

BAROMETER CAPITAL MANAGEMENT INC.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
for the year ended December 31, 2016

Barometer Global Tactical Yield and 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 GLOBAL TACTICAL YIELD AND EQUITY FUND MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2016

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, 2016, 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 Global Tactical Yield and 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's objective is to generate income, dividends and long term capital growth by investing in a combination of equity and fixed income securities of issuers located anywhere in the world, including those in emerging markets.

Risk

The risks associated with investing in this Fund remain as discussed in the Prospectus. This Fund is suitable for eligible long-term investors who want to achieve returns through exposure to a portfolio that generates income, dividends and long term capital growth by investing in a combination of equity and fixed income securities of issuers located anywhere in the world including emerging markets, and can tolerate medium risk.

For the year ended December 31, 2016, 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, 2016 Class I units returned -0.04%, as compared to the Fund's benchmark of 2.3%. The Fund's benchmark is a 50/50 blend of the FTSE TMX Canada Universe Bond Index and MSCI All Country World Index (\$C).

The net asset value of the Fund increased by 0.7% from \$235.9 million on December 31, 2015, to \$237.6 million on December 31, 2016.

The Fund is a vehicle that enables the Barometer Disciplined Leadership Tactical Income Growth Fund (formerly, Barometer Disciplined Leadership High Income Fund), (the "Top Fund") to meet its investment objectives. The Top Fund used the net proceeds of its offerings to pay its obligations under a forward purchase and sale agreement (the "Forward Purchase Agreement") with a Canadian chartered bank (the

"Counterparty"). Such net proceeds are invested by the Counterparty into the Fund. The cash received from the Counterparty are used by the Fund to purchase the portfolio.

The Fund underperformed the blended benchmark by 2.3%, in part due to its exposure in the information technology and consumer discretionary sectors with negative returns of 4.6% and 6.7% respectively.

2016 provided challenges that continued to shift market leadership. The year began with a sharp selloff over concerns with China; the S&P 500 was down over 9% in the month of January. Through the rest of the year, the market was affected by Brexit, the Italian referendum and uncertainty leading up to the US election. However, markets rallied through the month of December as equity markets embraced President Elect Trump and his intention to deliver on his campaign promise to help spur the US economy. Economic data leading into the US election was already reflective of a strengthening global economy.

Economic indicators, such as improving Purchasing Manager Index (PMI), positive consumer confidence, and lower unemployment rates were supportive. The bond market began to sell off as early as June, providing early signs that the market was set to rotate, signalling a transition from defensive sectors to cyclical ones. In Canada, the S&P/TSX Composite Index had a surprisingly strong year with the economy and earnings results coming in better than expected. OPEC's efforts to curb oil supply provided a stronger backdrop for energy. Other sectors such as financials improved as well.

Individually, the FTSE TMX Canada Universe Bond Index and MSCI All Country World Total Return Index (\$C) posted returns of 1.7% and 2.7%, respectively, with select sectors experiencing growth during the year.

Throughout the 2016, the Manager repositioned the Fund into different sectors which increased its exposure to the financial and energy sectors while reducing its exposure to the consumer discretionary and fixed income sectors.

Exposure to the financial sector increased from 22.0% to 32.0% as rising rates provided opportunity for increased margins in this sector. Positions which had a positive impact on the Fund in this sector included Comerica Inc. and Citigroup Inc. which gained 32.8% and 19.7% respectively. The energy sector increased to approximately 15.5% from 0% over the year, as the price of oil recovered leading to recovery in select energy companies. Positions such as Seven Generations Energy Ltd gained 19.6% over the year.

During the year, the Fund eliminated its exposure in the consumer discretionary sector and information technology companies, as a result of underperformance in positions. Consumer discretionary related positions such as Nike Inc. and The Home Depot Inc. and information technology positions such as Microsoft Corporation had a negative impact on the Fund's performance by 12.2%, 5.9%, and 2.6% respectively.

Fixed Income positions were also reduced to 3.9% from 14.7%, as bonds came under pressure with rising interest rates. Positions such as Algonquin Power & Utilities Corporation had a

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Management Discussion of Fund Performance for the year ended December 31, 2016

Results of Operations (continued)

positive impact on the Fund's performance with a gain of 27.8% over the year.

Recent Developments

The macro backdrop continues to look positive as developed economies recover – creating more economically sensitive sectors.

