



{ Measure Of Your Success }



Annual Information Form in respect of the provinces of
Alberta, British Columbia, Saskatchewan, Manitoba and Ontario dated
September 9, 2011, relating to the offering of:

A series, F series and O series shares of:

Matco Canadian Equity Income Fund*

Matco Energy Equity Fund*

Matco Small Cap Fund*

- and -

A series, F series and O series units of:

Matco Balanced Fund

No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.

*Class of shares of Matco Funds Corp.

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Name, Formation and History of the Funds

This Annual Information Form (“**AIF**”) contains information about the Matco family of mutual funds listed on the front cover. We refer to the Matco Canadian Equity Income Fund, Matco Energy Equity Fund, Matco Small Cap Fund and Matco Balanced Fund described in this document individually as a “**Fund**” and collectively as either the “**Funds**” or the “**Matco Fund Family**.”

Matco Financial Inc. (“**Matco**,” the “**Manager**,” “**we**” or “**us**”) is the manager and promoter of the Funds. It is also the primary investment advisor to the Funds. See “**Responsibility for Operations of the Funds**” on page 16 for more information.

Securities of our Funds are either separate “series” of units of a trust or separate “classes” of shares of Matco Funds Corp. (the “**Corporation**”). The Matco Balanced Fund (the “**Balanced Fund**”) is a separate trust and has its own separate portfolio of assets within the Matco Fund Family, whereas each of the Matco Canadian Equity Income Fund, Matco Energy Equity Fund and Matco Small Cap Fund (collectively, the “**Corporate Structured Funds**”) is a separate class of shares of the Corporation and has its own separate portfolio of assets within the Corporation.

The Corporation was formed under the Business Corporations Act (Alberta) (the “**ABCA**”) by articles of incorporation dated May 17, 2007 (the “**Articles**”). The Articles were amended on September 29, 2008, to create and designate the Matco Canadian Equity Focused Growth Fund, which name was subsequently changed to the “Matco Small Cap Fund” by amendment of the Articles on August 6, 2009. The Articles were further amended on August 12, 2011 to change the name of the Corporation to “Matco Funds Corp.” from “MFi Funds Corp.” and to designate the name of each of the funds as the “Matco Canadian Equity Income Fund”, “Matco Energy Equity Fund”, and “Matco Small Cap Fund”. The registered office of the Corporation is Suite 751, 815-8th Avenue S.W., Calgary, Alberta, T2P 3P2 and the principal place of business of the Corporation is Suite 400, 407-8th Avenue S.W., Calgary, Alberta, T2P 1E5. Matco owns 100 common shares of the Corporation, being the only issued and outstanding common shares of the Corporation.

The Balanced Fund is an open-ended mutual fund trust established under the laws of Alberta pursuant to a trust agreement dated June 29, 2007, (the “**Trust Agreement**”). The head office of the Balanced Fund is 400, 407-8th Avenue S.W., Calgary, Alberta, T2P 1E5. The Trust Agreement automatically terminates should all of the funds established thereunder be terminated and dissolved.

On June 29, 2007, units of the Balanced Fund and shares of the Matco Canadian Equity Income Fund were issued by way of private placement to Matco Investments Ltd., a corporation controlled by Mr. Ronald P. Mathison, a director of both Matco and the Corporation, at a price of \$10.00 per unit or share, as applicable. This investment by private placement represented the initial capital managed by Matco within the Matco Fund Family. See “**Conflicts of Interest – Principal Holders of Securities**” on page 23. The Balanced Fund, Matco Canadian Equity Income Fund, and the Matco Energy Equity Fund were qualified for distribution to the public by prospectus on November 29, 2007. The Matco Small Cap Fund was qualified for distribution to the public by prospectus on December 17, 2008. Shares of the Matco Small Cap Fund were originally made available for sale and issued as at March 1, 2010

Investment Restrictions and Practices

We may not change the fundamental investment objectives of a Fund without first obtaining approval of a majority of the votes of the shareholders or unitholders of the Fund at a meeting to consider the change. The Manager of the Corporation and of the Balanced Fund can make other changes to the non-fundamental investment objectives, strategies and activities of a Fund without the consent of shareholders or unitholders, respectively, and subject to any required approval of the Canadian securities regulators.

Except as indicated below, each Fund is subject to the standard mutual fund investment restrictions and practices contained in securities legislation, including National Instrument 81-102 – Mutual Funds (“NI 81-102”). These are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The Funds are managed in accordance with these restrictions and practices. Funds that invest in securities of another mutual fund will make such investments in accordance with applicable securities legislation.

Matco has applied for, and received, from each of the Alberta Securities Commission and the, British Columbia Securities Commission an exemption from the requirement that Matco be registered with the Mutual Fund Dealers Association (the “MFDA”). Consequently, Matco clients do not currently have available to them the investor protection benefits that would otherwise derive from Matco's membership in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA. Matco does not act as a mutual fund dealer in any of the provinces of Saskatchewan, Manitoba or Ontario. Matco intends to apply for a similar exemption from the requirement to be an MFDA members as granted by Alberta and British Columbia in Ontario. If granted Matco may begin to act as a dealer in Ontario.

Description of Securities of the Funds

CORPORATE STRUCTURED FUNDS

Each Corporate Structured Fund is a class of shares of the Corporation, issuable in series (each, a “series”). The interest of each shareholder in a Corporate Structured Fund is shown by how many shares are registered in the name of such shareholder. There is no limit to the number of shares of each Corporate Structured Fund that can be issued and there is no fixed issue price.

The authorized capital of the Corporation consists of 100 common shares, which were issued to and are held by Matco, one class of non-voting common shares of which none are issued and outstanding, and 25 classes of fund shares issuable in series (the fund shares are sometimes referred to herein as “mutual fund shares”). The first class of fund shares is designated as the Matco Canadian Equity Income Class, the second class of fund shares is designated as the Matco Energy Equity Class, the third class of fund shares is designated as the Matco Small Cap Class, the fourth class of fund shares is designated as the Matco U.S. Equity Class and the fifth class of fund shares is designated as the Matco Income Class. As at the date hereof, only shares of the Matco Canadian Equity Income Class, Matco Energy Equity Class, and Matco Small Cap Class have been determined to be made available for offering to the public.

Each Corporate Structured Fund has designated the following series of shares to be offered in connection with this AIF:

Fund	Series
Matco Canadian Equity Income Fund	A series, F series and O series
Matco Energy Equity Fund	A series, F series and O series
Matco Small Cap Fund	A series, F series and O series

Certificates representing shares of the Corporation will be issued only on the request in writing of a shareholder to Matco.

Each series of mutual fund shares of a class has identical rights, privileges, restrictions, and conditions as all other series. The mutual fund shares are redeemable at the option of the holder, except in certain circumstances described below, and are non-voting (other than as required by law, including by NI 81-102). A fractional share carries the rights and privileges, and is subject to the restrictions and conditions, applicable to whole shares in the proportion that it bears to one share, other than in respect of any applicable voting rights. The common shares of the Corporation are entitled to one vote per share and to receive any dividend declared with respect to the common shares by the Corporation. The common shares and the mutual fund shares are fully paid and non-assessable when issued.

The rights, privileges, restrictions and conditions attached to the shares of the Corporation may be modified, amended or varied by articles of amendment, the application for which must be authorized by a special resolution passed at a meeting of shareholders of the Corporation duly called for considering the same, by the affirmative vote of the holders of not less than 66-2/3 % of all the outstanding shares represented and voted at such meeting in addition to such other vote as may be required by the ABCA. Except as may be otherwise required by the ABCA or applicable securities legislation, shareholders of mutual fund shares are not entitled to receive notice of, or to attend any meeting of shareholders of the Corporation, or to vote at any such meeting. Neither the holders of mutual fund shares nor the holders of the common shares is entitled to vote separately as a class or as a series of a class, or to exercise dissent rights, with respect to any amendment of the articles of the Corporation to increase or decrease any maximum number of authorized shares of such class or series; effect an exchange, reclassification or cancellation of all or part of the shares of that class or series; or to create a new class or series of shares equal to, or superior to, the shares of that class or series.

No shareholder holds any assets of a Corporate Structured Fund. Shareholders have those rights described in this AIF, the Simplified Prospectus of the Corporate Structured Funds, and as created in the Articles of the Corporation.

Mutual fund shares of each of the Corporate Structured Funds have the following attributes:

1. the shares have no voting rights except as otherwise described herein;
2. the shares are redeemable at the option of the holder, except as described herein;
3. on the termination of a Corporate Structured Fund, the assets of the Fund will be distributed and all shareholders in the Fund will share in the value of the Fund;

4. there are no pre-emptive rights;
5. the shares of a Corporate Structured Fund cannot be transferred except in limited circumstances;
6. there is no liability for further calls or assessments;
7. dividends and other distributions may be paid in respect of any series of mutual fund shares at such time, amount, and currency as may be declared by the board of directors of the Corporation (the "**Board of Directors**");
8. a fractional mutual fund share of a Corporate Structured Fund carries the rights and privileges and is subject to the restrictions and conditions applicable to whole shares in the proportion that it bears to one share, except that a fractional share does not entitle its holder to a vote; and
9. except as described below, the mutual fund shares of a Corporate Structured Fund are convertible into, or redeemable and exchangeable for, as applicable, the shares or units of the same or a different series of another Fund or into the shares of another series of the same Fund, provided that such series is being offered pursuant to an offering memorandum or current prospectus, and if applicable, AIF filed with a Canadian securities regulatory authority ("**Disclosure Documents**").

Shareholders may generally redeem (sell) their shares of a Corporate Structured Fund by forwarding a redemption order to Matco.

In addition, the Corporate Structured Funds may redeem all of the shares of a particular series owned by a shareholder at the series net asset value ("**NAV**") per share, less any applicable redemption charge as described herein under "**Purchases and Switches – Redemptions**" on page 14.

Under exceptional circumstances, the Corporation may be unable to process a redemption order. This would occur if Canadian securities regulators allow the Corporation to suspend your right to redeem as further described under the heading "**Purchases and Switches – Restrictions on Redemption**" on page 15.

