

YTM Capital Fixed Income Alternative Fund

Annual Management Report of Fund Performance

For the period from June 24, 2019 to December 31, 2019

This annual management report of fund performance (“**Annual MRFP**”) contains financial highlights but does not contain the complete annual financial statements of the Fund.

You can get a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1-833-828-4098, by writing to us at 202 – 295 Robinson Street, Oakville, ON L6J 1G7, or by visiting our website at www.ytmcapital.com, or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Forward-Looking Statements

This annual Management Report of Fund Performance contains forward-looking statements (“FLS”). FLS are statements about possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action. FLS includes future-oriented financial information about prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. Future-oriented financial information 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 words, including: “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe”. Similar other words may also be used. Actual performance of the Fund may be materially different from the performance reflected or contemplated in the FLS. The risks factors that may impact actual performance are discussed 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. These factors can change over time. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in FLS are subject to change without notice and are provided in good faith but without legal responsibility.

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This report provides YTM Capital's view of significant factors and developments impacting YTM Capital Fixed Income Alternative Fund ("Fund") and information about the Fund's performance and operations. The report covers the period from June 24, 2019, when the Fund commenced operations, to December 31, 2019, the Fund's fiscal year end ("Period"). YTM Capital Asset Management Ltd. ("YTM Capital") is the Fund's investment fund manager, trustee and portfolio advisor. Net asset value ("NAV") refers to the value of the Fund. All monetary financial information is reported in Canadian dollars and is expressed in millions, unless otherwise indicated.

Investment Objective and Strategies

Investment objective: The Fund seeks to provide maximum risk adjusted returns over the long term and to preserve capital, by investing primarily in fixed-income securities, cash, and by entering into derivatives arrangements. It uses alternative strategies including short sales, cash borrowing for investment purposes, and derivatives, in the process creating leverage. The maximum aggregate exposure created by leverage is 300% of the Fund's net asset value, unless otherwise permitted by securities legislation.

Investment strategies: The Fund generally uses three core investment strategies to seek its investment objective: (i) carry trades; (ii) active trading; and (iii) new issuances. For more information about these strategies, refer to the Fund's simplified prospectus ("Prospectus").

Risk

The risks associated with investing in the Fund are described in the Prospectus and have not changed. An important risk to the Fund is credit exposure. That means if the market reacts negatively to the creditworthiness of an issuer relative to government securities, the Fund could experience losses in value. The Fund had low credit exposure in the first several weeks of operation and gradually increased credit exposure towards the end of the year. At the end of the year, the Fund's portfolio had more credit exposure than the start of the Period, but still was in what YTM Capital currently views to be a below average credit exposure position.

These changes in credit exposure, and other risks experienced by the Fund, had no impact on YTM Capital's assessment of the suitability or investor risk tolerance, as described in the Prospectus, which is: The Fund is suitable for someone who is looking for low to medium risk, diversified portfolio of alternative investment strategies to hold as part of their balanced portfolio and has a medium to longer term investment horizon.

Results of Operations

Performance

During the Period, Series F units returned 3.57%. Performance of other Series is discussed below. Differences in performance result from different fees being charged to each Series. The FTSE TMX Canada Universe Bond Index ("TMX Bond") returned 0.56% for the Period. The Fund's return is net of fees and expenses for professional management. Investors cannot invest in an index without incurring fees, expenses, and commissions, which are not reflected in index returns. All performance results are calculated on a total return basis in Canadian dollars.

The Fund outperformed the TMX Bond because of active management. The portfolio managers selected specific securities and hedged against interest rate risk. Improving credit (spreads tightening) and increasing interest rates (has a negative impact on TMX Bond returns) benefitted the Fund compared to the TMX Bond.

The Period started with positive credit market performance in July. August saw a spike in macro economic concerns (trade disputes, Hong Kong unrest, and Brexit uncertainty) that had a negative impact on all risk markets including credit. Driven by more positive economic news, September, October, and November were steady months for the credit market with good performance and strong new issue supply in the first two months. Despite returning negative macro-economic news in December, the credit market continued to perform well because of a technical market reason: investor had a meaningful amount of cash they need to deploy into the market.