President Elect Trump's win triggered sharp increases in both consumer and business confidence. As a result, our models continue to move the Fund into more economically sensitive sectors. In addition, the Fund has shifted towards sectors like financials that benefit from a rising interest rate environment. We do feel that we have worked our way through a prolonged period of recovery and have entered a market with more durable and positive themes.

Character Conversion – Tax Implication

The Income Tax Act (Canada) was amended by adding rules that remove the tax advantages of investment strategies that employ derivatives, such as a forward agreement, which would otherwise result in a conversion of ordinary income into capital gains. Under these rules, the return from the derivative forward agreement is treated as ordinary income (or loss) rather than capital gains (or capital losses). The rules apply to agreements entered into after March 20, 2013 and, subject to transitional rules, they may apply to agreements entered into prior to March 21, 2013. The rules apply to derivative forward agreements that were entered into before March 21, 2013, such as the Forward Agreement.

The rules contain provisions restricting certain amendments that can be made to a forward agreement as well as strict "growth limits". The Manager intends to manage the activities of the Fund so that it will comply with the rules and does not currently expect any negative impact from these rules to apply to the Fund prior to the maturity of the Forward Agreement which is scheduled for March 5, 2018.

Related Party Transactions

The Manager is entitled to receive a negotiated annual management fee directly from Class I unitholders based on the daily NAV of the Class I Units equal to up to a maximum of 1.50% of the Class NAV. Management fees are accrued in arrears daily (plus applicable taxes) and paid monthly. For the year ended December 31, 2016 no management fees were paid by Class I unitholders.

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Financial Highlights – December 31, 2016

The following tables show selected key financial information about the Class I units of the Fund, and are intended to help you understand the Fund's financial performance for the past 4 years.

| The Fund's Net Asset Value (NAV) per Class I Unit (1) (2) | 2016 | 2015 | 2014 | 2013 |
|--|-----------------|-----------------|-----------------|-----------------|
| Net asset value, beginning of year | \$10.24 | \$10.28 | \$10.29 | \$10.00 |
| Increase (decrease) from operations: | | | | |
| Total revenue | 0.30 | 0.23 | 0.37 | 0.60 |
| Total expenses | (0.02) | (0.02) | (0.01) | (0.05) |
| Realized gains/(losses) for the year | (0.05) | (0.12) | 0.94 | (0.37) |
| Unrealized gains/(losses) for the year | 0.31 | (0.14) | (0.22) | 1.40 |
| Total increase (decrease) from operations (3) | 0.54 | (\$0.05) | \$1.08 | \$1.58 |
| Distributions: | | | | |
| From income (excluding dividends) | (0.31) | - | (0.75) | (1.06) |
| From dividends | (0.23) | - | (0.33) | (0.48) |
| From capital gains | - | - | - | - |
| Return of capital | - | - | - | - |
| Total annual distributions (3) (4) | (\$0.54) | - | (\$1.08) | (\$1.54) |
| Net asset value, end of year (3) | \$10.24 | \$10.24 | \$10.28 | \$10.29 |
| Ratios and Supplemental Data | | | | |
| Total net asset value (5) | 237,577,181 | \$225,684,350 | \$226,766,900 | \$205,262,904 |
| Number of units outstanding (5) | 23,205,079 | 22,049,771 | 22,049,771 | 19,952,723 |
| Management expense ratio (6) | 0.01% | 0.01% | 0.01% | 0.05% |
| Trading expense ratio (7) | 0.38% | 0.41% | 0.28% | 0.66% |
| Portfolio turnover rate (8) | 290.22% | 292.81% | 156.40% | 234.468% |
| Net asset value per unit | \$10.24 | \$10.24 | \$10.28 | \$10.29 |

Notes:

- (1) This information is derived from the Fund's audited annual financial statements for December 31, 2016 and is not a reconciliation of beginning and ending net assets per unit.
- (2) The Fund commenced operations on January 1, 2013; as a result, financial highlights are currently available for the past four 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) Distributions (if any) were automatically reinvested in additional units of the Fund.
- (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.

