

VERITAS ABSOLUTE RETURN FUND  
(FORMERLY VERITAS LONG SHORT  
FUND)

**Management Report of Fund Performance**

The annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the Investment Fund.

For the year ended December 31, 2019



VERITAS  
ASSET  
MANAGEMENT

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

**Management Discussion of Fund Performance for the year ended December 31, 2019**

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### **Forward-Looking Statements (“FLS”)**

The annual Management Report of Fund Performance may contain forward-looking statements (“FLS”). 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 using 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 the 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 several factors and assumptions, including a Fund’s current plans, estimates, opinions and analysis made considering 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.

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Management Discussion of Fund Performance for the year ended December 31, 2019

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This 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 for the year ended December 31, 2019, 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 Funds' Simplified Prospectus ("Prospectus"). In this report, "Manager", refers to Veritas Asset Management Inc., the Manager of the Fund. The "Fund" refers to the Veritas Absolute Return Fund. In addition, "net asset value" or "NAV" refers to the value of the Fund as calculated for transaction purposes, on which the 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 investment objective of the Fund is to achieve attractive risk adjusted rates of return that deliver long-term capital appreciation to unitholders. The Fund will invest primarily in the securities of publicly traded Canadian companies that the Portfolio Manager identifies as mispriced. Long and short positions will be determined primarily based (in part) on recommendations provided by Veritas Investment Research Corporation (an affiliate of the Portfolio Manager). The Portfolio Manager may also invest in securities that are not formally covered by Veritas Investment Research Corporation. The Fund will manage its long and short positions to reduce the impact of market volatility on the Fund's investment portfolio.

#### Risk

The risks associated with investing in the Fund remain as discussed in the Prospectus. The Fund is suitable for investors looking for a medium level of risk that is based on a research-driven, concentrated portfolio of Canadian Companies with a medium to longer term investment horizon.

For the year ended December 31, 2019, 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

In 2019, Series A units ended the year at \$10.33, up 7.36% from \$9.62 at the end of 2018. Series F units, the largest series by NAV were up 8.13% climbing from \$9.37 to \$10.13. And Series I units began the year at \$8.97, closed at \$9.75 and resulted in an appreciation of 8.74%. The returns for 2019 were a blend of the performance of the Veritas Long/Short Fund and the Veritas Absolute Return Fund. As noted below, the Veritas Long/Short Fund converted to a liquid-alternative mutual fund and was renamed the Veritas Absolute Return Fund on October 1, 2019.

During the three months ended December 31, 2019, the Series A units returned 2.51%, the Series F units returned 3.39% and the Series I units returned 4.12%.

The total NAV of the Fund as of December 31, 2019 was \$12,906,342.14. It began the year at \$13,062,908.32 with 2019 net redemptions totalling \$1,135,734.20.

The net assets of the Series A units increased 154.4% from \$96,220.89 to \$244,842.03 from positive investment returns and increased net contributions. The Series F units decreased 4.0% from \$11,115,804.73 to \$10,666,838.30 as a result of net redemptions, even while investment returns were positive. **The Series I units increased 7.8% to \$1,994,661.81 from \$1,850,882.70 as positive investment returns outpaced net redemptions.**

The Fund earned a positive return in 2019 even though it was underweight the Financials sector relative to the index. The Fund is ideally suited to mitigate equity market risk because it offers uncorrelated returns with a low market beta. The beta for the Fund was 0.07.

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Management Discussion of Fund Performance for the year ended December 31, 2019

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

#### Recent Developments

Even though 2019 ultimately resulted in the highest annual return for the S&P/TSX in 10 years, it wasn't without its turbulent moments in August and the end of September. We expect increased uncertainty into 2020. The year has so far brought us a no deal Brexit, a new coronavirus, and renewed Middle-East tensions. Looking forward the United States presidential election is sure to add volatility. We continue to manage the portfolio to provide the highest reward/risk ratio in these unpredictable times.

On October 1, 2019, the registration for the Veritas Long/Short Fund was changed and converted to a liquid-alternative mutual fund. It was renamed the Veritas Absolute Return Fund.