The Portfolio Managers positioned the Fund defensively for the first half of the Period, both in terms of maturity and credit quality. In the second half they increased the risk in response to positive market momentum, but the Fund was still positioned defensively relative to what the portfolio managers would expect to be the average risk position over the longer term.

Net Assets

The NAV of the Fund increased from \$150,000 on June 24, 2019, to \$21.3 million on December 31, 2019. This change was composed primarily of net sales of \$20.9 million combined with positive investment performance that resulted in an overall increase in NAV for the year ended December 31, 2019. The Fund also paid cash distributions totalling \$178,465 during the Period.

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Leverage

The Fund can create leverage by borrowing securities, borrowing cash, or by using derivatives to generate investment exposure that would otherwise not be available. The maximum permissible aggregate exposure created by leverage is 300% of the Fund's NAV. Leverage is calculated by adding together (i) market value of securities sold short; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of derivatives positions used for non-hedging purposes, divided by the Fund's NAV. The Fund has received a partial exemption from the National Instrument 81-102 rule that limits short sales to 50% of a fund's NAV from securities regulators. The Fund is permitted short sell up to 300% of its NAV in "government securities" as that term is defined in NI 81-102.

During the Period the Fund's leverage ranged from 100% to 247% of the Fund's NAV. The low end of the range occurred at the time the Fund started operations. The high end was reached on November 15, 2019 when the Fund increased its exposure to credit. The primary source of leverage was physical short positions in Government of Canada bonds and a secondary, much smaller source, was cash borrowing. The Fund did not use derivatives during the period. The proceeds of the short positions were used to purchase investment grade corporate bonds.

Portfolio Changes

The Portfolio Managers invested the Fund's assets from inception within the first week of the Fund's operation. In the first four months of operation the average maturity of the portfolio was 2.1 years. In November and December the average maturity increased to 3.0 years. The portfolio was diversified on a sector basis throughout the Period, with an emphasis on Financial Services holdings, which represented from 51% to 61% of the Fund's portfolio. The predominant credit rating of issues held by the Fund was BBB, with that allocation increasing from 45% at the end of July to 67% at the end of December.

Recent Developments

As the Canadian and other G7 countries reach the end of a long economic cycle and with markets positioned at or near all time highs at the end of 2019, the portfolio managers are wary of economic performance heading into 2020. The Coronavirus has created uncertainty about whether the economic cycle is coming to an end. Depending on how the economy and the market react over the next several months, the portfolio managers will determine how defensively to position the Fund.

Related Party Transactions

YTM Capital earns a management fee payable by the Fund for providing services to the Fund. The management fee varies for each series of units, as shown below. The management fee is calculated and accrued daily based on a percentage of the NAV of the series of units, plus applicable taxes, and is payable on the last day of each calendar month.

| | |
|-------------------------|---|
| Series A units | 1.90% per annum |
| Series A Founders units | 1.45% per annum |
| Series F units | 0.90% per annum |
| Series F Founders Units | 0.45% per annum |
| Series I units | Negotiated by the unitholder and paid directly by the unitholder to YTM Capital. The management fee rate will not exceed the management fee payable on Series A units of the Fund |

For the Period, the management fees earned, inclusive of applicable taxes, was \$7,684. YTM Capital waived its right to earn the management fees during the period, except for management fees used to pay trailer fees.

YTM Capital may also earn a performance fee from each Series of the Fund. The Fund pays YTM Capital a performance fee each calendar quarter equal to 15% of the net profit for Series A and Series F units and 7.5% of the net profit for A Founders Series and F Founders Series units, each subject to a high watermark. Unitholders in Series I units may negotiate a performance fee to be paid by the unitholder that is different than the one described above or no performance fee at all. The performance fee is calculated and accrued for each Series on a daily basis during each Performance Fee Determination Period and, with respect to an intra-quarter redemption of units of a series, on the relevant redemption date.

YTM Capital waived its right to earn the performance fees during the Period.

The Fund is responsible for all of its operating expenses, including legal, audit, IRC fees and expenses, and all other expenses incurred in the ordinary course of operations. YTM Capital absorbed \$77,988 of the expenses incurred by the Fund during the Period.