The fundamental investment objective of each Corporate Structured Fund is determined by the Board of Directors and shall be set out in any applicable Disclosure Documents in respect of such shares. Shareholder approval is generally required, and shareholders are entitled to vote, in respect of those matters requiring shareholder approval under the Fund's constating documents as well as those matters set out in Section 5.1 of NI 81-102, including:

- a change in the basis of calculation of a fee or expense that is charged to the Fund or directly to its shareholders in a way that could result in an increase in charges to the Fund or its shareholders;
- the introduction of a fee or expense that is charged to the Fund or directly to its shareholders that could result in an increase in charges to the Fund or its shareholders;
- a change in the Manager, unless the new manager is an affiliate of the Manager;
- a change in the fundamental investment objectives of the Fund;
- a decrease in the frequency of calculation of the NAV per mutual fund share of the Fund;

- where the Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, continues after the reorganization or transfer of assets, and the transaction results in the shareholders of the Fund becoming shareholders of the other mutual fund; or
- where the Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, and the Fund ceases to continue after the reorganization or transfer of assets, and the transaction results in the shareholders of the other mutual fund becoming shareholders of the Fund, and the transaction would be a significant change to the Fund.

Shareholders of a series of a Corporate Structured Fund are not entitled to vote on a matter referred to above if they, as shareholders of that series of shares, are not affected by the matter.

Shareholders of a series of a Corporate Structured Fund shall vote separately, as a series of that Fund, on a matter referred to above if that series of a Corporate Structured Fund is affected by the action in a manner different from shareholders of other series of a Fund.

Under certain circumstances, Matco may be unable to process a redemption or conversion order. See **"Purchases and Switches – Restrictions on Redemption"** on page 15.

THE BALANCED FUND

The Balanced Fund is permitted to issue an unlimited number of series of units and may issue an unlimited number of units in each series. The Balanced Fund currently has three series of units, being series A, F and O units, as further described herein under **"Purchases and Switches – Purchases"** on page 11.

Although the money you pay to purchase units of any series is tracked on a series-by-series basis in the Balanced Fund's administrative records, the assets of all series of the Balanced Fund are combined into a single pool to create one portfolio for investment purposes. Please refer to the Balanced Fund's Simplified Prospectus for further information pertaining to series A, F, and O units of the Balanced Fund.

Units of a series of the Balanced Fund represent your ownership in the Balanced Fund. You receive distributions of the Balanced Fund's net income and net capital gains attributable to your units based on their relative NAV per unit for each series in the Balanced Fund. Upon the wind-up or termination of the Balanced Fund, unitholders of the Balanced Fund will be entitled to participate pro rata in the Balanced Fund's net assets allocated to the applicable series. If you hold units in the Balanced Fund, you will be entitled to vote at the unitholder meetings of the Balanced Fund as a whole as well as any unitholder meetings for the particular series of units that you own. Units are issued as fully paid and non-assessable and are redeemable at their NAV per unit. There are no pre-emptive or conversion rights attached to the units. The Balanced Fund may issue an unlimited number of units. Each unit, regardless of the series, will entitle the holder to one vote at all meetings of unitholders. The Balanced Fund may issue fractional units, which shall entitle the holder to similar proportionate participation in the Balanced Fund, but will not entitle the holder to receive notice of, or vote at, meetings of unitholders of the Balanced Fund.

The fundamental investment objective of the Balanced Fund is determined by Matco, as manager of the Balanced Fund and shall be set out in any applicable Disclosure Documents in respect of such units.

Unitholders will be entitled to vote to approve all matters that require unitholder approval under NI 81-102, as described above in relation to the Corporate Structured Funds, as well as any other matter that requires the

approval of unitholders pursuant to the Trust Agreement or applicable laws. Matco, with the approval of the trustee of the Balanced Fund, is entitled by supplemental trust agreement or by amending and restating the Trust Agreement to modify, alter or add to the provisions of the Trust Agreement, provided that prior approval of a majority of votes cast at a meeting of unitholders of the Balanced Fund is required prior to any such amendment, unless the change being made is non-material.

Unitholders may generally redeem (sell) their units of the Balanced Fund by forwarding a redemption order to Matco.

In addition, the Balanced Fund may redeem all of the units of a particular series owned by a unitholder at the NAV per unit, less any applicable redemption charge in certain circumstances, as further described under "**Purchases and Switches – Redemptions**" on page 14.

Under exceptional circumstances, the Balanced Fund may be unable to process a redemption order. This would occur if Canadian securities regulators allow the Balanced Fund to suspend your right to redeem as further described under the heading "**Purchases and Switches – Restrictions on Redemption**" on page 15.

Valuation of Portfolio Securities

The NAV per share or unit of a Fund at any particular time will be that established by the Board of Directors, from time to time, or as delegated. The Corporation has entered into a Valuation and Recordkeeping Services Agreement dated June 29, 2007, and Matco, on behalf of the Balanced Fund, has entered into a Valuation and Recordkeeping Services Agreement dated June 29, 2007 (collectively, the "**Valuation and Recordkeeping Services Agreements**"), each with RBC Dexia Investor Services Trust ("**RBC Dexia**" or the "**Service Provider**") and have delegated Fund valuation services to RBC Dexia. The Valuation and Recordkeeping Services Agreement that pertains to the Corporation was amended and restated on December 15, 2009 to include the Matco Small Cap Fund. Notwithstanding that the Funds' valuation services have been delegated to RBC Dexia, the Manager remains ultimately responsible for such calculation.

The Valuation and Recordkeeping Services Agreements (as renegotiated from time to time) stipulate how RBC Dexia will be compensated for its services. RBC Dexia's compensation under these service agreements is accrued within the Fund and included in the operational expenses of the Fund. RBC Dexia calculates NAV of a Fund under these Valuation and Recordkeeping Services Agreements, and as custodian under the Trust Agreement, at the then fair market value of the Fund's property at the time the calculation is made less the amount of its liabilities at that time. The NAV per share or unit shall be the quotient obtained by dividing the amount equal to the NAV of a Fund by the total number of outstanding shares or units, including fractions of shares or units. The NAV of a Fund and its NAV per share or unit shall be computed by RBC Dexia as herein provided as at the close of business on every date on which such NAV per share or unit of a Fund is calculated (each, a "**Valuation Date**"). The number of shares or units, the fair market value of the assets, and the amount of liabilities of each of the Funds shall be calculated in such manner as RBC Dexia in its sole discretion shall determine from time to time, subject to the following:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless RBC Dexia determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as RBC Dexia determines to be the reasonable value thereof;

- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a valuation day at such times as RBC Dexia, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security, index futures or index options thereon, which are listed on any recognized exchange, shall be determined by the closing sale price at the valuation time, or if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV of a Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange, provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading. It should be noted that this valuation practice differs from Canadian generally accepted accounting principles in the use of closing prices rather than bid or ask prices, as applicable;
- (d) the value of any security or other asset for which a market quotation is not readily available is generally its fair market value as determined by RBC Dexia;
- (e) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that a Fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date of which the restriction will be lifted is known;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities, and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by a Fund shall be reflected as a deferred credit, which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV of a Fund. The share or units, if any, that are the subject of a written clearing corporation option or over-the-counter option shall be valued at their then current market value;
- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (j) all Fund property valued in a foreign currency and all liabilities and obligations of a Fund payable by a Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to RBC Dexia, including, but not limited to, RBC Dexia or any of its affiliates; and
- (k) all expenses or liabilities (including fees payable to the Manager) of a Fund shall be calculated on an accrual basis.

The value of any share or unit or property to which, in the opinion of RBC Dexia, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as RBC Dexia from time to time provides.

The Valuation and Recordkeeping Services Agreements may be terminated by either party at any time without any penalty by giving at least 30 days' prior written notice to the other party of such termination. Such prior notice is not required and termination will be immediate upon the giving of notice in the event that:

- (a) either party is declared bankrupt or shall be insolvent;
- (b) the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority; or
- (c) the Manager's power and authority to act on behalf of, or to represent the Funds has been reworked, terminated or otherwise no longer in full force and effect.

Calculation of Net Asset Value

When you buy shares or units of a Fund you pay the price or NAV per share or unit of the series being acquired, plus any applicable sales charges. When you redeem (sell) shares or units, you receive the NAV per share or unit of the series being redeemed.

All transactions are based on the NAV of the particular series of a Fund's shares or units. NAV is generally calculated for each series of shares or units of a Fund after the close of the Toronto Stock Exchange (the "TSX") on each day the TSX is open for business. In some circumstances, NAV may be calculated at another time set by the Manager of the Corporation or the Balanced Fund, as applicable. This would generally occur where other markets are open but the TSX is closed or, with respect to foreign securities, where the trading hours for such securities end at a time other than the closing time of the TSX. To date, the time at which NAV is calculated has never occurred at a time other than the closing time for the applicable stock exchange and it is not currently anticipated that such valuation time will change in the future.

We calculate the NAV per share or unit of a series of a Fund by adding up the market value of the Fund's assets and determining the proportionate share of a series, subtracting the series' proportionate share of liabilities that are common to all series of that Fund, and further subtracting the liabilities of the Fund that are specific to the series and dividing the resulting amount by the total number of shares or units of that particular series outstanding.

The NAV per share or unit is the price for all sales of shares or units (including sales made on the reinvestment of dividends) and for redemptions. The issue or redemption of shares or units of a Fund is reflected in the next calculation of the NAV of the Fund following the time at which the NAV is determined for the purpose of the issue or redemption of shares or units, as applicable.

Common expenses of the Corporation are shared by all Corporate Structured Funds and are allocated on an equitable basis among the classes and series of Corporate Structured Fund shares. These expenses include Matco Fund Family marketing expenses, income taxes and refundable capital gains taxes. We have the right, however, to allocate expenses to a particular class (i.e., Corporate Structured Fund) or series where it is reasonable to do so.

Common expenses of the Balanced Fund and the Corporate Structured Funds are shared by all such Funds and are allocated on an equitable basis among all series of shares or units of each Fund. All expenses that are specific to the Balanced Fund are borne by the Balanced Fund and are allocated to a particular series of units where it is reasonable to do so.