#### Related Party Transactions

The Manager will receive a monthly management fee calculated as a percentage of the NAV of each applicable series of Units that comprise the Fund on the last business day of the month. The management fee may vary from series to series and will be deducted as an expense of the applicable series of the Fund. The management fee is subject to applicable taxes, such as GST. The management fee for each of the applicable series of Units is as follows:

- Series A: 1/12 of 2.50% (2.50% per annum) of the net asset value of Series A units of the Fund on the last business day of the month.
- Series F: 1/12 of 1.50% (1.50% per annum) of the net asset value of Series F units of the Fund on the last business day of the month.
- Series I: Negotiated between the investor and the Manager and paid directly by the investor. The management fee rate on the Series I units will not exceed the management fee payable on Series F units of the Fund.

#### Ownership

As of December 31, 2019, parties related to the Manager owned 4,071 Series F units (2018: 3,011) of the Fund.

The following tables show selected key financial information about the Series A, Series F and Series I units of the Fund, respectively, and are intended to help you understand the Fund's financial performance for the year ended December 31, 2019.

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

The Fund's Net Asset Value (NAV) per Series A Unit (1)	2019
<b>Net asset value, beginning of period</b>	<b>\$9.62</b>
<b>Increase from operations:</b>	
Total revenue	0.28
Total expenses	(0.45)
Realized gains for the period	0.57
Unrealized gains for the period	0.33
<b>Total increase from operations (2)</b>	<b>0.73</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (2) (3)</b>	<b>\$-</b>
<b>Net asset value, end of period (4)</b>	<b>\$10.33</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (4)	\$244,842
Number of units outstanding (4)	23,702
Management expense ratio (5)	2.17%
Management expense ratio before waivers or absorptions	2.17%
Trading expense ratio (6)	0.26%
Portfolio turnover rate (7)	1419.68%
<b>Net asset value per unit</b>	<b>\$10.33</b>

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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<b>The Fund's Net Asset Value (NAV) per Series F Unit (1)</b>	<b>2019</b>
<b>Net asset value, beginning of period</b>	<b>\$9.37</b>
<b>Increase from operations:</b>	
Total revenue	0.25
Total expenses	(0.34)
Realized gains for the period	0.69
Unrealized gains for the period	0.15
<b>Total increase from operations (2)</b>	<b>0.75</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (2) (3)</b>	<b>\$-</b>
<b>Net asset value, end of period (4)</b>	<b>\$10.13</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (4)	\$10,676,674
Number of units outstanding (4)	1,054,129
Management expense ratio (5)	2.01%
Management expense ratio before waivers or absorptions	2.01%
Trading expense ratio (6)	0.26%
Portfolio turnover rate (7)	1419.68%
<b>Net asset value per unit</b>	<b>\$10.13</b>

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# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Management Discussion of Fund Performance for the year ended December 31, 2019

The Fund's Net Asset Value (NAV) per Series I Unit (1)	2019
<b>Net asset value, beginning of period</b>	<b>\$8.97</b>
<b>Increase from operations:</b>	
Total revenue	0.24
Total expenses	(0.28)
Realized gains for the period	0.65
Unrealized gains for the period	0.17
<b>Total increase from operations (2)</b>	<b>0.78</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (2) (3)</b>	<b>\$-</b>
<b>Net asset value, end of period (4)</b>	<b>\$9.75</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (4)	\$1,994,662
Number of units outstanding (4)	204,554
Management expense ratio (5)	1.70%
Management expense ratio before waivers or absorptions	1.70%
Trading expense ratio (6)	0.26%
Portfolio cash turnover rate (7)	1419.68%
<b>Net asset value per unit</b>	<b>\$9.75</b>

#### 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) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (3) Distributions were paid in cash or automatically reinvested in additional units of the Fund, or both.
- (4) This information is provided as at December 31, 2019.
- (5) Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the year.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period. Included in the trading expense ratio are the forward fees.
- (7) 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 period. The higher a funds' portfolio turnover rate in the period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

The following information shown assumes that all distributions made by the Fund in the period shown were reinvested in additional securities of the Fund and does not consider 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.