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The following tables show selected key financial information about Series A, A Founders, F, and F Founders units of the Fund, respectively, and are intended to help you understand the Fund's financial performance during the Period.

| The Fund's Net Asset Value (NAV) per Series A Unit (1) (2) | 2019 |
|---|-----------------|
| Net asset value, beginning of period | \$10.00 |
| Increase from operations: | |
| Total revenue | 0.46 |
| Total expenses | (0.23) |
| Realized losses for the period | (0.01) |
| Unrealized gains for the period | 0.29 |
| Total increase from operations ⁽³⁾ | \$0.51 |
| Distributions: | |
| From income (excluding dividends) | (0.16) |
| Total annual distributions ^{(3) (4)} | \$(0.16) |
| Net asset value, end of period ⁽³⁾ | \$10.22 |

Ratios and Supplemental Data

| | |
|---|----------------|
| Total net asset value ⁽⁵⁾ | \$955,824 |
| Number of units outstanding ⁽⁵⁾ | 93,510 |
| Management expense ratio ⁽⁶⁾ | 0.87% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 4.83% |
| Trading expense ratio ⁽⁷⁾ | 0.71% |
| Portfolio turnover rate ⁽⁸⁾ | 240.73% |
| Net asset value per unit | \$10.22 |

| The Fund's Net Asset Value (NAV) per Series A Founders Unit (1) (2) | 2019 |
|--|----------------|
| Net asset value, beginning of period | \$10.00 |
| Increase from operations: | |
| Total revenue | 0.44 |
| Total expenses | (0.24) |
| Realized gains/(losses) for the period | - |
| Unrealized gains for the period | 0.12 |
| Total increase from operations ⁽³⁾ | \$0.32 |
| Distributions: | |
| From income (excluding dividends) | (0.18) |
| Total annual distributions ^{(3) (4)} | (0.18) |
| Net asset value, end of period ⁽³⁾ | \$10.15 |

Ratios and Supplemental Data

| | |
|---|----------------|
| Total net asset value ⁽⁵⁾ | \$ 1,670,983 |
| Number of units outstanding ⁽⁵⁾ | 164,670 |
| Management expense ratio ⁽⁶⁾ | 1.37% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 3.40% |
| Trading expense ratio ⁽⁷⁾ | 0.71% |
| Portfolio turnover rate ⁽⁸⁾ | 240.73% |
| Net asset value per unit | \$10.15 |

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| The Fund's Net Asset Value (NAV) per Series F Unit (1) (2) | 2019 |
|---|-----------------|
| Net asset value, beginning of period | \$10.00 |
| Increase from operations: | |
| Total revenue | 0.48 |
| Total expenses | (0.22) |
| Realized gains for the period | 0.01 |
| Unrealized gains for the period | 0.31 |
| Total increase from operations ⁽³⁾ | \$0.58 |
| Distributions: | |
| From income (excluding dividends) | (0.17) |
| Total annual distributions ^{(3) (4)} | \$(0.17) |
| Net asset value, end of period ⁽³⁾ | \$10.24 |

Ratios and Supplemental Data

| | |
|---|----------------|
| Total net asset value ⁽⁵⁾ | \$4,428,192 |
| Number of units outstanding ⁽⁵⁾ | 432,529 |
| Management expense ratio ⁽⁶⁾ | 0.55% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 3.63% |
| Trading expense ratio ⁽⁷⁾ | 0.71% |
| Portfolio turnover rate ⁽⁸⁾ | 240.73% |
| Net asset value per unit | \$10.24 |

| The Fund's Net Asset Value (NAV) per Series F Founders Unit (1) (2) | 2019 |
|--|----------------|
| Net asset value, beginning of period | \$10.00 |
| Increase from operations: | |
| Total revenue | 0.43 |
| Total expenses | (0.19) |
| Realized gains for the period | 0.01 |
| Unrealized gains for the period | 0.11 |
| Total increase from operations ⁽³⁾ | \$0.37 |
| Distributions: | |
| From income (excluding dividends) | (0.23) |
| Total annual distributions ^{(3) (4)} | (0.23) |
| Net asset value, end of period ⁽³⁾ | \$10.14 |

