

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling toll free: 1.877.539.5743 by writing to us at 350, 440-2nd Avenue SW, Calgary AB T2P 5E9 or by visiting our website at www.matcofinancialinc.com or SEDAR+ at www.sedarplus.ca.

Securityholders 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

This annual management report of fund performance presents management's view of the significant factors and developments during the year that have affected the fund's performance and outlook. In this report, "Matco" refers to Matco Financial Inc., the Manager of the Fund.

Investment Objective and Strategies

The objective of the Matco Diversified Income Fund (the "Fund") is to provide an optimal level of income with some potential for capital appreciation while preserving capital by investing primarily in Canadian dollar-denominated investment grade debt instruments. These securities will consist of bonds and debentures and may also include real return bonds, mortgage-backed securities and asset-backed securities. The debt obligations will be issued or guaranteed by, Canadian federal, provincial or municipal governments, Canadian chartered banks, Canadian loan or trust companies or Canadian corporations.

Within the context of optimal income, the Fund may also invest in income generating common and preferred equities, as well as foreign currency denominated fixed income instruments from Canadian or foreign issuers.

To balance current income and long-term capital appreciation, the Fund may invest in Canadian dividend-paying equities and investment grade fixed income assets. The portfolio is diversified across market capitalization, asset classes, sectors and geographic regions. This "one-stop" Fund offers diversified sources of ongoing income, preserves capital based on an institutional investment risk management process and provides lower volatility performance.

Risk

The overall and specific risks of investing in the Fund are as described in the Fund's Simplified Prospectus dated June 3, 2025. There were no material changes to the Fund during the period that affected the overall level of risk associated with an investment in the Fund. The risk rating of the Fund is low.

Results of Operations

The Fund's net assets decreased to \$122 million at December 31, 2025 from \$126 million at December 31, 2024. Total investment gain for the year ended December 31, 2025 was \$4.0 million, prior to other income and operating expenses, down from \$4.8 million investment gain for the year ended December 31, 2024.

Recent Developments

With 2025 now in the books, to say that it was an eventful year feels like an understatement. From the early stages of implementing a new tariff and global trade regime back in the spring, the on-going Russian and Ukraine geopolitical conflict to tensions in the middle eastern region of Gaza, the market had a lot of variables to digest. Corporate profits globally continued to rise, while most central banks around the world cut interest rates, with the U.S. taking the longest to join in the monetary easing cycle. Although the Bank of Canada was among those cutting their overnight interest rates, longer term bond yields rose modestly in the fourth quarter. This translated to a -0.3% return in the last three months of the year. For the full calendar 2025, Matco's Diversified Income Fund returned 3.3%.

Notably, our investment in CMLS commercial mortgages, yielding 7.0%, continues to enhance income distributions—particularly valuable as interest rates begin to decline.

Overall, the fund generates a current yield of 4.3%, so the net difference between its current yield and performance for the year of 3.3% can be attributed to the rise of longer-term interest rates, namely rates 10 years and beyond. The Diversified Income Fund's current yield of 4.3% represents an approximate yield premium of 2.0% when compared to money market and GIC securities. This income premium remains attractive for low-risk investors seeking income, or those patiently looking for entry points into growth-oriented investment strategies

Entering 2026, central banks were caught between persistent inflation and weakening economic momentum—an uncomfortable policy intersection. By late 2025, the pressure began to ease as labor markets in both the U.S. and slowed meaningfully, with job creation flattening and turning negative in several monthly readings. This shift has allowed central banks to pivot toward growth stabilization rather than inflation containment.

Our base case sees continued rate cuts across North America through 2026. In Canada, we expect the overnight rate to fall from 2.25% to 1.75% by mid-2026 and 1.50% by year-end. In the United States, we anticipate the Federal Funds rate to fall from 4.00% toward 3.25% by mid-year and 3.00% by December 2026. This environment favours investors who are strategically positioned along the mid-section of the yield curve.

Income-seeking investors are facing a structural dilemma. Around the world, sovereign debt burdens are rising, central banks are easing interest rates to support slowing labor markets, and inflation appears anchored in the 2%-3% range for the foreseeable future. These dynamics increase the likelihood of a steepening yield curve—falling short-term rates paired with resilient or potentially rising long-term rates.

