

BAROMETER CAPITAL MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
for the year ended December 31, 2018

Barometer Disciplined Leadership Equity Fund



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

Forward-Looking Statements (“FLS”)

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

FLS can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe”, or the

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

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2018

This annual Management Report of Fund Performance represents the portfolio management team's view of the significant factors and developments affecting the investment fund's performance and outlook to December 31, 2018, the investment fund's fiscal year end. Every effort has been made to ensure the information contained in this Management Report of Fund Performance is accurate and complete, however, the investment fund cannot guarantee the accuracy or the completeness of this material. For more information, please refer to the Barometer Group of Funds' Simplified Prospectus ("Prospectus") and Annual Information Form. In this report, "Barometer", "Manager", "Trustee" or "Portfolio Advisor" refers to Barometer Capital Management Inc., the Manager, Trustee and Portfolio Advisor of the Fund. The "Fund" refers to the Barometer Disciplined Leadership Equity Fund. In addition, "net asset value" or "NAV" refers to the value of the Fund as calculated for transaction purposes, on which the discussion of Fund performance is based. All dollar figures are reported in Canadian dollars and are expressed in millions, unless otherwise indicated.

Investment Objective and Strategies

The Fund seeks to provide long-term capital appreciation by investing in equity securities without geographic restrictions. Holdings are not restricted by market capitalization size or sector, and there is an emphasis on investing in actively traded securities.

Risk

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

For the year ended December 31, 2018, there were no changes affecting the overall level of risk associated with an investment in the Fund. Therefore, the overall level of Fund risk and investor risk tolerance remains as stated in the Prospectus.

Results of Operations

During the year ended December 31, 2018, Class A units returned -23.6%, Class F units returned -22.7% and Class I units returned -5.4%*. The Fund's benchmark is a 25/70/5 blend of the S&P/TSX Composite Total Return Index, MSCI World Net Total Return Index (CAD) and FTSE TMX Canada Universe Bond Index, which returned -3.2% for the year. It is important to note that the Fund's return reflects the effect of fees and expenses for professional management, while the benchmark does not have such costs.

The net asset value of the Fund decreased by 21.3% from \$31.4 million on December 31, 2017, to \$24.8 million on December 31, 2018. This change was composed primarily of net redemptions of \$0.5 million along with a decrease in investment performance for the year ended December 31, 2018.

The Fund underperformed the blended benchmark by -19.3%, -18.4%, and 0.8%, for each respective class, primarily due to its exposure in the leading equity sectors that corrected significantly in the fourth quarter. Technology, consumer discretionary, and industrials represented some of the largest exposures in the portfolio.

After a strong start to 2018, the U.S. markets and most global markets experienced declining asset values as the year progressed. This became more pronounced in the fourth quarter with concerns over trade disputes and rising interest rates putting downward pressure on equity values, especially the leadership sectors within the U.S. As the trade dispute between the U.S. and China remains unresolved, this continues to worry investors about a negative outcome.

With the U.S. raising interest rates, this led to other countries, especially those that import commodities or have U.S. dollar debt, to raise their own interest rates in order to provide funding. The net result is a significant amount of global tightening and reduced global capital to maintain the value of assets, especially for equities and credit markets.

Less liquidity has put pressure on a wide variety of asset classes. As the month of November concluded, approximately 90% of asset classes were in negative territory for the year (source: Deutsche Bank). December followed with more declines. The fourth quarter of 2018 was the third worst performing fourth quarter since 1950 for the S&P 500. Many of the best performing sectors and stocks year to date before the drawdown of equity values were the worst performers in October and December of 2018.

Despite the actions of equity markets, many fundamental indicators remain positive. Throughout the year and including the difficult fourth quarter, most companies have been exceeding their earnings and revenue estimates. With lower U.S. corporate taxes and strong GDP growth there remains strong growth potential for companies.

Economic indicators such as the PMI (Purchasing Manager Index) has remained in the growth range and unemployment remains at multi-year lows. However, market sentiment plays a role in investors risk appetite, which has clearly been negative. With the overall uncertainty in many global conditions, the year remained a challenging one.

Individually, the S&P/TSX Composite Total Return Index and MSCI World Net Total Return Index (CAD) posted returns of -8.9% and -0.7%, respectively, with most sectors experiencing volatility and weakness during the year.

Throughout 2018, the Manager repositioned the Fund into different sectors which increased its exposure to the fixed income and exchange traded fund sectors; while at the same time reducing its exposure to the information technology and financial sectors.

