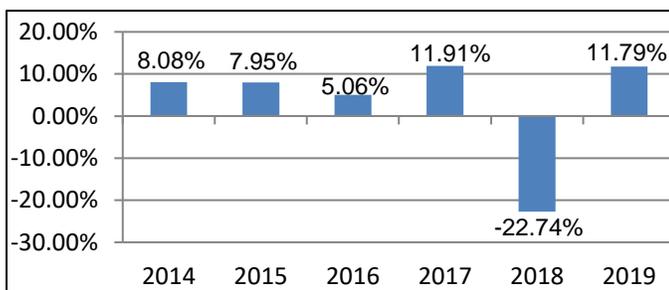
The following bar charts show the Fund's annual performance for each of the years shown, as applicable, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment in Class A, F, and I[†] units, respectively, made on the first day of each financial year would have grown or decreased by the last day of the financial year.

The annual returns for the years ended December 31, are as follows:

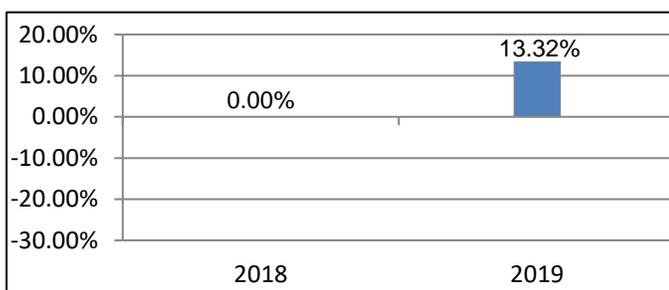
Class A



Class F



Class I[†]



[†] Class I of the Fund was created on December 10, 2018. As a result, there was not a full year of performance data available.

Benchmark(s) Information

The benchmark for the Fund is determined by a compounded 25:70:5 blend of the S&P/TSX Composite Total Return Index, MSCI World Net Total Return Index denominated in Canadian

dollars and the FTSE TMX Canada Universe Bond 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.¹ The MSCI World Net Total Return Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to capture large and mid-cap representations across developed markets. The MSCI World Net Total Return Index (CAD) consists of 23 developed country indices.² The FTSE TMX Canada Universe Bond Index is comprised of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued in Canada.³

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

² "MSCI World Net Total Return Index (CAD)." MSCI Index Fact Sheet. Web. December 1, 2019.

³ "FTSE TMX Canada Universe Bond Index." Ground Rules for FTSE TMX Canada Universe and Maple Bond Index Series v3.2 Web. December 1, 2019.

Annual Compound Returns

The following table shows the Fund's annual compound return for each class of the Fund, and for each of the periods indicated ending December 31. The returns are compared against a 25:70:5 blend of S&P/TSX Composite Total Return Index, MSCI World Net Total Return Index (CAD) and the FTSE TMX Canada Universe Bond Index for the same period.

	Past 1 Year	Past 3 Years	Past 5 Years	Since Inception ^{††}
Fund, Class A	10.6%	(2.2)%	0.7%	1.7%
Fund, Class F	11.8%	(1.1)%	1.9%	2.9%
Fund, Class I[†]	13.3%	n/a	n/a	6.8%
Blended Benchmark^{†††}	21.2%	9.8%	9.6%	10.1%
FTSE TMX Canada Universe Bond Index	6.9%	3.6%	3.2%	4.0%
MSCI World Net Total Return Index (CAD)	21.6%	11.2%	11.2%	11.6%
S&P/TSX Composite Total Return Index	22.9%	6.9%	6.3%	6.9%

^{††} The performance start date for Class A and F units was created on January 1, 2014. Class I of the Fund was created on December 10, 2018.

^{†††} The Blended Benchmark is composed of:
25% S&P/TSX Composite Total Return Index
70% MSCI World Net Total Return Index (CAD)
5% FTSE TMX Canada Universe Bond Index

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

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 year ended December 31, 2019.

Portfolio Composition		Top 25 Holdings	
Sector Allocation	% of Net Asset Value	Issuer	% of Net Asset Value
Information Technology	30.35	Vivo Cannabis Inc. 6% 28FEB21 CONV. \$4.00	4.37
Industrials	14.77	Lam Research Corp.	3.82
Financials	12.37	Crocs Inc.	3.74
Energy	9.14	Teradyne Inc.	3.73
Consumer Discretionary	7.32	NVIDIA Corp.	3.64
Utilities	6.45	Cogeco Communications Inc.	3.63
Materials	4.90	lululemon athletica Inc.	3.58
Fixed Income	4.37	Air Canada	3.56
Communication Services	3.63	Keysight Technologies Inc.	3.54
Health Care	3.38	iA Financial Corp Inc.	3.53
Cash and cash equivalents	2.97	CGI Inc.	3.49
Foreign Currency Forward Contracts	0.35	Vertex Pharmaceuticals Inc.	3.38
		Parkland Fuel Corp.	3.33
Total Portfolio Allocation	100.00%	Shopify Inc.	3.32
		Innergex Renewable Energy Inc.	3.28
		IHS Markit Ltd.	3.23
		Intact Financial Corp.	3.22
		Northland Power Inc.	3.17
		ARC Resources Ltd.	3.16
		Applied Materials Inc.	3.12
		Cash and cash equivalents	2.97
		Wesdome Gold Mines Ltd.	2.95
		The Descartes Systems Group Inc.	2.85
		Kinaxis Inc.	2.84
		Brookfield Asset Management Inc.	2.82
		Total Percentage of Net Asset Value Represented by Holdings	84.27%
Total Net Asset Value (in millions)	\$10.9		

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.

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