In such an environment, long-term government bonds become less attractive as a defensive anchor. Instead, investors should favour high-quality investment-grade credit with maturities in the 3-to-10-year range. The positioning limits long-duration risk while benefiting from "roll-down" return potential—the natural capital gain that occurs as a mid-term bond moves closer to maturity along a steep yield curve, like a ball rolling downhill. But bonds alone are no longer sufficient. Over the past two years, equity and bond returns have become more correlated, eroding the historical diversification benefit. As a result, income portfolios must evolve and widen their toolset. Thoughtfully constructed solutions now blend corporate credit, mortgage strategies, stable dividend paying equities, and private lending. The goal: resilient cash flow without compromising downside protection

Related Party Transactions

Management Fees

Matco provides the Fund with investment management services, including managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. In return, Matco receives a management fee based on the net assets of the Fund, calculated on a daily basis.

For the year ended December 31, 2025, the Fund incurred management fees payable to Matco of \$35,872 (year ended December 31, 2024 - \$30,186).

Investment Review Committee

An Investment Review Committee ("IRC") has been established by the Manager in accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"). The IRC must review and approve conflict of interest matters as referred by the Manager. The Fund did not refer any related party transactions or conflict of interest matters to the IRC during the years ended December 31, 2025 or 2024.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance over the five most recently completed financial years.

The Fund's Net Assets per Unit ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

SERIES A		2021
Net assets, beginning of period/year ⁽¹⁾⁽²⁾		10.72
Increase (decrease) from operations ^{(2):}		
Total revenue		0.23
Total expenses		(0.13)
Net realized gains (losses)		0.07
Net unrealized gains (losses)		(0.62)
Total increase (decrease) from operations ^{(2):}		(0.45)
Distributions ^{(2)(3):}		
From net investment income (excluding dividends)		(0.09)
From capital gains		—
Total distributions:		(0.09)
Net assets, end of period/year		—

Ratios and Supplemental Data

Total net asset value ⁽⁴⁾⁽⁵⁾	—
Number of shares outstanding ⁽⁵⁾	—
Management expense ratio ⁽⁶⁾	1.14%
Management expense ratio before absorptions ⁽⁶⁾	1.14%
Portfolio turnover rate ⁽⁷⁾	42.02%
Trading expense ratio ⁽⁸⁾	0.02%
Net asset value per unit	—

SERIES F	2025	2024	2023	2022	2021
Net assets, beginning of period/year ⁽¹⁾⁽²⁾	8.92	8.94	8.65	10.10	10.67
Increase (decrease) from operations ^{(2):}					
Total revenue	0.38	0.35	0.29	0.28	0.25
Total expenses	(0.08)	(0.07)	(0.07)	(0.08)	(0.10)
Net realized gains (losses)	0.03	(0.05)	(0.61)	(0.20)	0.07
Net unrealized gains (losses)	(0.14)	0.04	0.97	(1.25)	(0.53)
Total increase (decrease) from operations ^{(2):}	0.19	0.27	0.58	(1.25)	(0.31)
Distributions ^{(2)(3):}					
From net investment income (excluding dividends)	(0.31)	(0.28)	(0.21)	(0.15)	(0.15)
From dividends	—	—	(0.01)	(0.05)	(0.01)
From capital gains	—	—	—	—	(0.08)
Total distributions:	(0.31)	(0.28)	(0.22)	(0.20)	(0.24)
Net assets, end of period/year	8.82	8.92	8.94	8.65	10.10

Ratios and Supplemental Data

Total net asset value ⁽⁴⁾⁽⁵⁾	\$4,913,942	\$4,494,797	\$3,268,517	\$1,715,581	\$1,569,521
Number of shares outstanding ⁽⁵⁾	557,196	503,983	365,680	198,269	155,336
Management expense ratio ⁽⁶⁾	0.93%	0.84%	0.86%	0.88%	0.84%
Management expense ratio before absorptions ⁽⁶⁾	0.93%	0.84%	0.86%	0.88%	0.84%
Portfolio turnover rate ⁽⁷⁾	38.34%	24.13%	76.79%	20.57%	42.02%
Trading expense ratio ⁽⁸⁾	0.00%	0.00%	0.01%	0.01%	0.02%
Net asset value per unit	\$8.82	\$8.92	\$8.94	\$8.65	\$10.10