Subject to prior receipt of any necessary regulatory approvals, Matco may declare a suspension of the determination of the NAV per share or unit of a Fund for the whole or part of any period:

- (a) during which normal trading is suspended on a stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and traded, or on which specified derivatives are traded, which represent more than 50% by value, or underlying market exposure, of the total assets attributable to the Fund, without allowance for liabilities, and only if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative; or
- (b) with the approval of the relevant securities regulatory authorities if required, or as otherwise required or permitted under applicable securities laws.

Provided that the determination of the NAV per share or unit of a Fund has not been suspended, there will be a valuation of the assets of the Fund as at the market close on each Valuation Date or, in the event that the TSX is not open for business on any such day, on the first day thereafter that the TSX is open for business.

Purchases and Switches

GENERAL

Mutual fund shares and units of each Fund are offered for sale on a continuous basis through registered dealers and, in the province of Alberta and British Columbia, directly through Matco. Purchase orders must be placed with dealers registered in an investor's province of residence.

PURCHASE PRICE

Shares or units of each Fund may be purchased at their NAV per share or unit from time to time, computed as described under "**Valuation of Portfolio Securities**" on page 8 and "**Calculation of Net Asset Value**" on page 10. The purchase price per share or unit is the NAV per share or unit next determined following receipt by the Fund of a completed subscription. Any subscription received on a Valuation Date after the cut-off time or on any day that is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per share or unit is then the NAV per share or unit established on the Valuation Date following the day of actual receipt of the subscription. The cut-off time for receipt of subscriptions is 4:00 p.m. (EST), except that on days that the TSX closes early, the cut-off time is such earlier closing time.

PURCHASES

When you buy shares or units, you may be charged a sales charge, based on the series of shares or units being acquired and whether such shares or units are acquired directly from Matco, if applicable, or an alternate dealer, as follows:

Front-end sales charge option – series A shares and units. Series A shares or units are available to all investors, subject to certain minimum investment requirements and are acquired through a dealer. Under this option, you

negotiate the sales commission you pay directly with your dealer. Your dealer will generally deduct the sales commission and forward us the net amount of the order to be invested in the Fund or Funds selected.

Direct purchase option – series F shares and units. Series F shares or units of a Fund are available to investors who qualify as series F investors as determined by Matco in its discretion, including:

- investors who participate in dealer-sponsored “fee-for-service” or wrap programs and who pay their advisor an hourly fee or annual asset-based fee rather than commissions on each transaction and whose broker or dealer has entered into an agreement with Matco to sell series F shares or units of a Fund; and
- any other groups of investors for whom we do not incur distribution costs.

Investors wishing to purchase series F shares or units must also meet the minimum investment requirements.

Series F shares and units are designed for investors participating in programs that already charge a fee for the advice they are receiving and do not require us to incur distribution costs in the form of trailer fees or commissions to dealers. As no trailer fees are payable to a dealer on a purchase of series F shares and units, a lower management fee is applicable to series F shares or units, as Matco's cost to distribute these shares or units is lower and investors eligible to purchase these shares or units have generally already entered into an agreement to pay fees directly to their dealers.

Participation in series F shares or units is only available with Matco's prior consent and the consent of any applicable dealer organization.

Direct large purchase option – series O shares and units. Series O shares or units of a Fund are available to certain investors at our discretion, including:

- certain institutional investors who invest at least \$1,000,000.00 in one or more Funds;
- other specific classes of investors who meet any series O guidelines established by Matco; and
- any related funds and certain other third party mutual funds that use a fund-of-fund structure and who meet any series O guidelines established by Matco.

No sales charges are generally payable on the acquisition of series O shares or units and investors individually negotiate any such management fees relating to series O shares or units directly with Matco. Certain other additional fees and expenses are payable as set out below.

Your choice of purchase option will require you to pay different fees and expenses and will affect the amount of compensation paid to your dealer. See “**Fees and Expenses**” on page 29.

Unless requested by a shareholder in writing to Matco, we do not issue a certificate when you buy shares of a Corporate Structured Fund and no certificates evidencing ownership of units will be issued of a Balanced Fund, but your dealer or service provider will send you a confirmation, which is proof of your purchase. A record of the number of shares or units you own and their value will appear on your next account statement. Going forward, a statement will be sent to you on a regular basis outlining current investment holdings and any transactions that occurred within that regular reporting period. Matco generally advises against requesting delivery of a physical certificate when shares of a Corporate Structured Fund are acquired, as the possession of such a certificate

can delay the execution of orders to transfer, redeem or switch shares of a Fund. A dealer may make provisions in an arrangement it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of shares of a Fund caused by the investor.

The issue price for shares or units of a Fund shall generally be equal to such Fund's NAV per share or unit.

MINIMUM AMOUNT YOU CAN INVEST

Your first purchase of shares or units of series A or F of any Fund must be at least \$1,000.00. Each successive purchase of series A or F shares or units of such Fund must be at least \$100.00. Your first purchase of series O shares or units of any Fund must be at least \$1,000,000.00. Each successive purchase of series O shares or units of such Fund must be at least \$1,000.00.

SWITCHES

Except as otherwise described herein, you can switch shares from one series of shares or units of a Fund to another series of that same Fund or of the same or a different series of another Fund being offered by the Corporation or the Balanced Fund. A switch is usually a transfer of your investment money from one Fund to another. You must maintain a minimum account balance of \$1,000.00, and you must switch at least \$1,000.00 worth of shares or units. Another restriction is that shares or units purchased under the front-end sales charge option cannot be switched for shares or units purchased under the above-described direct purchase or direct large purchase option, or vice versa.

The process and tax consequences of a switch between series or classes of a Fund will depend upon whether the Fund being sold and acquired is structured as a class of shares of the Corporation (such as the Matco Energy Equity Fund, Matco Canadian Equity Income Fund and Matco Small Cap Fund) or as a separate mutual fund trust (such as the Balanced Fund). The Funds consist of mutual funds that are structured as units of a mutual fund trust along with mutual funds that are structured as a separate class of mutual fund shares of the Corporation.

Certain switches of Funds are considered a sale for tax purposes. If you hold your mutual fund shares or units in a non-registered account, you may realize a capital gain or loss on such a sale. Examples of switches that are sales or redemptions for tax purposes leading to the realization of a gain or loss include: (i) switches from a series of units of the Balanced Fund to the same or another series of units of any other fund established as a mutual fund trust or shares of a Corporate Structured Fund; and (ii) switches from a Corporate Structured Fund into the Balanced Fund. For switches that are considered a sale or redemption for tax purposes, such a switch will generally be treated as a redemption of the mutual fund shares or units being sold and an acquisition of new shares or units using such redemption proceeds, less any expenses or fees payable. On any such switch, the value of your investment will not change (except for any fees you pay to redeem), but the number of shares or units you hold will change. This is because each series of shares or units has a different share or unit price based on that Fund's NAV per share or unit.

For switches from a Corporate Structured Fund into the same or a different series or class of shares of a Corporate Structured Fund, when we receive your order to switch, we will exchange shares of the current Corporate Structured Fund for shares of the new Corporate Structured Fund. The movement of your investment money from one class to another class within the Corporation, as described above, will not result in a capital gain or loss. In certain circumstances, the switch may accelerate the time at which the Corporation realizes

gains and pays capital gains dividends.

If you switch your shares or units of a Fund to shares or units of another Fund, or if you switch the type of account in which you hold your shares or units, your dealer may charge you an additional fee.

PROCESSING ORDERS

All orders for mutual fund shares or units are forwarded to the principal office of the Funds for acceptance or rejection and each Fund reserves the right to reject any order in whole or in part. Dealers must transmit an order for shares or units to the principal office of the Fund without charge to the investor. They must make such transmittal wherever practical by same day courier, priority post or telecommunications facility. The decision to accept or reject any order for mutual fund shares or units will be made within one business day of receipt of the order by the Fund. In the event that any purchase order is rejected, all monies received with the order are returned immediately to the subscriber. Payment for all orders of mutual fund shares or units must be received at a Fund's principal office on or before the settlement date—currently the third business day from (but not including) the day the subscription price for the mutual fund shares or units so ordered is determined.

All orders placed are settled within the time periods described above. Where payment of the subscription price is not received on a timely basis, Matco, on behalf of the Fund, redeems the mutual fund shares or units ordered by the cut-off time on the first business day following such period. The redemption proceeds reduce the amount owing to the Fund in respect of the failed purchase transaction. If the difference is favourable to the Fund, the Fund keeps the difference. If there is a shortfall, the dealer making the order for mutual fund shares or units pays to the Fund the amount of the shortfall. The dealer may then be able to collect such amount, together with its costs and interest from the investor on whose behalf the application was placed, depending on its arrangements with the investor. Where no dealers have been involved in processing a purchase order, Matco is entitled to collect the amounts described above from the investor who has failed to remit payment.

While the Funds encourage and expect the vast majority of transactions to be recorded and registered solely in book-based form, investors in a Corporate Structured Fund are entitled upon request to a physical certificate in respect of any Corporate Structured Fund's shares owned by them. On any conversion or redemption of shares of a series of a Fund, if such shares are in certificated form, the certificate representing the shares being converted or redeemed must be surrendered prior to the processing of any such redemption or conversion request. On any such conversion of shares of a series, where such shares being converted are in certificated form, the certificate or certificates representing the shares of the other series resulting from the conversion may be issued at the expense of the Corporation, as applicable, in the name of the shareholder converting such shares upon the surrender of the certificate representing such shares being converted.

REDEMPTIONS

Shareholders and unitholders may redeem (sell) shares or units of a Fund on any Valuation Date. The redemption price of shares or units of a Fund is based on the NAV per share or unit of the series being redeemed first determined after the receipt of the redemption order. A shareholder or unitholder or the shareholder's or unitholder's dealer must forward such redemption order to RBC Dexia. Unless a redemption order is received by RBC Dexia before 4:00 p.m. (EST) on a Valuation Date, it will be processed for redemption on the next Valuation Date. Matco may require that an investor's signature on any redemption request be guaranteed by a bank, trust company, credit union or otherwise to the satisfaction of Matco. The Fund will pay the redemption proceeds to a shareholder or unitholder within three business days after the Valuation Date on which a redemption request is processed. A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of

the investor to satisfy the requirements of the Funds or securities legislation for a redemption of securities of the Funds.