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

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Management Discussion of Fund Performance for the year ended December 31, 2018

The fixed income sector weighting increased to approximately 21.8% from 0.0% over the year, as Government of Canada Treasury Bill positions were included in order to protect the portfolio from a weakening equity market and lower its overall volatility.

The exchange traded fund sector weighting increased to approximately 13.0% from 0.0% at the end of the year, as a tactical way to add equity exposure as markets rebounded after Christmas. The S&P 500 ETF Trust and Invesco QQQ Trust Series 1 positions both had a positive impact on the Fund's performance which gained 1.4% and 0.2%, respectively.

During the fourth quarter, when technology stock weakened significantly, and investors began to re-price risk and valuations for growth stocks, the Fund reduced its exposure in the information technology sector weighting from 25.9% to 2.8% as a means to defend the portfolios position. In addition, existing positions in the financials sector decreased from 22.8% to 5.4%, as financials came under scrutiny with fears over interest rate hikes and worries about an economic slowdown. Information technology positions such as Advanced Micro Devices Inc. and Palo Alto Networks Inc., as well as financial positions such as LPL Financial Holdings Inc. and Santander Consumer USA Holdings all had a negative impact on the Fund's performance by 16.3%, 3.0%, 8.8%, and 6.9%, respectively.

The consumer discretionary sector weighting was also reduced to 3.8% from 17.7% in the fourth quarter, given the display of weakness from investors reduced their exposure to this cyclical sector. Etsy Inc. and Under Armour Inc. positions both had a negative impact on the Fund's performance by 13.2% and 10.9%, respectively.

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

Recent Developments

It has been a difficult period for investors as equities have been repriced during this recent correction. However, if we look at the fundamentals typical in bear markets, such as 2000 and 2008, we see marked differences to today. Previously mentioned indicators such as credit spreads, corporate earnings, economic growth and unemployment levels, provide evidence that the U.S. economy remains constructive despite the actions of the equity markets. Also, with the threat of further interest rates increases the markets remains risk adverse.

The markets would react positively to a resolution between China and the U.S. While recent headlines suggest reasons for optimism, market dynamics continue to call for caution. Barometer's portfolios remain defensively positioned and until further improvements in breadth and other technical factors occur Barometer will remain in a defensive posture.

The Fund adopted IFRS 9 Financial Instruments on January 1, 2018. The adoption of this new standard did not impact the carrying values of the financial instruments in these financial statements.

Related Party Transactions

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

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

Units	Management Fees (%)	As a percentage of Management Fees	
		Dealer Compensation (%)	General Administration, Investment Advice and Profit (%)
Class A	1.95	51	49
Class F	0.95	-	100
Class I	-	-	-

For the year ended December 31, 2018, the management fee earned, inclusive of applicable taxes, was \$0.5 million.

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

The Performance Fees are calculated and accrued daily and paid at the end of each year or upon redemption. The Performance Fee accrued for the year ended December 31, 2018 was \$0 million.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

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Financial Highlights – December 31, 2018