SERIES O	2025	2024	2023	2022	2021
Net assets, beginning of period/year⁽¹⁾⁽²⁾	8.95	8.96	8.67	10.13	10.71
Increase (decrease) from operations⁽²⁾:					
Total revenue	0.37	0.36	0.29	0.28	0.25
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Net realized gains (losses)	0.03	(0.06)	(0.56)	(0.18)	0.07
Net unrealized gains (losses)	(0.11)	0.05	0.84	(1.32)	(0.57)
Total increase (decrease) from operations⁽²⁾:	0.28	0.34	0.56	(1.23)	(0.26)
Distributions⁽²⁾⁽³⁾:					
From net investment income (excluding dividends)	(0.38)	(0.34)	(0.26)	(0.20)	(0.23)
From dividends	—	—	(0.02)	(0.06)	(0.01)
From capital gains	—	—	—	—	(0.08)
Total distributions:	(0.38)	(0.34)	(0.28)	(0.26)	(0.32)
Net assets, end of period/year	8.86	8.95	8.96	8.67	10.13
Ratios and Supplemental Data					
Total net asset value ⁽⁴⁾⁽⁵⁾	\$116,955,482	\$121,266,113	\$103,329,008	\$85,384,352	\$95,883,684
Number of shares outstanding ⁽⁵⁾	13,206,427	13,548,412	11,526,304	9,845,155	9,468,226
Management expense ratio ⁽⁶⁾	0.20%	0.11%	0.12%	0.14%	0.11%
Management expense ratio before absorptions ⁽⁶⁾	0.20%	0.11%	0.12%	0.14%	0.11%
Portfolio turnover rate ⁽⁷⁾	38.34%	24.13%	76.79%	20.57%	42.02%
Trading expense ratio ⁽⁸⁾	0.00%	0.00%	0.01%	0.01%	0.02%
Net asset value per unit	\$8.86	\$8.95	\$8.96	\$8.67	\$10.13

(1) This information is derived from the Fund's audited annual financial statements. Per unit amounts are for the periods for increases (decreases) and points in time for distributions, as applicable, and are not intended to be a reconciliation of opening and closing net assets.

(2) 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.

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

(4) The information is prepared in accordance with IFRS which uses the last trade price for investments that are traded in an active market where quoted prices are readily and regularly available. For investments that are not traded in an active market, the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(5) This information is provided as at and for the year shown, as applicable, except Series N for 2018 which are from inception February 6, 2018 through December 31, 2018 and Series A for 2021 which are from January 1 through December 1, 2021.

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

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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 the period. The higher a 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 the performance of a fund.

(8) 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/period.

Management Fees

The annual management fee rate, exclusive of sales taxes, is 0.70% for F. No management fees are charged directly to Series O.

During the year ended December 31, 2025, management fees totaled \$35,872 (year ended December 31, 2024 - \$30,186). Included in liabilities at December 31, 2025 is \$3,106 (December 31, 2024 - \$2,863) in respect of these fees.

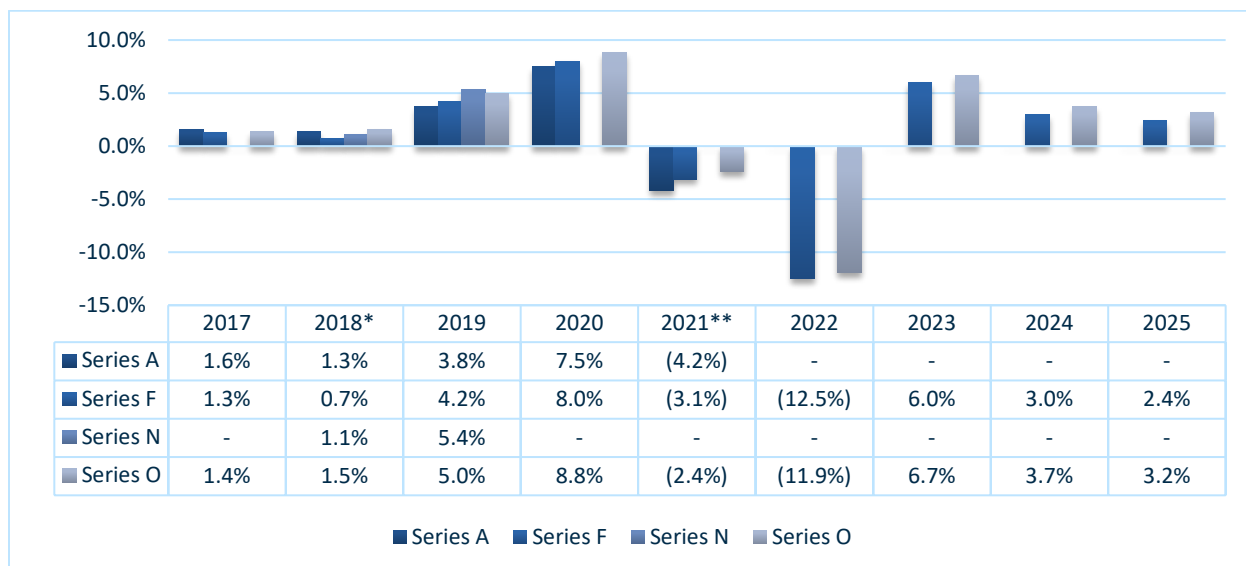
All management fees paid by Series F were applied to cover portfolio management and other services provided to the Fund by the Manager. No such fees were used to pay for external portfolio advisory fees, trailing or other sales commissions.