The Funds may redeem all of the shares or units of a particular series owned by a shareholder or unitholder at the series' NAV per share or unit, less any applicable redemption charge: (i) if the shareholder or unitholder no longer satisfies the eligibility requirements with respect to such shares or units; (ii) to the extent necessary to pay any outstanding fees, charges and expenses applicable to such shareholder or unitholder; (iii) if the redemption of the shares or units is considered necessary by the Board of Directors, on behalf of the Corporation, or as Manager of the Balanced Fund, as applicable, to ensure that the Fund complies with the provisions of the Tax Act governing mutual fund corporations or mutual fund trusts or other legislation or regulatory requirements applicable to the Fund; (iv) to ensure that the Fund does not become subject to the legislation of a foreign jurisdiction; or (v) at any other time provided that the shareholder or unitholder has been given not less than 60 days' prior notice. Shareholders or unitholders shall be notified when the Fund becomes aware that the shareholder or unitholder no longer satisfies eligibility requirements and allowed at least 30 days from the date such notice is sent by the Fund to subscribe for additional shares or units of the relevant series or to otherwise satisfy the relevant eligibility requirements before such redemption is effected. In the event that a shareholder or unitholder does not satisfy the eligibility requirements within such period, the Fund may, at any time thereafter, on such pricing date as may be fixed by the Fund, at its option, redeem all of the shares or units of the series held by such shareholder or unitholder, including by an exchange of all such shares or units for shares of another series of the same Fund that the shareholder or unitholder is eligible to acquire.

RESTRICTIONS ON REDEMPTION

Under exceptional circumstances, Matco may be unable to process your redemption order. With respect to a Corporate Structured Fund, this would occur if Canadian securities regulators allow us to suspend a shareholder's right to redeem, for example:

- if normal trading is suspended in any market where securities are traded that represent more than 50% of a Fund's total asset value if those securities are not traded on another market or exchange that represents a reasonable and practical alternative; or
- in other circumstances with the consent of the Canadian securities regulators.

As permitted by Canadian securities regulators, Matco may suspend the right of shareholders or unitholders to require a Fund to redeem shares or units and the concurrent payment for shares or units of that Fund tendered for redemption during any period in which Matco determines that conditions exist, which render impractical the sale of any of the property of that Fund or impair the ability to determine the value of any property of that Fund. Matco has established certain policies and procedures such as a "large unitholder policy and procedure" to enable Matco to make prudent decisions on behalf of all shareholders and unitholders.

If Matco suspends redemption rights before the redemption proceeds have been determined, an investor in a Fund may either withdraw its redemption request or redeem its shares or units, as applicable, at the NAV per share or unit next determined after the suspension has been lifted.

Where a suspension occurs, a shareholder or unitholder may either withdraw their redemption request by notice in writing to Matco or by so instructing their dealer, or receive payment based on the NAV per share or unit, as determined on the next Valuation Date following the termination of the suspension.

Responsibility for Operations of the Funds

GENERAL

The operations of the Funds and the party involved in the administration of such operations are as follows:

Operation	Responsibility	Nature Of Operations
General Management and Administration	Matco	Provides management and administration of the Funds.
Investment Advisor and Management of Portfolio Assets	Matco	Provides management of the portfolio assets, including the provision of investment analysis, investment recommendations, and the making of investment decisions along with responsibility for the selection of non-proprietary managers if utilized within an overlay strategy.
Purchase and Sale of Portfolio Assets	Matco	Holds responsibility for the purchase and sale of portfolio assets by a Fund and the making of brokerage arrangements relating to the portfolio assets.
Distribution of Funds	Matco and authorized dealers	Provides for the distribution of the shares or units of the Funds. Matco acts as a dealer for distribution of the Funds in the provinces of Alberta and British Columbia.
Trustee	RBC Dexia Investor Services Trust	Generally holds power and authority for the fund property and over the business and affairs of the Balanced Fund, in accordance with the terms and conditions of the Trust Agreement.
Custodian	RBC Dexia Investor Services Trust	Holds the assets of the Funds and, as service provider, provides valuation and recordkeeping services.
Oversight of Manager	Independent Review Committee	Reviews conflict of interest matters relating to the Funds referred to it by Matco and reviews compliance reports periodically delivered by Matco. See " Fund Governance – Independent Review Committee " on page 25.

A more detailed discussion of each of these Fund operations is set forth below:

MANAGER

Matco is the manager of the Funds. Matco was incorporated under the laws of Alberta on August 14, 2006. The address and phone numbers of Matco are as follows:

Suite 400, 407-8th Avenue S.W., Calgary, Alberta T2P 1E5

Tel: 403.539.5740
Toll-free: 1.877.539.5743
Fax: 403.539.5744
website: www.matcofinancial.com
e-mail: matco@matcofinancial.com

Although the Board of Directors, on behalf of the Corporation, is responsible for the overall direction of the Corporate Structured Funds, Matco has been retained by the Corporation pursuant to a management agreement originally made as of June 29, 2007 (the "**Management Agreement**"), and as amended from time to time, and by the Balanced Fund under the Trust Agreement, to provide investment advisory and administrative services and facilities to the Corporate Structured Funds and the Balanced Fund.

Matco has no obligation to the Funds other than to render services under the Management Agreement and Trust Agreement honestly and in good faith and to exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. The Management Agreement expires on August 6, 2014, but is renewed automatically for additional five-year terms unless notice of termination is given by either party. The Management Agreement will be terminated on the insolvency or bankruptcy of Matco and, until August 6, 2014, may be terminated by the Corporation on 90 days' written notice to Matco with the approval of the shareholders of the Corporate Structured Funds by resolution of greater than 50% of the shareholders entitled to vote on such matter, in the case of default by Matco, or by resolution of greater than 66-2/3% of the shareholders entitled to vote on such matter in any other case. In consideration of the duties performed by Matco under the Management Agreement, the Corporate Structured Funds are required to pay Matco a monthly management fee equal to the percentages set forth in the Funds' Simplified Prospectus of the value of the average NAV of each class of the shares for such month, as adjusted for any management fee reductions as agreed to by Matco and the Fund.

DIRECTORS AND OFFICERS OF MATCO

The names, municipalities of residence, offices held with Matco and principal occupations of the directors and officers of Matco are as follows:

Name And Municipality of Residence	Office	Occupation
Jason N. Vincent Calgary, Alberta	Director, President & Chief Operating Officer	
William K. Dickie Calgary, Alberta	Director & Chief Investment Officer , Portfolio Manager of Matco	
Ronald P. Mathison Calgary, Alberta	Director & Chairman	President and Chief Executive Officer of Matco Investments Ltd., a private firm specializing in corporate turnarounds and providing capital and management expertise to private and public companies
Ian Hill Calgary, Alberta	Chief Financial Officer & Secretary	Chief Financial Officer of Matco, the Corporation and Matco Investments Ltd.

Biographies of each director and officer, including his principal occupations for the last five years, are set forth below:

Ronald P. Mathison, CA, CBV, CFA

Director & Chairman

Mr. Mathison is president, chief executive officer and sole shareholder of Matco Investments Ltd., a private firm specializing in corporate turnarounds and providing capital and management expertise to private and public companies.

William K. Dickie, CFA

Director, Chief Investment Officer & Portfolio Manager

Mr. Dickie is responsible for the strategic development and investment operations of Matco. Previously, he was president and director of Fiduciary Trust Company of Canada, where he was responsible for establishing and managing the firm.

Jason N. Vincent, PFP, TEP

Director, President & Chief Operating Officer

Mr. Vincent focuses on strategic development and corporate operations.. Prior to co-founding Matco, Mr. Vincent was executive vice president of Bissett Private Client and later Fiduciary Trust Company of Canada..

Ian Hill, CA
Chief Financial Officer

Mr. Hill is responsible for compliance with public reporting obligations and implementing controls and procedures. Mr. Hill is also currently the chief financial officer for Matco Investments Ltd. Prior to joining Matco, Mr. Hill was controller, operational accounting at Plains Midstream Canada LLP. Mr. Hill has also served as chief financial officer of a public TSX Venture Exchange listed company.

DIRECTORS AND OFFICERS OF THE CORPORATION

The names, municipalities of residence, offices held with the Corporation and principal occupations of the directors and officers of the Corporation are as follows:

Name And Municipality of Residence	Office	Occupation
Jason N. Vincent Calgary, Alberta	Director, President & Chief Operating Officer	
William K. Dickie Calgary, Alberta	Director & Chief Investment Officer , Portfolio Manager of Matco	
Ronald P. Mathison Calgary, Alberta	Director & Chairman	President and Chief Executive Officer of Matco Investments Ltd., a private firm specializing in corporate turnarounds and providing capital and management expertise to private and public companies
Ian Hill Calgary, Alberta	Chief Financial Officer & Secretary	Chief Financial Officer of Matco, the Corporation and Matco Investments Ltd.

Biographies of each director and officer, including his or her principal occupations for the last five years, are set forth above under “**Responsibility For Operations of the Funds – Directors and Officers of Matco**” on page 18.

MANAGEMENT AND TRUSTEE OF THE BALANCED FUND

Matco has been appointed as Manager of the Balanced Fund and RBC Dexia has been appointed as Trustee of the Balanced Fund. For more information see “**Responsibility for Operations of the Funds – Manager**” on page 17.

INVESTMENT ADVISOR

Matco provides investment advice and portfolio management services for each of the Funds. The Management Agreement and Trust Agreement outline the investment advisory services provided by Matco. For more information see “**Responsibility for Operations of the Funds – Manager**” on Page 17.

Matco is required to comply with the investment restrictions and objectives of each of the Funds and to execute trades in a cost-effective manner. Matco may consider research, statistical analysis, and other services provided to the Funds by various brokers in determining whether brokerage commissions and execution costs

are relatively competitive.

Investment decisions are independently formulated by Matco. Matco additionally uses the services of non-proprietary managers as well as research providers as described below, see “**Responsibility for Operations of the Funds – Non-proprietary Investment Management Services**” and “**Responsibility for Operations of the Funds – Research Providers**” on pages 21 and 22. Investment decisions are implemented according to the investment objectives of each Fund.