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

The Fund's Net Asset Value (NAV) per Class A Unit (1) (2)	2018	2017	2016	2015	2014
Net asset value, beginning of year	\$13.11	\$11.85	\$11.40	\$10.68	\$10.00
Increase (decrease) from operations:					
Total revenue	0.10	0.11	0.14	0.13	0.12
Total expenses	(0.35)	(0.33)	(0.32)	(0.34)	(0.30)
Realized gains/(losses) for the year	(1.20)	0.98	0.75	0.75	(0.57)
Unrealized gains/(losses) for the year	(1.63)	0.50	(0.09)	0.10	1.04
Total increase (decrease) from operations (3)	(\$3.08)	\$1.26	\$0.48	\$0.64	\$0.29
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions (3) (4)	-	-	-	-	-
Net asset value, end of year (3)	\$10.04	\$13.11	\$11.85	\$11.40	\$10.68
Ratios and Supplemental Data					
Total net asset value (5)	\$11,392,937	\$14,425,739	\$16,682,531	\$17,449,480	\$15,180,240
Number of units outstanding (5)	1,137,197	1,100,129	1,408,151	1,530,413	1,421,220
Management expense ratio (6)	2.68%	2.66%	2.75%	2.80%	2.74%
Trading expense ratio (7)	0.87%	0.80%	1.00%	0.61%	0.88%
Portfolio turnover rate (8)	512.67%	372.88%	483.06%	366.22%	401.08%
Net asset value per unit	\$10.04	\$13.11	\$11.85	\$11.40	\$10.68
The Fund's Net Asset Value (NAV) per Class F Unit (1) (2)					
Net asset value, beginning of year	\$13.72	\$12.26	\$11.67	\$10.81	\$10.00
Increase (decrease) from operations:					
Total revenue	0.10	0.12	0.15	0.13	0.12
Total expenses	(0.22)	(0.21)	(0.20)	(0.21)	(0.18)
Realized gains/(losses) for the year	(1.19)	1.09	0.75	0.65	(0.63)
Unrealized gains/(losses) for the year	(1.56)	0.44	(0.09)	0.14	1.09
Total increase (decrease) from operations (3)	(\$2.87)	\$1.44	\$0.61	\$0.71	\$0.40
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions (3) (4)	-	-	-	-	-
Net asset value, end of year (3)	\$10.62	\$13.72	\$12.26	\$11.67	\$10.81
Ratios and Supplemental Data					
Total net asset value (5)	\$11,174,484	\$17,010,883	\$14,786,423	\$17,082,536	\$11,599,737
Number of units outstanding (5)	1,054,545	1,240,204	1,206,439	1,464,261	1,073,305
Management expense ratio (6)	1.57%	1.55%	1.64%	1.69%	1.61%
Trading expense ratio (7)	0.87%	0.80%	1.00%	0.61%	0.88%
Portfolio turnover rate (8)	512.67%	372.88%	483.06%	366.22%	401.08%
Net asset value per unit	\$10.62	\$13.72	\$12.26	\$11.67	\$10.81

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – December 31, 2018

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

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

Notes:

- (1) This information is derived from the Fund's audited annual financial statements for December 31, 2018 and is not a reconciliation of beginning and ending net assets per unit.
- (2) The Fund commenced operations on January 1, 2014; as a result, financial highlights are currently available for the past five years.
- (3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of units outstanding over the financial period.
- (4) As at December 31, 2018, 2017, 2016, 2015 and 2014, there were no distributions to be reinvested.
- (5) This information is provided as at December 31, of the year shown, as applicable.
- (6) Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average NAV during the year.
- (7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the year. Included in the trading expense ratio are the forward fees.
- (8) The Fund's portfolio turnover rate indicates how actively the Fund's advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the units in its portfolio once in the course of the year. The higher a funds' portfolio turnover rate in the year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

BAROMETER DISCIPLINED LEADERSHIP EQUITY FUND

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Past Performance – December 31, 2018

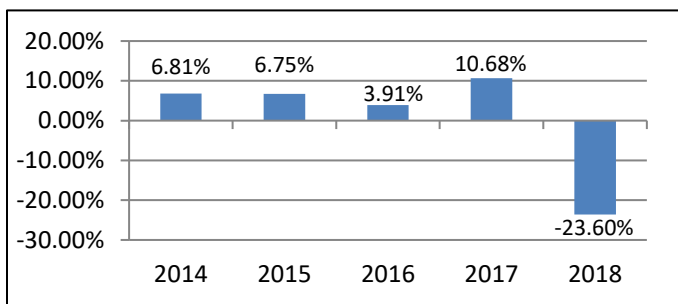
The following information shown assumes that all distributions made by the Fund in the year shown were reinvested in additional securities of the investment fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past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

Year-by-Year Returns

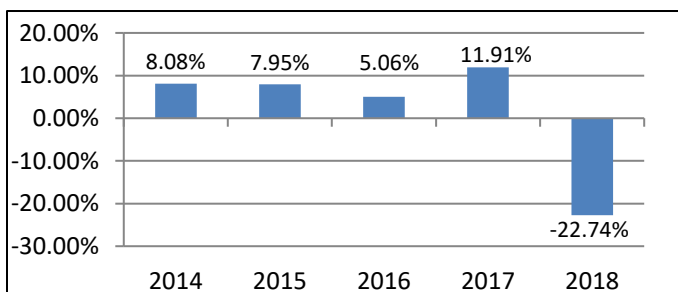
The following bar charts show the Fund's annual performance for each of the years shown, as applicable, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment in Class A, F and I[†] units, respectively, made on the first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