PAST PERFORMANCE

This section shows how the Fund has performed in the past. The performance information shown assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account: sales, redemption, and distribution or other optional charges, that would have reduced returns or performance. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

Year-By-Year Returns

The bar charts that follow show the performance of each series of the Fund for the nine most recently completed financial years. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by December 31st of the fiscal year (except as noted below).



The rate of return for 2017 is from inception September 20, 2017.

*Series N returns for 2018 is from inception February 6, 2018 to December 31, 2018 and for 2019 is from January 1, 2019 through liquidation December 26, 2019.

**Series A returns for 2021 is from January 1, 2021 through liquidation December 1, 2021.

Annual Compound Returns

	Series A**	Series F	Series N*	Series O	Benchmark***
1 Year*	-	2.4%	-	3.2%	2.6%
3 Years*	-	3.8%	-	4.5%	4.3%
5 Years*	-	(1.1)%	-	(0.3)%	(0.5)%
Since Inception*	-	1.0%	-	1.8%	1.9%
Since Inception*	-	-	3.4%	-	5.4%
Since Inception**	2.3%	-	-	-	3.5%

*Since inception returns for Series F, and Series O are from September 20, 2017.

* Since inception returns for Series N are from February 6, 2018 to December 26, 2019.

** Since inception returns for Series A are from September 20, 2017 to December 1, 2021.

*** The Benchmark is iShares Core Canadian Universe Bond Index ETF. Based on Matco’s private client investor base, who often look at ETFs as a substitute for active investment solutions, the ETF better fulfills the investable portion of the benchmark suitability criteria. Matco has chosen to be consistent across all mandates by benchmarking against ETFs for this reason.

SUMMARY OF INVESTMENT PORTFOLIO

Sector Allocation	% of Net Asset Value
Federal	31.7
Corporate	34.9
Provincial	20.4
Funds	9.8
Equities	0.9
Cash	1.7
Other Net Assets (Liabilities)	0.6

Top 25 Holdings	% of Net Asset Value
CMLS Mortgage Fund Class S-1 CLS523	9.8
Canada Housing Trust No 1 - 4.250% Mar 15/34	7.7
Canada Housing Trust No 1 - 4.150% Jun 15/33	7.1
Canadian Government Bond - 3.500% Dec 01/45	6.6
Canadian Government Bond - 2.750% Dec 01/48	4.8
Province of Alberta Canada - 3.450% Dec 01/43	4.2
Hydro One Inc. - 5.360% May 20/36	4.1
Canada Housing Trust No 1 - 3.550% Sep 15/32	4.1
CPPIB Capital Inc. - 4.750% Jun 02/33	3.9
Province of Ontario Canada - 4.050% Feb 02/32	3.5
British Columbia Ferry Services Inc. - 6.250% Oct 13/34	3.3
Province of British Columbia Canada - 4.000% Jun 18/35	3.2
Province of Ontario Canada - 3.450% Jun 02/45	3.0
Province of British Columbia Canada - 4.150% Jun 18/34	2.4
Province of Manitoba Canada - 3.250% Sep 05/29	2.3
The Toronto-Dominion Bank - 5.491% Sep 08/28	2.2
Enbridge Inc. - 4.730% Aug 22/34	2.1
Enbridge Inc. - 4.560% Feb 25/35	2.1
Fortis Inc. - 4.090% Mar 26/32	2.1
Bruce Power LP - 4.700% Jun 21/31	2.1
Fairfax Financial Holdings Ltd. - 4.450% Aug 14/35	2.0
Bank of Montreal - 5.039% May 29/28	2.0
John Deere Financial Inc. - 4.360% Jan 20/27	1.9
Province of Manitoba Canada - 3.800% Sep 05/53	1.8
Royal Bank of Canada - 4.642% Jan 17/28	1.7
Total Net Asset Value	\$121,869,424

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available on our website at www.matcofinancialinc.com or can be requested by calling 1.877.539.5743 or by writing to us at 350, 440-2nd Avenue SW, Calgary AB T2P 5E9.

A NOTE ON FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.