Jason N. Vincent, president and chief operating officer of Matco, together with the portfolio managers of the Funds, is principally responsible for the day-to-day management of the portfolios of the Funds. See “**Responsibility for Operations of the Funds – Manager**” on page 17.

The day-to-day investment decisions in respect of each Fund are made by the following individuals:

MATCO CANADIAN EQUITY INCOME FUND, MATCO SMALL CAP FUND AND MATCO ENERGY EQUITY FUND

Individual Portfolio Manager	Company	Experience
Lee Appleton	Matco	Mr. Appleton is a member of the Matco investment committee that is responsible for the firm's strategic asset mix, investment research and portfolio management. He is also a member of Matco's Canadian Equity Group, which manages the Canadian Equity, Small Cap, and Energy funds. Prior to joining Matco, Mr. Appleton was with Computerized Portfolio Management Services Inc., one of North America's leading independent equity research firms.
Daniel Cheng, CFA	Matco	Mr. Cheng is a member of the Matco investment committee. He is also a member of Matco's Canadian Equity Group, which is responsible for the Canadian Equity, Small Cap, and Energy funds. Mr. Cheng was formerly with Ross Smith Energy Group, an energy research firm. He was also a member of the Institutional Equity Research Group of Tristone Capital Inc.
William K. Dickie, CFA	Matco	Mr. Dickie is responsible for the strategic development and investment operations of Matco. He is also a member of the Matco investment committee. Mr. Dickie has worked with private clients to help achieve their goals since 1979 when he joined McLeod Young Weir Limited. Prior to forming Matco, he was president and director of Fiduciary Trust Company of Canada.

BALANCED FUND

Individual Portfolio Manager	Company	Experience
Jerry A. Olynuk, LLB, CFA	Matco	Mr. Olynuk is a member of the Matco investment committee, which is responsible for the firm's strategic asset mix and investment research. As part of the investment committee, Mr. Olynuk's duties include acting as co-manager of the Matco Balanced Fund as well as working directly with private clients. Previously, he was vice president and portfolio manager at Guardian Capital Advisors LP. During his career, Mr. Olynuk has garnered considerable experience in estate and trust planning and the management of related portfolios.
Jason Vincent, PFP, TEP	Matco	Mr. Vincent focuses on strategic development and corporate operations. Prior to co-founding Matco, Mr. Vincent was executive vice president of Bissett Private Client and later Fiduciary Trust Company of Canada. He is also an associate portfolio manager and a member of the firm's investment committee.
Justin Charbonneau, CFA	Matco	Mr. Charbonneau is a member of the firm's investment committee. Prior to joining Matco, Mr. Charbonneau was with McLean & Partners Wealth Management Ltd., where he managed a diverse group of private client accounts and served on the investment committee.

NON-PROPRIETARY INVESTMENT MANAGEMENT SERVICES

As part of Matco's provision of portfolio management services and investment strategy, Matco has the ability to utilize the services of non-proprietary (external) managers within the group of Matco Funds. Matco's primary expertise relates to Canadian securities and, as a result, U.S. and international focused investment expertise is accessed through non-proprietary managers. If utilized, non-proprietary (external) managers provide day-to-day analysis, investment advice, and portfolio management relating to the investment of the portion of the Fund(s)' assets that are assigned to them.

The non-proprietary managers conduct their own research and analysis and make independent investment and portfolio management decisions regarding a Fund's investment portfolio. All Fund portfolios are constructed and managed by reference to the established investment objectives, policies, strategies, and restrictions guidelines. Responsibility for ensuring the implementation of the appropriate policy for each Fund rests with Matco, although Matco does not provide prior approval or review of specific investment portfolio decisions made by the non-proprietary managers. When providing investment advice and management to the Manager and the Funds, the non-proprietary managers must work exclusively within the Matco Fund Family investment guidelines at all times as well as within the specific investment restrictions and practices described in the Funds' Simplified Prospectus and the standard investment restrictions and practices set forth in NI 81-102. Each sub-advisor has compliance staff who test a Fund's portfolio trading activities and holdings against the established

investment policies. See "**Investment Restrictions and Practices**" on page 4. The Manager monitors and evaluates the performance of each of the non-proprietary managers. The officers of the Manager, responsible for investments, regularly meet to confirm that investment decisions, made in respect of the Funds, conform with the investment objectives and strategies set out in the Funds' Simplified Prospectus. Matco employs a rigorous investment management process that ensures non-proprietary managers are satisfying the required objectives. If objectives are not met, Matco has the authority to make adjustments. If any non-proprietary manager is found to be in material breach of any of its obligations under their agreement with Matco, and such breach remains in effect thirty (30) days after having received notice of such breach, Matco's agreements with such non-proprietary manager may be terminated. **The circumstances under which such a breach may give rise to termination include: breach of investment mandate or compliance; such manager not possessing the appropriate registrations; bankruptcy; and such manager not achieving performance expectations.**

RESEARCH PROVIDERS

Matco primarily performs their own independent security research. However, Matco receives research from third party companies to help locate and advise on potential investments, and to provide day-to-day analysis and investment advice without directly assisting in the management of the investment portfolio of a Fund.

BROKERAGE ARRANGEMENTS

Matco makes decisions as to the purchase and sale of portfolio securities and other assets of the Funds such as cash and term deposits as well as decisions regarding the execution of portfolio transactions of a Fund. Matco seeks to obtain the best execution and net price of securities transactions when arranging or executing trades on behalf of the Funds. Trades are generally allocated to brokers based on a number of factors, including execution capability, commission rate, financial responsibility, and responsiveness with best price normally an important factor.

CUSTODIAN/TRUSTEE

Matco has appointed RBC Dexia of Toronto, Ontario, as custodian of the Funds to hold portfolio securities of the Funds and, as service provider, to maintain applicable Funds registers, pursuant to the terms of the Trust Agreement and a custodian agreement dated June 29, 2007, between the Corporation and RBC Dexia (the "**Custodian Agreement**"). The custodian agreement between the Corporation and RBC Dexia was amended and restated December 15, 2009 to include the Matco Small Cap Fund.

The Funds pay RBC Dexia a service fee as described in the Custodian Agreement and Valuation and Recordkeeping Services agreements. These fees accrue within the Funds and form part of the operational expenses of the Funds. The Custodian Agreement with RBC Dexia may be terminated by either party on 30 days' prior written notice or immediately by either party on written notice if:

- either party ceases to carry on business, becomes bankrupt or insolvent, is wound up or liquidated or if a receiver of any of the assets of the other party is appointed;
- either party commits a material breach of the Custodian Agreement and shall not have remedied such breach within 60 days after written notice requiring the same to be remedied; or

- if the Custodian ceases to meet the regulatory requirements for acting as custodian of the Funds' assets.

Marketable securities are held at the Custodian's principal offices in Toronto, with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by the Custodian or under its authority in various foreign jurisdictions, where a Fund may have assets invested. The Custodian or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system.

RBC Dexia additionally serves as the trustee of the Balanced Fund and provides valuation and recordkeeping services for the Funds.

AUDITOR

The auditor of the Funds is KPMG LLP located in Calgary, Alberta.

Conflicts of Interest

Matco and its affiliates, directors and officers may engage in the promotion, management or investment management of any other fund or other investment vehicle and certain conflicts may arise from time to time in the management of such funds or vehicles and in determining appropriate investment opportunities.

The Funds are managed by Matco, who additionally acts as a dealer of such Funds in the provinces of Alberta and British Columbia. As such, the Funds are subject to the restrictions set out in Section 4.1 of NI 81-102, which provide that a Fund shall not knowingly make an investment during, or for 60 days after, the period in which Matco or an affiliate of Matco acts as an underwriter in the distribution of the investment. In addition, a Fund shall not knowingly make an investment in securities, where a partner, director, officer or employee of Matco or its affiliates is a partner, director or officer of the issuer of the securities, unless the partner, director, officer or employee (i) does not participate in the formulation of investment decisions, (ii) does not have access before implementation to information concerning investment decisions, and (iii) does not generally influence the investment decisions.

In addition and as further described below under "**Fund Governance – Independent Review Committee**" on page 25, the Funds have established an independent review committee to which conflict of interest matters are referred. The establishment of an independent review committee is a regulatory requirement under National Instrument 81-107 – Independent Review Committee for Mutual Funds ("**NI 81-107**").

PRINCIPAL HOLDERS OF SECURITIES

As at the date hereof, except as set out below, no person or company owned of record or, to the knowledge of the Funds, beneficially, directly or indirectly, owns more than 10% of the outstanding shares or units of any series of the Funds.

Matco is the holder of the 100 outstanding common shares of the Corporation, being all of the issued and outstanding common shares of the Corporation. The outstanding shares of Matco are owned or controlled 28.4% by William K. Dickie, 20.5% by Jason N. Vincent and 51.1%, indirectly, by Ronald P. Mathison.

Ronald P. Mathison, a director of both Matco and the Corporation, holds indirectly, through Matco Investments Ltd., a corporation wholly owned and controlled by Ronald P. Mathison, 2,725,607.45 series F units of the Balanced Fund, 1,764,846.93 series F shares of the Matco Canadian Equity Income Fund, 606,894.27 series F shares of the Matco Energy Equity Fund and 160,757.88 series F shares of the Matco Small Cap Fund, representing 79%, 71%, 74%, and 73% of the outstanding F units and shares of each of such Funds, respectively, and 52%, 51%, 41%, and 22% of the total outstanding units of such Funds, respectively.

The following table sets out the aggregate percentage of each series of shares of the Corporation, or of units of the Balanced Fund, beneficially owned, directly or indirectly, by the directors and senior officers of the Corporation and Matco, as at the date hereof.

Name of Fund or Company	Series/Class	Percentage Owned
Matco Funds Corp.	Common shares	100%
Matco Canadian Equity Income Fund	A series	0%
	F series	71%
	O series	11%
Matco Energy Equity Fund	A series	0%
	F series	75%
	O series	0%
Matco Balanced Fund	A series	0%
	F series	79%
	O series	1%
Matco Small Cap Fund	A series	0%
	F series	73%
	O series	1%

Disclosure relating to the amount of fees received from the Funds by each affiliate or related party of the Funds is contained in the Funds' audited financial statements.