Ratios and Supplemental Data

| | |
|---|----------------|
| Total net asset value ⁽⁵⁾ | \$14,218,675 |
| Number of units outstanding ⁽⁵⁾ | 1,402,092 |
| Management expense ratio ⁽⁶⁾ | 0.35% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 2.20% |
| Trading expense ratio ⁽⁷⁾ | 0.71% |
| Portfolio turnover rate ⁽⁸⁾ | 240.73% |
| Net asset value per unit | \$10.14 |

Notes:

(1) This information is derived from the Fund's audited annual financial statements for December 31, 2019 and is not a reconciliation of beginning and ending net assets per unit.

(2) The Fund commenced operations on June 24, 2019; as a result, financial highlights are currently available only from the date of commencement.

(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/ (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

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

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(5) This information is provided as at December 31.

(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.

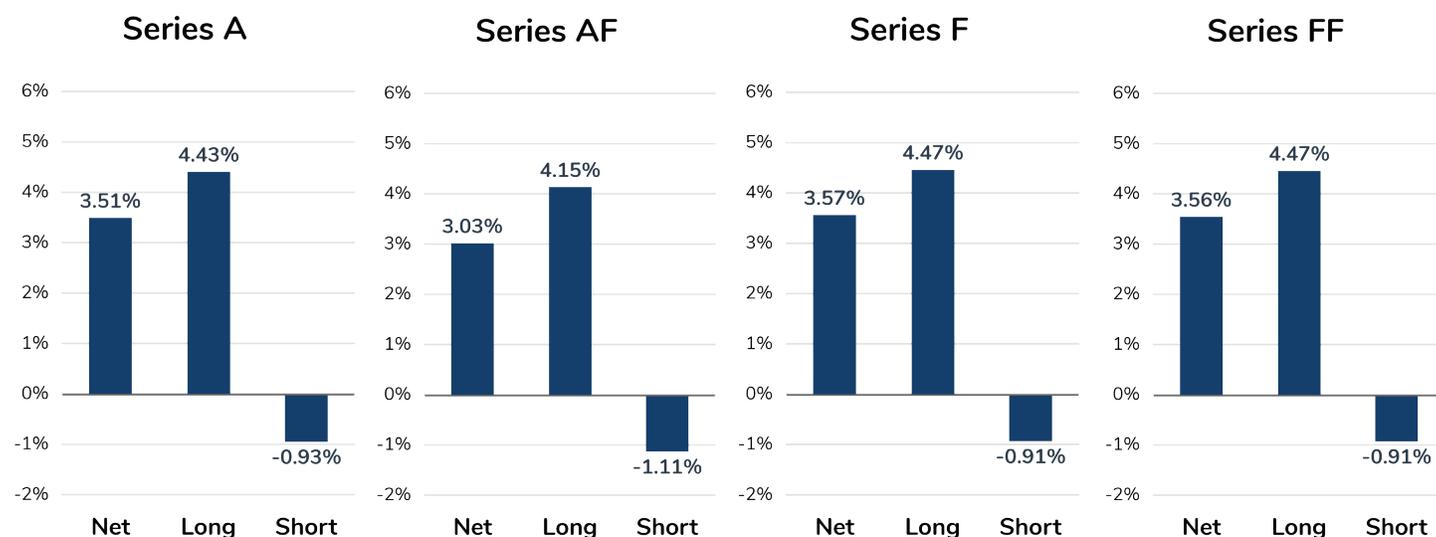
(8) The Fund's portfolio turnover rate indicates how actively YTM Capital manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a funds' portfolio turnover rate in the year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

The following performance information assumes that all distributions made by the Fund in the Period were reinvested in additional units of the Fund and does not take into account sales or other charges that would have reduced 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 performance during the Period. The bar chart shows, in percentage terms, how much an investment in Series A, A Founders, F, and F Founders units, respectively, made on the first day of the Period would have grown by the last day of the financial year.