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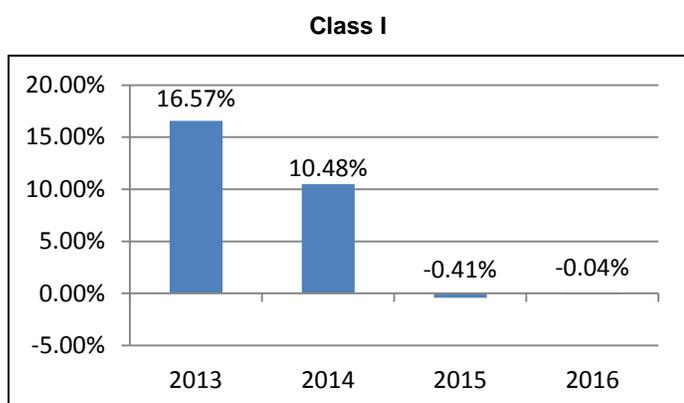
Past Performance – December 31, 2016

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 chart shows 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 I units 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:



Benchmark(s) Information

The benchmark for the Fund is determined by a compounded 50:50 blend of the FTSE TMX Canada Universe Bond Index and the MSCI All Country World Index denominated in Canadian dollars. 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.¹ The MSCI All Country World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI All Country World Index (CAD) consists of 46 country indices comprising of 23 developed and 23 emerging market country indices.²

¹ "FTSE TMX Canada Universe and Maple Bond Indexes." Rules for FTSE TMX Canada Universe and Maple Bond Index Series. Web. September 21, 2016.

² "MSCI All Country World Index (CAD)." MSCI ACWI Index Fact Sheet. Web. November 30, 2016.

Annual Compound Returns

The following table shows the Fund's annual compound return for Class I units of the Fund, and for each of the periods indicated ending December 31. The returns are compared against a 50:50 blend of FTSE TMX Canada Universe Bond Index and the MSCI All Country World Index (CAD) for the same period.

| | Past 1 Year | Past 2 Years | Past 3 Years | Since Inception [†] |
|-------------------------------------|-------------|--------------|--------------|------------------------------|
| Fund, Class I | 0.0% | -0.2% | 3.2% | 6.4% |
| Blended Benchmark ^{††} | 2.3% | 5.5% | 7.0% | 8.5% |
| FTSE TMX Canada Universe Bond Index | 1.7% | 2.6% | 4.6% | 3.2% |
| MSCI All Country World Index (CAD) | 2.7% | 8.2% | 9.3% | 13.8% |

[†] The performance start date for Class I units was January 1, 2013.

^{††} The Blended Benchmark is composed of:
50% FTSE TMX Canada Universe Bond Index
50% MSCI All Country World Index (CAD)

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Summary of Investment Portfolio as at December 31, 2016

The following table shows selected key financial information about the Class I units of the Fund, and is intended to assist in the understanding of the Fund's financial performance for the year ended December 31, 2016.

| Portfolio Composition | | Top 25 Holdings | |
|--|----------------------|--|----------------------|
| Sector Allocation | % of Net Asset Value | Issuer | % of Net Asset Value |
| Financials | 31.94 | Toronto-Dominion Bank | 3.80 |
| Industrials | 21.78 | Citigroup Inc. | 3.77 |
| Energy | 15.49 | Unum Group | 3.71 |
| Materials | 5.79 | Comerica Inc. | 3.47 |
| Consumer Discretionary | 5.57 | Bank of Nova Scotia | 3.34 |
| Information Technology | 4.86 | General Dynamics Corp. | 3.07 |
| Consumer Staples | 4.06 | UnitedHealth Group Inc. | 3.07 |
| Fixed Income | 3.91 | The Dow Chemical Co. | 3.02 |
| Health Care | 3.07 | Canadian National Railway Co. | 2.99 |
| Utilities | 1.78 | Royal Bank of Canada | 2.98 |
| Cash and Cash Equivalent | 1.55 | JPMorgan Chase & Co. | 2.95 |
| Other | 0.20 | Microsoft Corp. | 2.92 |
| | | General Motors Co. | 2.90 |
| Total Portfolio Allocation | 100.0% | Inter Pipeline Ltd. | 2.89 |
| | | Apache Corp. | 2.85 |
| | | Ingersoll-Rand PLC | 2.85 |
| Total Net Asset Value (in millions) | \$ 237.6 | Martin Marietta Materials Inc. | 2.77 |
| | | Raytheon Co. | 2.72 |
| | | Algonquin Power & Utilities Corp. 5% 31MAR2026 CONV. \$10.60 | 2.70 |
| | | CBS Corp. | 2.67 |
| | | FedEx Corp. | 2.67 |
| | | Sun Life Financial Inc. | 2.63 |
| | | Halliburton Co. | 2.63 |
| | | Eaton Corp PLC | 2.61 |
| | | Seven Generations Energy Ltd. | 2.55 |
| | | Total Percentage of Net Asset Value Represented by Holdings | 74.53% |

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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