Fund Governance

Fund governance refers to the policies, practices and guidelines of the Funds that relate to:

- business practices;
- sales practices; and
- internal conflicts of interest.

The Board of Directors of Matco, as Manager of the Funds, has adopted or arranged for appropriate policies, procedures and guidelines to ensure the proper management of the Funds. These include best execution practices, soft dollar arrangements, brokerage arrangements, trade allocation practices, record keeping, privacy and complaints. The systems that have been implemented monitor and manage the business practices, risk, and internal conflicts of interest relating to the Funds while ensuring compliance with regulatory and corporate requirements.

In addition to the oversight of the Corporation's and the Balanced Fund's operations required to be carried out by Matco, the Corporation also has a Board of Directors, with all of the regular duties imposed upon directors of a business corporation under the ABCA and the Balanced Fund has a trustee with the statutory and fiduciary duties of a trustee being owed to the Balanced Fund. Under the ABCA, the directors must act honestly, in good faith, and in the best interests of the Corporation, and must exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in the same circumstances. To help them carry out their obligations to the Funds' investors, the Board of Directors in respect of the Corporate Structured Funds, have engaged Matco and Matco additionally acts as Manager of the Balanced Fund under the terms of the Trust Agreement. None of the three directors of the Corporation are independent of both Matco and the Corporation while the trustee of the Balanced Fund is independent of Matco.

INDEPENDENT REVIEW COMMITTEE

The Funds have established an Independent Review Committee ("IRC") to which conflict of interest matters relating to the Funds are referred by the Manager for review or approval in accordance with NI 81-107. The mandate of the IRC is to review all conflict of interest matters relating to the Funds referred to it by the Manager and to approve or withhold its approval from such matters in accordance with its written charter, NI 81-107 and applicable securities laws. The members of the IRC are Alan Akers, Lorne Gartner, and Bob Wilkinson.

The Manager has established written policies and procedures for dealing with conflict of interest matters, maintains records in respect of these matters and provides assistance to the IRC in carrying out its functions. The IRC is required to be comprised of a minimum of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Manager and shareholders and unitholders in respect of its functions at least annually.

The Manager reports to the IRC regularly on the operation of the Funds and periodically on: (i) compliance with their policies and procedures for dealing with conflict of interest matters; (ii) appropriate resolution of potential or perceived conflicts of interest; and (iii) compliance with regulatory requirements.

The Funds pay the fees and expenses of the IRC that relate to the Funds. During the financial year ended December 31, 2010, the Funds paid compensation of an aggregate of \$17,690 to the members of the IRC, being

Messrs. Akers, Gartner and Wilkinson, equally. Such amounts were paid as to \$3,416 by the Matco Energy Equity Fund, as to \$1,400 by the Matco Small Cap Fund as to \$6,435 by the Matco Canadian Equity Income Fund and as to \$6,439 by the Matco Balanced Fund.

DERIVATIVES

Derivatives can be used by the Funds to achieve their investment objective as disclosed in the Funds' Simplified

Prospectus. If utilized, derivatives will comply with all applicable securities legislation and regulations as disclosed in the Funds' prospectus. Oversight of derivatives trading is undertaken by Matco and the Funds' non-proprietary managers. Procedures relating to the use of these derivatives are developed with the counterparty and are reviewed annually by Matco. Written policies and procedures will be established by management to manage the risk associated with derivatives upon the use of such transactions. As of the date hereof, the Funds have not engaged in any derivatives trading. As such, no trading limits or controls on such trading have been put in place, no individuals monitor risks associated with such trading, and no risk measurement procedures or simulations are used.

SECURITIES LENDING

The Funds may engage in securities lending, repurchase or reverse repurchase transactions from time to time.

Securities lending involves lending, for a fee, portfolio securities held by a Fund for a set period of time to willing, qualified borrowers who have posted collateral. The Funds intend to enter into securities lending arrangements from time to time to the extent permitted. In lending its shares or units, a Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the shares or units it has lent, resulting in a loss to the Fund. To limit this risk, a Fund must hold collateral worth no less than 102% of the value of the loaned shares or units and the amount of collateral is adjusted daily to ensure this level is maintained. The collateral may only consist of cash, qualified securities or securities that can be immediately converted into securities identical to those that have been loaned. A Fund cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions and a Fund's total exposure to any one borrower in securities, derivative transactions and securities lending must be less than 10% of the total value of the Fund's assets.

Policies and procedures relating to any securities lending transaction entered into on behalf of a Fund will be developed by Matco and RBC Dexia, acting as the Funds' agent in administering the transaction. Any agreements, policies, and procedures that are applicable to a Fund relating to securities lending will be reviewed by senior management of Matco periodically as deemed appropriate. RBC Dexia, as agent lender, administers securities lending transactions on behalf of the Fund, with Matco being responsible for setting and reviewing agreements, policies and procedures relating to such transactions. While the entering into of securities lending transactions and policies, procedures, and agreements relating thereto are monitored by RBC Dexia, as agent, and Matco, no individuals or groups independently monitor such transactions and no risk measurement procedures or situations are used to test the portfolio under stress conditions.

SHORT-TERM TRADES

Short-term trading can hurt a Fund's performance by forcing the portfolio manager to keep more cash in the Fund than would otherwise be required or to sell investments at an inappropriate time. To deter short-term trading, Matco has implemented a 90-day redemption and switch fee of 2% (see "**Fees and Expenses**" in the Simplified Prospectus of the Funds). The fees may not apply to shareholders or unitholders of series O shares or units if they are held on a discretionary basis and managed by Matco. No formal or informal arrangements have been made to allow for short-term trading in any of the Funds. The Manager assesses the short-term trading fee charged to an investor on a case-by-case basis and may, at its absolute discretion, reverse the short-term trading fee. For purposes of a short-term trading fee, shares or units will be considered to be redeemed on a first-in first-out basis.

Matco has implemented a policy of monitoring short-term trading and where appropriate will charge a holder of Fund Securities through RBC Dexia. RBC Dexia systematically monitors trading activity and, where appropriate, will charge a holder of Fund securities the applicable short-term trading fee. For series O units or shares, Matco has the discretion to waive this short-term trading fee as these investments are primarily managed on a discretionary basis by Matco.

VOTING OF PROXIES

Matco has adopted proxy voting guidelines to ensure that proxies are voted in accordance with good corporate governance practices.

Matco generally refers the matter to the IRC for direction in any circumstance where a vote presents a conflict between the interests of shareholders or unitholders of a Fund and those of Matco, the Fund or a Fund's portfolio sub-advisor or any of their associates. Other than in circumstances involving such a conflict, proxies will be voted by Matco in accordance with the following guidelines:

- Matco will support establishing a majority of independent directors and independent committee chairs.
- Matco will support establishing minimum standards for directors and the disclosure of the directors' qualifications to shareholders.
- We will generally support proposals limiting directors' liability and indemnifying directors who have acted in the Corporation's best interests.
- We will support open-ended terms and will oppose mandatory retirement ages for directors.
- Matco will support disclosing directors' board and committee attendance records and will generally oppose electing directors who attend less than 75% of such meetings without a valid reason for their absence.
- Matco will support holding in-camera board meetings without management or management directors present.
- Matco will support reducing board size as necessary.

- Matco will support electing staggered boards with individually elected nominees who can be removed by a single majority vote and will oppose staggered boards with a slate of nominees or where the board routinely ignores majority shareholder votes without a reasonable explanation.
- Matco will support reviewing cumulative voting proposals on a case-by-case basis and will vote for such proposals if they ensure an independent voice and if the Board has not responded to shareholder concerns. The cumulative voting proposals should not conflict with the Board's fiduciary responsibilities to all shareholders.
- Matco will support management information circulars explaining how any shareholder can suggest prospective candidates to the Board's nominating committee.
- Matco will support, where possible, separating the chair and chief executive officer roles.
- Matco will support telling shareholders how independent directors are compensated.
- Matco will support adequately compensating qualified directors and ensuring that directors' fees reflect the expertise, responsibilities, and time commitment expected of directors.
- Matco will support establishing the minimum number of shares that a director must own and further support these shares being held for a mandatory time.
- Matco will support the granting of stock options, which will be reviewed on a case-by-case basis.
- Matco will support disclosing the number of shares owned by directors.
- Matco will support establishing an independent compensation committee to ensure that executive compensation is competitive and fair.
- Matco will support establishing a formal process to review the chief executive officer's performance and compensation.
- Matco will support establishing executive stock grants with a mandatory hold period as part of total compensation.
- Matco will support establishing minimum share ownership standards for executives, while keeping in mind an individual's circumstances.
- Matco will support providing shareholders with full disclosure of senior executive compensation and share ownership.
- Generally, Matco will not support making preferential loans to employees or directors; and generally, shall not support making loans secured by company shares or granting loans to purchase company shares. Neither do we support making a practice of advancing expenses to employees or directors.
- Matco will support establishing employee stock purchase plans, which create value for shareholders.
- Matco will support shareholder rights plans, which promote a competitive auction if there is a takeover offer and which do not negatively affect shareholder rights.

- Matco will oppose “blank cheque” proposals that adversely affect voting rights.
- Matco will support only selling valuable company assets when they will deliver fair value to shareholders.
- Matco does not support takeover offers where the break fees prevent competitive offers.
- Matco will support establishing policies that oppose paying greenmail.
- Matco will support only issuing additional common shares for good business reasons.
- Matco will support evaluating shareholder proposals on a case-by-case basis.

The specific policies and procedures that the Funds follow, when voting proxies relating to portfolio securities, are available upon request, at no cost, by calling toll-free: 1-877-539-5743 or by writing to Matco, Suite 400, 407-8th Avenue S.W., Calgary, Alberta, T2P 1E5. The Funds' proxy voting record for the most recent period ended June 30 of each year is available free-of-charge to any shareholder or unitholder of a Fund upon request at any time after August 31 of that year and will additionally be available on the Funds' website at www.matcofinancial.com.