The net returns for the Period, are as follows:



Since Inception Return

The following table shows the Fund's since inception return for each Series of the Fund. The returns are compared against the FTSE TMX Canada Universe Bond Index.

| | |
|-------------------------------------|-------|
| Fund, Series A | 3.51% |
| Fund, Series A Founders | 3.03% |
| Fund, Series F | 3.57% |
| Fund, Series F Founders | 3.56% |
| FTSE TMX Canada Universe Bond Index | 0.56% |

† The performance start date for each Series was June 24, 2019.

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The following table shows selected key financial information about the Fund, and is intended to assist in the understanding of the Fund's financial performance for the Period. The Investment Portfolio will change over time. Quarterly updates are available at www.ytmcapital.com.

Portfolio Composition

| Sector Allocation | % of Net Asset Value | | |
|-----------------------------------|----------------------|-----------------|---------------------|
| | Long | Short | Net |
| Financial | 162.4% | - | 162.4% |
| Consumer, Cyclical | 41.0% | - | 41.0% |
| Energy | 38.9% | - | 38.9% |
| Consumer, Non-cyclical | 28.8% | - | 28.8% |
| Industrial | 11.9% | - | 11.9% |
| Utilities | 6.2% | - | 6.2% |
| Communications | 5.4% | - | 5.4% |
| Government | - | (196.7)% | (196.7)% |
| Total Portfolio Allocation | 294.5% | (196.7)% | 97.8% |
| Total Net Asset Value | | | \$21,275,357 |

Maturity Allocation

| | % of Net Asset Value | | |
|-----------------------------------|----------------------|-----------------|--------------|
| | Long | Short | Net |
| 0 to 1 years | 88.0% | (42.9)% | 45.1% |
| 1 to 2 years | 79.5% | (34.1)% | 45.4% |
| 2 to 3 years | 42.1% | (44.8)% | (2.7)% |
| 3 to 5 years | 49.1% | (55.5)% | (6.4)% |
| 5 to 10 years | 20.5% | (16.5)% | 4.0% |
| 10 or more years | 15.4% | (2.9)% | 12.5% |
| Total Portfolio Allocation | 294.5% | (196.7)% | 97.8% |

Rating Allocation

| | % of Net Asset Value | | |
|-----------------------------------|----------------------|-----------------|--------------|
| | Long | Short | Net |
| AAA | 6.8% | (196.7)% | (189.9)% |
| AA | 3.4% | - | 3.4% |
| A | 86.2% | - | 86.2% |
| BBB | 196.9% | - | 196.9% |
| BB | 1.2% | - | 1.2% |
| Total Portfolio Allocation | 294.5% | (196.7)% | 97.8% |

Top 25 Long Holdings

| Issuer Allocation | % of Net Asset Value |
|--|----------------------|
| Morgan Stanley | 18.8% |
| Enbridge Inc. | 18.7% |
| Equitable Bank | 16.3% |
| Ford Credit Canada Co. | 16.3% |
| Teranet Holdings LP | 13.0% |
| Molson Coors International LP | 13.0% |
| VW Credit Canada Inc. | 12.5% |
| The Goldman Sachs Group Inc. | 12.4% |
| Royal Bank of Canada | 11.6% |
| Laurentian Bank of Canada | 11.3% |
| Dollarama Inc. | 10.8% |
| John Deere Financial Inc. | 10.7% |
| Smart Real Estate Investment Trust | 9.5% |
| Transcanada Pipelines Ltd Residual Strip | 9.4% |
| Fortified Trust | 8.0% |
| Brookfield Property Finance ULC | 6.9% |
| The Toronto-Dominion Bank | 6.6% |
| Coast Capital Savings Credit Union | 6.6% |
| AltaGas Ltd. | 5.5% |
| Choice Properties LP | 4.7% |
| SmartCentres Real Estate Investment Trust | 4.2% |
| Vancouver City Savings Credit Union | 4.2% |
| Morguard Corp. | 3.8% |
| MCAP Commercial LP | 3.7% |
| ENMAX Corp. | 3.3% |
| Total Percentage of Net Asset Value Represented by Holdings | 241.9% |

All Short Holdings

| Issuer Allocation | % of Net Asset Value |
|--|----------------------|
| Government of Canada Debt | (190.6)% |
| US Government Debt | (6.1)% |
| Total Percentage of Net Asset Value Represented by Holdings | (196.7)% |

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.