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

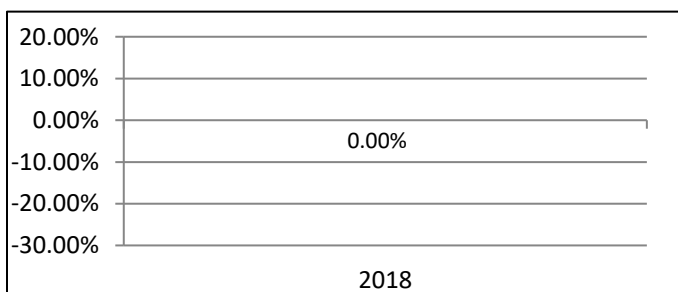
Class A



Class F



Class I[†]



Benchmark(s) Information

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

The S&P/TSX Composite Total Return Index is the headline index for the Canadian Equity market. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices including but not limited to Equity Indices, Income Trust Indices, Capped Indices, GICS Indices and Market Cap based Indices.¹ The MSCI World Net Total Return Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to capture large and mid-cap representations across developed markets. The MSCI World Net Total Return Index (CAD) consists of 23 developed country indices.² The FTSE TMX Canada Universe Bond Index is comprised of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued in Canada.³

¹ "S&P/TSX Composite Total Return Index." S&P Dow Jones Indices by S&P Global. Web. November 30, 2018.

² "MSCI World Net Total Return Index (CAD)." MSCI Index Fact Sheet. Web. October 31, 2018.

³ "FTSE TMX Canada Universe Bond Index." Ground Rules for FTSE TMX Canada Universe and Maple Bond Index Series v2.2 Web. June 30, 2018.

Annual Compound Returns

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

	Past 1 Year	Past 3 Years	Past 5 Years	Since Inception [†]
Fund, Class A	(23.6)%	(4.2)%	0.0%	0.0%
Fund, Class F	(22.7)%	(3.2)%	1.2%	1.2%
Fund, Class I[†]	n/a	n/a	n/a	(5.4)%
Blended Benchmark ^{††}	(3.2)%	6.0%	8.2%	8.2%
FTSE TMX Canada Universe Bond Index	1.3%	1.9%	3.5%	3.5%
MSCI World Net Total Return Index (CAD)	(0.7)%	5.8%	9.9%	9.9%
S&P/TSX Composite Total Return Index	(8.9)%	6.4%	4.1%	4.1%

[†] The performance start date for Class A and F units was created on January 1, 2014. Class I of the Fund was created on December 10, 2018. As a result, there is not a full year of performance available at this time.

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

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Summary of Investment Portfolio as at December 31, 2018

The following table shows selected key financial information about the Fund, and is intended to assist in the understanding of the Fund's financial performance for the year ended December 31, 2018.

Portfolio Composition		Top 25 Holdings	
Sector Allocation	% of Net Asset Value	Issuer	% of Net Asset Value
Fixed Income	20.83	Cash and cash equivalents	14.29
Cash and cash equivalents	14.29	Canadian Treasury Bill 24JAN19	11.15
Health Care	13.33	Canadian Treasury Bill 12DEC19	8.47
Exchange Traded Funds	13.11	Invesco QQQ Trust Series 1	5.09
Industrials	8.07	iShares S&P/TSX 60 Index ETF	4.04
Materials	5.66	SPDR S&P 500 ETF Trust	3.98
Consumer Staples	5.57	Boston Scientific Corp.	3.44
Financials	5.43	ResMed Inc.	3.07
Foreign Currency Forward Contracts	4.29	Alimentation Couche-Tard Inc.	3.06
Consumer Discretionary	3.92	Thomson Reuters Corp.	2.97
Information Technology	2.83	Barrick Gold Corp.	2.92
Utilities	2.67	The Toronto-Dominion Bank	2.76
Total Portfolio Allocation	100.00%	Kirkland Lake Gold Ltd.	2.74
		MarketAxess Holdings Inc.	2.67
		AltaGas Canada Inc.	2.67
		Keysight Technologies Inc.	2.66
		Air Canada	2.60
		Loblaws Companies Limited	2.51
		Allegion PLC	2.50
		Edwards Lifesciences Corp.	2.44
		Aritzia Inc.	2.41
		Danaher Corp.	2.32
		Harvest Health & Recreation Inc.	2.06
		Vivo Cannabis Inc. 6% 28FEB2021 CONV. \$4.00	1.21
		Tesla Inc.	1.10
		Total Percentage of Net Asset Value Represented by Holdings	95.13%
Total Net Asset Value (in millions)	\$24.8		

The "Top 25 Holdings" of the Fund, as a percentage of Net Asset Value of the Fund, have been presented in accordance with National Instrument 81-106.

The Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates of the Investment Portfolio are available within 60 days of each quarter end.

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