Fees and Expenses

Each Fund pays Matco a monthly management fee, which is unique to each series of shares or units of a Fund as set out in such Fund's Simplified Prospectus. With respect to the series O shares or units of a Fund, and to encourage large investments, the Manager may individually negotiate a lower management fee than is payable in respect of series A or series F shares. Factors applicable in negotiating such lower fees include, but are not limited to, size of investment, servicing requirements and frequency of purchases. The fee is calculated and paid monthly, based on the average NAV of the Fund for the applicable month. In addition to the fee payable to Matco, each Fund is responsible for its operating expenses (other than fees payable to any investment advisor, which are payable by Matco).

Income Tax Considerations

This section provides a general summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the “**Tax Act**”), as of the date hereof, for the Funds and for holders of shares or units issued by the Funds who, for purposes of the Tax Act, are resident in Canada, hold such shares or units as capital property and deal with the Funds at arm's length. The tax treatment of an investment in a Fund will vary depending upon whether the securities held by an investor are shares of a Corporate Structured Fund or units of the Balanced Fund. The Funds contain funds structured both as classes of shares of the Corporation and as separate trusts. The Funds have been structured in this way in an effort to minimize the tax impact of ownership of shares or units of the Funds and to allow shareholders or unitholders of Funds to switch between Funds in a tax-effective manner. This summary is based on the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”). This summary does not take into account or anticipate any changes in law, other than the Tax Proposals, whether by legislative, administrative or judicial action and it does not take into account provincial or foreign income tax legislation or considerations.

This summary is not exhaustive of all possible federal income tax considerations and, other than the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action. This summary does not deal with foreign or provincial income tax considerations, which might differ from federal considerations. This summary does not constitute legal or tax advice to any particular investor. Investors are advised to consult their tax advisors with respect to their individual circumstances.

GENERAL

Each of the Funds is required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of the U.S. dollar or other relevant currency relative to the Canadian dollar. Generally, a Fund will include gains and deduct losses on its income account in connection with its derivative activities and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

THE CORPORATION

Status

As of the date hereof, the Corporation qualifies as a mutual fund corporation for purposes of the Tax Act. The taxable income of the Corporation, including taxable capital gains (net of allowable capital losses), will be subject to tax at normal corporate rates.

Taxes payable by the Corporation on any net realized taxable capital gains will be refundable on a formula basis when shares are redeemed or when the Fund pays dividends on the shares which the Fund elects to be treated as capital gains dividends ("**Capital Gains Dividends**"). Capital gains may be realized by the Corporation in a variety of circumstances, including on the disposition of portfolio assets of the Corporation as a result of shareholders of a Class of the Corporation converting their shares of such Class into shares of another Class of the Corporation.

Unless the Corporation qualifies as an "investment corporation" for the purposes of the Tax Act throughout a taxation year, the Corporation will generally be subject to a refundable tax under Part IV of the Tax Act at the rate of 33-1/3% on taxable dividends received by it from taxable Canadian corporations, which tax will be refundable on the basis of a \$1.00 refund for each \$3.00 of taxable dividends paid by the Fund to holders of its shares.

If the Corporation satisfies the conditions under the Tax Act necessary to qualify as an investment corporation throughout a taxation year, it will not be subject to Part IV tax on dividends, which it receives from taxable Canadian corporations and will be entitled to deduct from its tax otherwise payable an amount equal to 20% of the amount by which its taxable income for the year exceeds its "taxed capital gains" for the year.

All of the Corporation's revenues, deductible expenses, capital gains and capital losses in connection with all of the Corporation's investment portfolios, and other items relevant to the tax position of the Corporation (including the tax attributes of all of the Corporation's assets), will be taken into account in determining the income or loss of the Corporation and applicable taxes payable by the Corporation as a whole, including refundable capital gains taxes payable. For example, all deductible expenses of the Corporation, both expenses common to all Classes of the Corporation and expenses attributable to particular Classes or series, will be taken into account in computing the income or loss of the Corporation as a whole. Similarly, capital losses of the Corporation in respect of any segment of the Corporation's investment portfolio referable to a particular Class may be applied against capital gains of the Corporation in respect of any segment of the Corporation's investment portfolio referable to another Class or Classes in determining any refundable capital gains taxes

payable by the Corporation as a whole. In addition, any ordinary operating losses of the Corporation (whether from the current year or carried forward from prior years) attributable to any particular Class may be applied against income or taxable income of the Corporation attributable to any other Class or Classes.

Taxable Shareholders of the Corporation

In the case of a shareholder of the Corporation who is an individual, taxable dividends paid by the Corporation, other than capital gains dividends, whether received in cash or reinvested in additional shares, will be included in computing his income. "Eligible Dividends" are those dividends that qualify, in the hands of individuals resident in Canada, for an enhanced dividend "gross-up" and an enhanced dividend tax credit. The dividend "gross-up" and tax credit treatment normally applicable to dividends paid by taxable Canadian corporations, including in respect of eligible dividends, will apply to dividends paid by the Corporation. As the Corporation generally receives dividends that are eligible for the enhanced rate "gross-up" and credit mechanisms, it is anticipated that substantially all dividends that are in turn paid by the Corporation to its shareholders will also qualify as eligible dividends.

In the case of a shareholder of the Corporation that is a corporation, taxable dividends paid by the Corporation, whether received in cash or reinvested in additional shares, will be included in computing its income but generally will also be deductible in computing its taxable income. A "private corporation" or a "subject corporation" (as defined in the Tax Act), which is entitled to deduct such dividends in computing its taxable income, will normally be subject to Part IV refundable tax under the Tax Act.

The Corporation may also make distributions to shareholders of realized capital gains by way of Capital Gains Dividends. Capital Gains Dividends may be paid by the Corporation to shareholders of any particular Class or Classes in order to obtain a refund of capital gains taxes payable by the Corporation as a whole, whether or not such taxes relate to the investment portfolio attributable to such Class or Classes. Capital Gains Dividends paid by the Corporation will be treated as realized capital gains in the hands of shareholders and will be subject to the general rules relating to the taxation of capital gains, which are described below.

A shareholder of the Corporation generally is required to include in his or her income for tax purposes for a particular year any repayment to the shareholder of management fees paid by the Fund. However, in certain circumstances, the shareholder may elect under the Tax Act that such management fee repayments instead may be deducted in computing the cost to the shareholder of securities of such Fund.

The conversion by a shareholder of shares of a series of one Class of the Corporation into shares of another Class or shares of a different series of the same Class will not be a disposition under the Tax Act of the securities so converted. As a result, such a shareholder will not realize a capital gain or capital loss on the conversion. The shareholder's cost of the shares of a series of a Class of the Corporation acquired on the conversion will be deemed under the Tax Act to be the adjusted cost base to the shareholder of the shares of the series of the Class of the Corporation so converted immediately before the conversion. This cost will be required to be averaged with the adjusted cost base of other shares of such series owned by the shareholder.

The redemption of shares of the Corporation in order to satisfy the negotiable conversion fee payable by a shareholder will be a disposition of such shares to the shareholder and will give rise to a capital gain (capital loss) equal to the amount by which the proceeds of disposition of such shares exceeds (or is less than) the aggregate of the adjusted cost base of such shares and any reasonable cost of disposition.

THE BALANCED FUND

The Trust Agreement governing the Balanced Fund requires that the Fund distribute its net income for tax purposes and net realized capital gains, if any, for each taxation year of the Fund to unitholders to such an extent that the Fund generally will not be liable in any taxation year for income tax under Part I of the Tax Act on such net income and net realized capital gains (after taking into account any applicable losses of the Fund and any capital gains refunds to which the Fund is entitled).

Taxable Unitholders of the Balanced Fund

A unitholder will generally be required to include in income, for tax purposes for any year, the amount (computed in Canadian dollars) of income and net taxable capital gains, if any, paid or payable by the Fund to the unitholder in the year, whether or not such amounts are paid in cash or are reinvested in additional units of the Fund.

Any amount received by a unitholder in excess of the unitholder's share of the net income of the Fund generally will not be required to be included in the unitholder's income but, except to the extent that it constitutes the unitholder's share of the non-taxable portion of capital gains realized by the Fund and designated to the unitholder, generally will reduce the adjusted cost base of the unitholder's units.

The Fund will designate to the extent permitted by the Tax Act the portion of the net income distributed to unitholders as may reasonably be considered to consist of taxable dividends received by the Fund on shares of taxable Canadian corporations and net taxable capital gains of the Fund. Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. In the case of a unitholder who is an individual, the dividend gross-up and tax credit treatment normally applicable to taxable dividends, including eligible dividends, paid by a taxable Canadian corporation will apply to amounts so designated as taxable dividends.

In the case of a unitholder that is a corporation, amounts designated as taxable dividends will be included in computing its income but generally will also be deductible in computing its taxable income. A private corporation or a subject corporation (as defined in the Tax Act), which is entitled to deduct such dividends in computing its taxable income, will normally be subject to Part IV refundable tax under the Tax Act.

Capital gains so designated by the Fund will be subject to the general rules relating to the taxation of capital gains described below. In addition, the Fund will similarly make designations in respect of its income from foreign sources, if any, so that, for the purpose of computing any foreign tax credit available to a unitholder, the unitholder will be deemed to have paid as tax to the government of a foreign country that portion of the taxes paid by the Fund to that country that is equal to the unitholder's share of the Fund's income from sources in that country.

Unitholders will be informed each year of the composition of the amounts distributed to them (in taxable dividends, net taxable capital gains, foreign source income and returns of capital, and other trust income where applicable) and of the amount designated by the Fund as taxable dividends, including eligible dividends, on shares of taxable Canadian corporations and taxable capital gains and of the amount of any foreign taxes paid by the Fund in respect of which the unitholder may claim a credit for tax purposes to the extent permitted by the Tax Act, where those items are applicable. It is anticipated that the Fund's earnings in respect of forward contracts, future contracts, options and other derivatives will be on income rather than on capital account.

The Fund will report the character of the dividend composition of amounts distributed based on information provided by the issuer of the share on which the dividend was paid.

Non-Taxable Unitholders of the Balanced Fund

In general, the amount of distributions paid or payable to a registered retirement savings plan, registered retirement income fund, registered education savings plan, a deferred profit sharing plan, a registered disability savings plan or a tax free savings account (a "TFSA") from the Balanced Fund will not be taxable under the Tax Act until it is withdrawn from the registered plan. However, withdrawals from a TFSA are not subject to tax. The amount of distributions reinvested in additional units will increase the registered plan's tax cost of units of the Fund. Registered planholders are responsible for keeping a record of their investment.

Eligibility for Investment for Registered Plans

Currently the units of the Balanced Fund and the shares of the Corporation are a qualified investment under the Tax Act for a registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit-sharing plan, registered disability savings plan or a TFSA. However, you may be subject to a penalty tax if the securities are a "prohibited investment" for the purpose of a TFSA, a registered retirement savings plan or a registered retirement income fund under the Tax Act. You should consult your tax advisor in this regard.

Taxation of Capital Gains (or Capital Losses)

A holder of shares or units issued by any of the Funds who realizes a capital gain or a capital loss upon the disposition or deemed disposition of such shares or units as discussed in this summary will generally be required to include one-half of the amount of any capital gain (a "taxable capital gain") in income and will be required to deduct one-half of the amount of any resulting capital loss (an "allowable capital loss") up to the amount of taxable gains in the taxation year in which such capital gains (or capital losses) are realized. Allowable capital losses not deducted in the taxation year in which they are realized may ordinarily be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6-2/3% on its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains.

If a shareholder disposes of shares of the Corporation, the amount of any capital loss arising on such disposition may be reduced by the amount of dividends received, or deemed to be received, by the shareholder to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply when a corporation is a member of a partnership or is a beneficiary of a trust that owns shares of the Corporation. Shareholders to whom these rules may be relevant should consult their tax advisors with regard to their particular circumstances.

In the Offshore Investment Fund Property Canadian federal budget, which was tabled in the House of Commons on March 4, 2010, the

Minister of Finance announced that prior Tax Proposals relating to the taxation of investments in foreign investment entities (the "FIE Proposals") will not be implemented. Instead, existing section 94.1 of the Tax Act will stay in force subject to certain limited enhancements. A Fund may be subject to existing section 94.1 of the Tax Act if the Fund holds or has an interest in "offshore investment fund property." In order for existing section 94.1 of the Tax Act to apply to a Fund, the value of the interest must reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments of the offshore investment fund property. If

applicable, these rules can result in the Fund including an amount in its income based on the cost of the Fund's offshore investment fund property multiplied by a prescribed interest rate. These rules would apply in a taxation year to the Fund if it could reasonably be concluded, having regard to all circumstances, that one of the main reasons for the Fund acquiring, holding or having the investment in the entity that is an offshore investment fund property, was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Fund.

Calculating Adjusted Cost Base

A shareholder's or unitholder's capital gain or loss for tax purposes will be the difference between the amount received by the shareholder or unitholder upon a disposition or deemed disposition of such holder's securities and the adjusted cost base of those securities. A holder's adjusted cost base must be determined separately for each series of shares or units owned by such shareholder or unitholder in each Fund. In general, the adjusted cost base of a shareholder's or unitholder's shares or units of a series in any of the Funds will equal:

- (a) such shareholder's or unitholder's initial investment, including any applicable charges paid by the holder; plus
- (b) any additional investments, including any applicable charges paid by the holder; plus
- (c) any reinvested distributions or dividends including management fee distributions; minus
- (d) non-taxable amounts, such as a return of capital; minus
- (e) the adjusted cost base of any securities previously disposed of.

The adjusted cost base of a share or unit of a series of a Fund will be the average of the adjusted cost base of all shares or units of the same series in that Fund owned by a shareholder or unitholder. To the extent that the adjusted cost base of a holder's shares or units would otherwise be a negative amount as a result of receiving a distribution that is a return of capital, the negative amount will be deemed to be a capital gain realized by the shareholder or unitholder from a disposition of the shares or units and the shareholder's or unitholder's adjusted cost base of the shares or units would be increased by the amount of such deemed gain. Shareholders or unitholders should keep detailed records of the cost of such shareholder's or unitholder's investments and distributions in order to calculate such shareholder's or unitholder's adjusted cost base in the shares or units of the Funds. Shareholders or unitholders may wish to consult a tax advisor to assist with such calculations.

Buying Securities Late in the Year

According to the distribution policy of the Funds, the only or largest distributions will typically take place in December. If a unitholder buys units of the Balanced Fund just before it makes such a distribution, or shares of the Corporation, just before a dividend record date, such holder will be taxed on the entire distribution or dividend even though the Fund may have earned the income or realized the gain giving rise to the distribution of dividends before securities were owned. Accordingly, shareholders or unitholders may have to pay tax on such shareholder's or unitholder's proportionate share of the net income or net realized capital gains earned by the Funds for the whole year, even though such shareholders or unitholders were not invested in the Funds throughout the year.

Alternative Minimum Tax

Individuals and certain trusts may be subject to alternative minimum tax. Capital gains, capital gains dividends, and taxable dividends may give rise to liability for such minimum tax.

OTHER CONSIDERATIONS

We will issue tax statements to you each year indicating the amount of taxable dividends and capital gains dividends paid to you. You should keep detailed records of the purchase cost, sales charges, and dividends related to your Fund shares in order to calculate the adjusted cost base of those shares. You may wish to consult a tax advisor to help you with these calculations.

Distributions are made by a Fund without regard to when a shareholder or unitholder acquired its shares or units. Thus, a shareholder or unitholder may be taxed on a portion of the income earned and net capital gains realized, but not yet distributed (or accrued, but not yet realized) by a Fund before the shareholder or unitholder acquired its shares or units of such Fund. This will be particularly relevant where shares or units are not held in a registered plan, registered education savings plan or other tax-exempt entity and the shareholder or unitholder acquires the shares or units late in a year.

Remuneration of Directors and Officers

The directors of the Corporation do not receive any compensation from the Corporation for their services. Executive officers of the Corporation currently are each also employed by Matco and do not currently receive any compensation from the Corporation or the Balanced Fund.

Material Contracts

The following material contracts entered into by the Corporation are currently in effect:

- (a) the Articles of the Corporation;
- (b) the Management Agreement made between Matco and the Corporation dated June 29, 2007, as amended on September 29, 2008, August 6, 2009 and August 12, 2011;
- (c) the Custodian Agreement between RBC Dexia and the Corporation dated June 29, 2007, as amended and restated on December 15, 2009; and
- (d) the Valuation and Recordkeeping Services Agreement between RBC Dexia and the Corporation dated June 29, 2007, as amended and restated on December 15, 2009.

The following material contracts entered into by Matco, on behalf of the Balanced Fund are currently in effect:

- (a) the Trust Agreement; and
- (b) the Valuation Services Agreement between RBC Dexia and Matco, in its capacity as Manager of the Balanced Fund dated June 29, 2007.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of Matco at Suite 400, 407-8th Avenue S.W., Calgary, Alberta, T2P 1E5 and are additionally available on SEDAR at www.sedar.com.

Auditor's Consent

Matco Canadian Equity Income Fund
Matco Energy Equity Fund
Matco Small Cap Fund
Matco Balanced Fund
(collectively, the "**Funds**")

We have read the Simplified Prospectus and related Annual Information Form of the Funds dated September 9, 2011, relating to the sale and issue of mutual fund shares and units of the Funds. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We hereby consent to the use through incorporation by reference in the above-mentioned Simplified Prospectus and related Annual Information Form of our report dated March 24, 2011 to the shareholders of Matco Funds Corp. on the statement of net assets of Matco Energy Equity Fund, Matco Canadian Equity Income Fund and Matco Small Cap Fund (formerly, MFi Funds Corp, MFi Energy Equity Fund, MFi Canadian Equity Fund, and MFi Small Cap Fund) as at December 31, 2010 and 2009, the statements of operations and statements of changes in net assets of Matco Energy Equity Fund and Matco Canadian Equity Income Fund for the years then ended, and the statements of operations and statements of changes in net assets of Matco Small Cap Fund for the period from March 2, 2010 to December 31, 2010, and the statements of investment portfolios of Matco Energy Equity Fund, Matco Canadian Equity Income Fund and Matco Small Cap Fund as at December 31, 2010.

We hereby consent to the use through incorporation by reference in the above-mentioned Simplified Prospectus and related Annual Information Form of our report dated March 24, 2011 to the unitholders of Matco Balanced Fund on the statement of net assets as at December 31, 2010 and 2009, the statements of operations and statements of changes in net assets for the years then ended and the statement of investment portfolio as at December 31, 2010.

Chartered Accountants
Calgary, Canada
September 9, 2011

Certificate of the Funds, the Manager, and the Promoter

DATED: September 9, 2011

This AIF, together with the Simplified Prospectus and the documents incorporated by reference into the Simplified Prospectus, constitute full, true, and plain disclosure of all material facts relating to the securities offered by the Simplified Prospectus, as required by the securities legislation of Alberta, British Columbia, Ontario, Saskatchewan, and Manitoba and do not contain any misrepresentations.

On behalf of Matco Funds Corp.

(signed)
William K. Dickie J
Director and Chief Investment Officer

(signed)
Ian Hill
Chief Financial Officer

(signed)
Ronald P. Mathison
Director and Chairman

(signed)
Jason N. Vincent
Director, President & Chief Operating Officer
(signing in the capacity of Chief Executive
Officer)

On behalf of Matco Financial Inc. as manager and promoter of the Funds

(signed)
Jason N. Vincent
Director, President & Chief Operating Officer
(signing in the capacity of the chief executive officer)

(signed)
Ian Hill
Chief Financial Officer

(signed)
Ronald P. Mathison
Director and Chairman

(signed)
William K. Dickie
Director, and Chief Investment Officer

Matco Canadian Equity Income Fund

Matco Energy Equity Fund

Matco Small Cap Fund

Matco Balanced Fund

Additional information about the Funds is available in the Funds' Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at no cost by calling toll free 1-877-539-5743, or from your dealer or by e-mail

at

matco@matcofinancial.com.

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the Matco Financial Inc. website at www.matcofinancial.com or at

www.sedar.com.

MANAGER OF THE FUNDS

MATCO FINANCIAL INC.

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