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

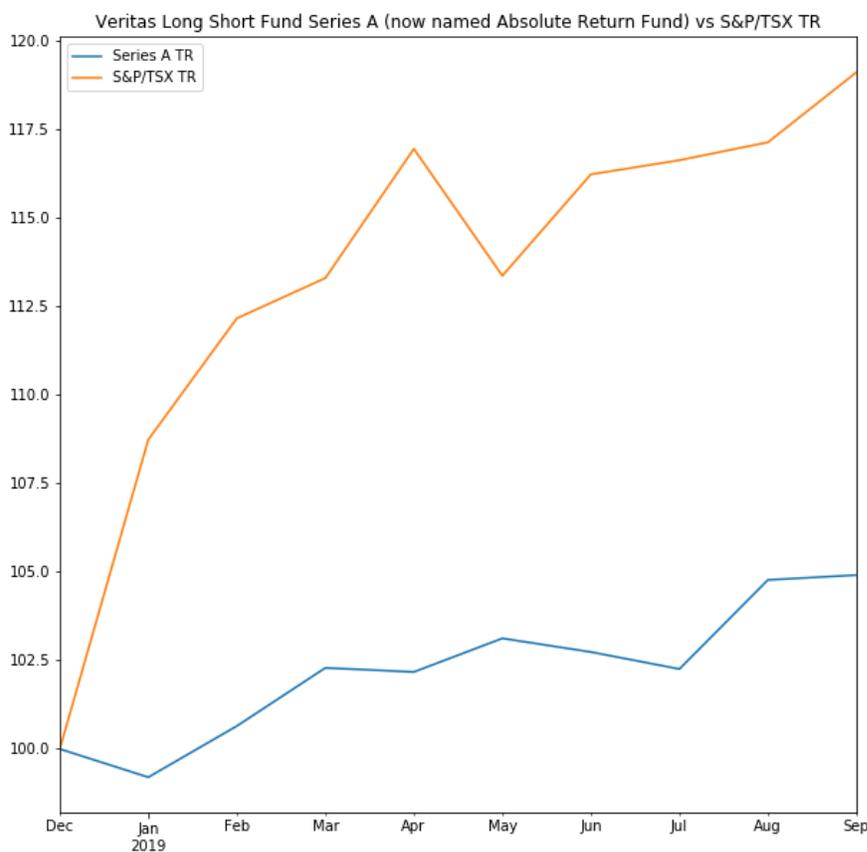
### Management Discussion of Fund Performance for the year ended December 31, 2019

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#### Year-by-Year Returns

The following line chart shows the Fund's annual performance. The line chart shows, in dollar terms, how much a \$100 investment in Series A, F and I units, respectively, made on the fund's conversion date (October 1, 2019) would have grown or decreased to by the last day of the calendar year.

The returns for the twelve months ended December 31, 2019 in Series A, F and I are broken into two graphs per series, before conversion and after conversion. The returns are as follows:

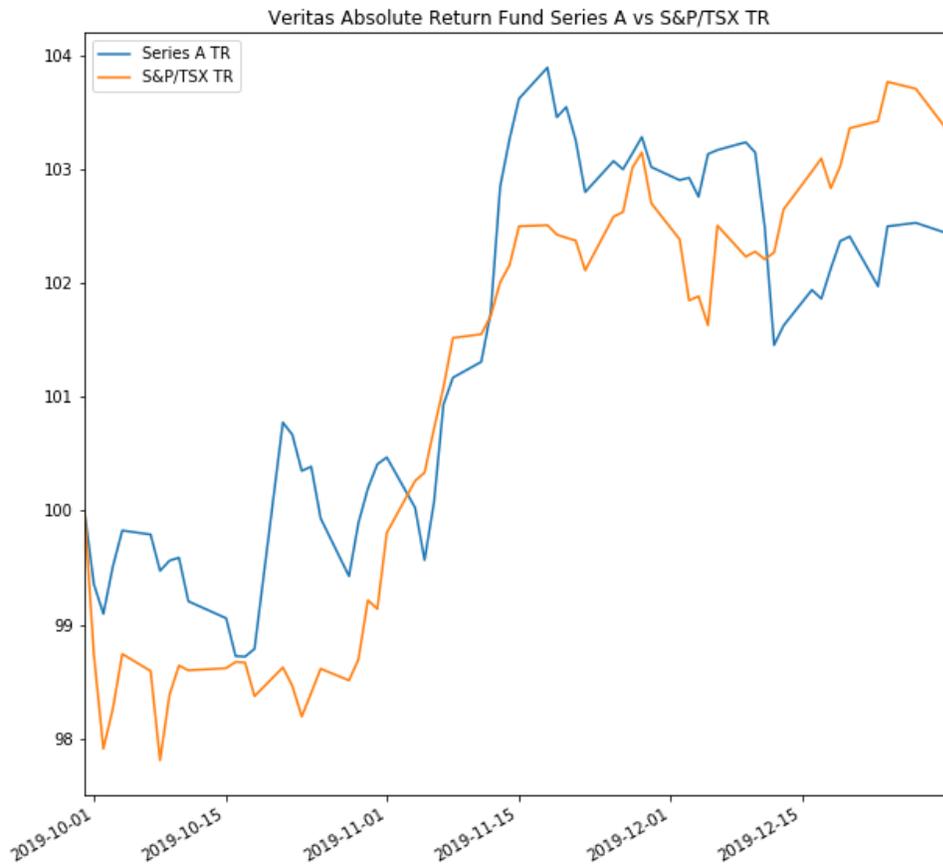


# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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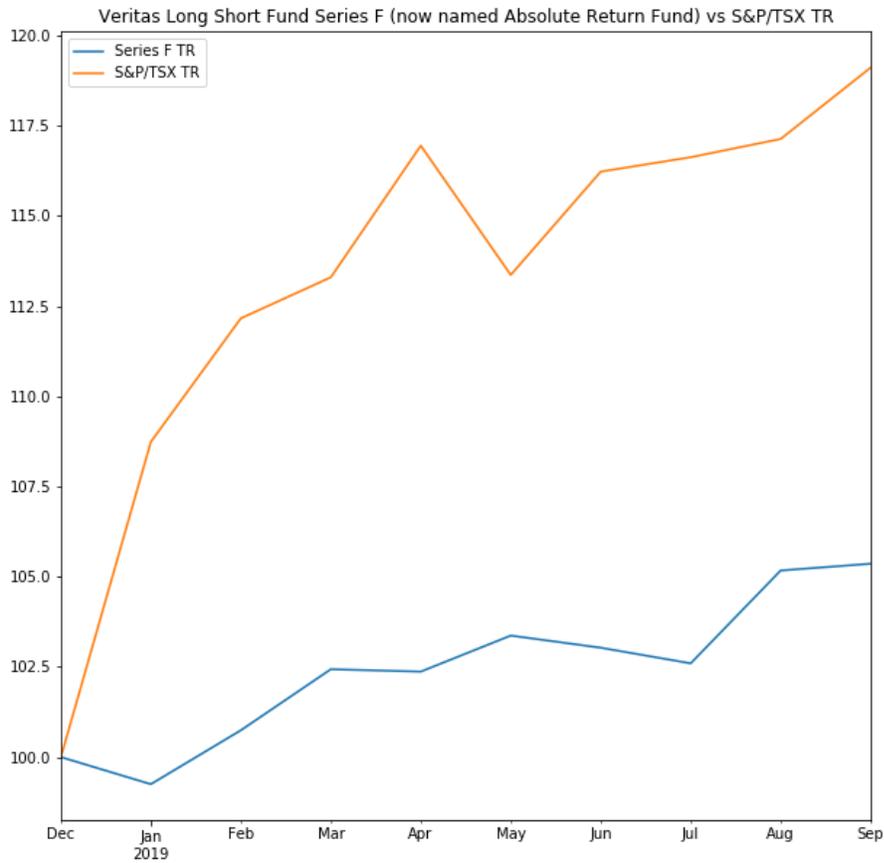


# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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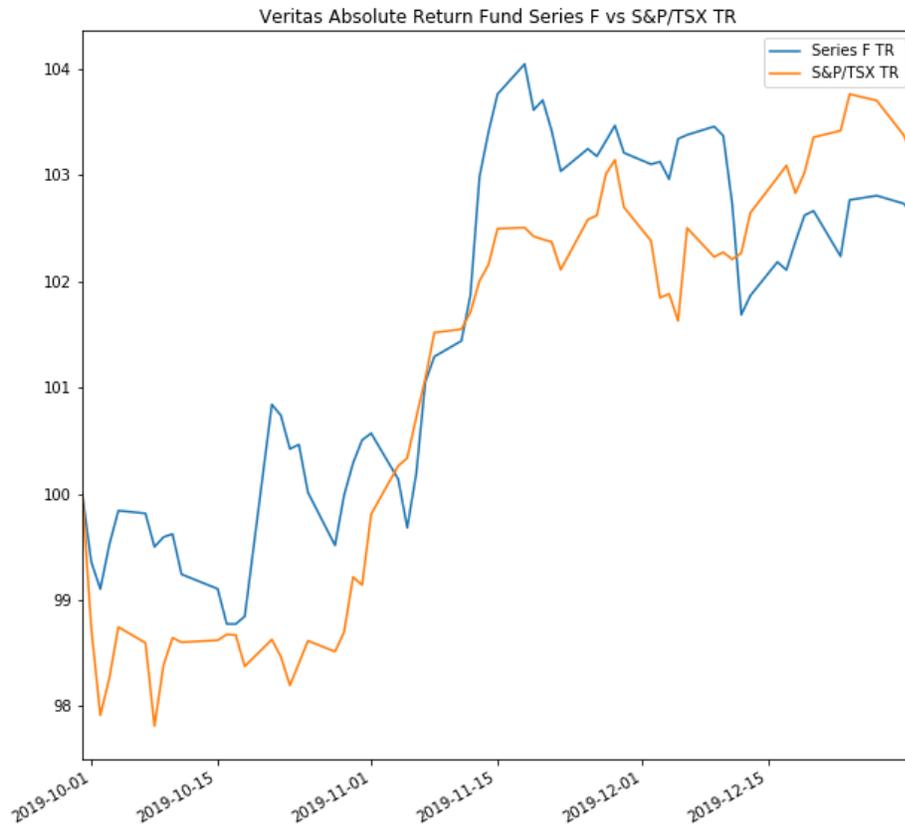


# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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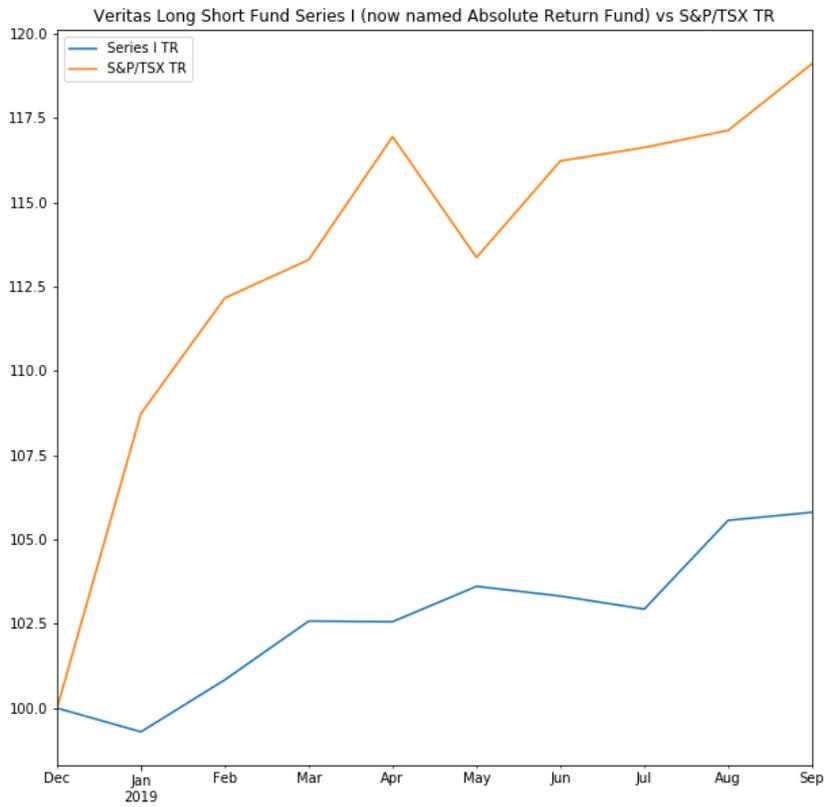


# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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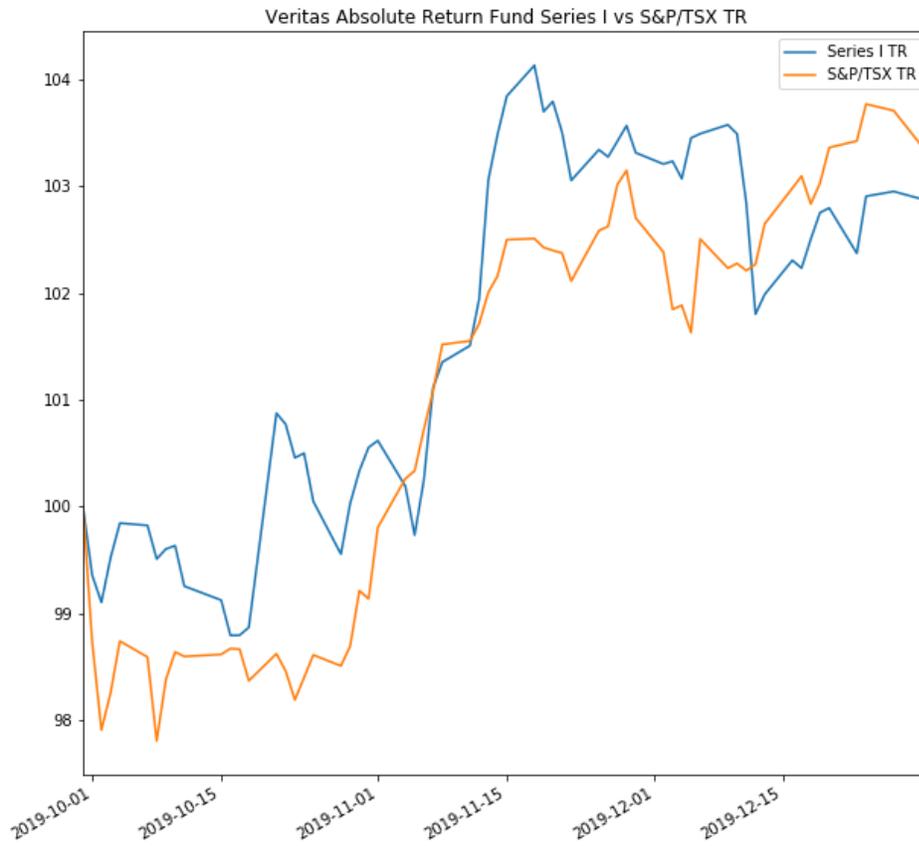


# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance for the year ended December 31, 2019

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### Benchmark(s) Information

The benchmark of the fund is the S&P/TSX Composite Total Return Index. The S&P/TSX is the benchmark Canadian index, representing approximately 95% coverage of the Canadian equities market as measured by market capitalization (233 constituents).

### Annual Compound Returns

The fund was in its first year of operation in the fourth fiscal quarter of 2019 and therefore does not have a fully annualized return. A 12-month performance will be able available after October 1<sup>st</sup>, 2020.

	From October 1, 2019
Fund, Series A	2.33%
Fund, Series F	2.63%
Fund, Series I	2.77%
INDEX	3.17%

# VERITAS ABSOLUTE RETURN FUND (FORMERLY VERITAS LONG SHORT FUND)

## MANAGEMENT REPORT OF FUND PERFORMANCE

### Management Discussion of Fund Performance for the year ended December 31, 2019

The following tables show 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, 2019.

Portfolio Composition		Top 25 Holdings	
Sector Allocation	% of Net Asset Value	Issuer	% of Net Asset Value
Cash	31.9%	Cash & Cash Equivalents.	31.9%
Real Estate	17.6%	Enbridge Inc	7.8%
Utilities	15.6%	Granite Real Estate Investment Trust	7.1%
Energy	11.6%	SPDR Gold Shares	6.7%
Industrials	8.2%	TransAlta Corp.	5.5%
Gold	6.7%	Canadian Natural Resources Inc	5.3%
Communication Services	5.0%	Waste Connections Inc	4.9%
Consumer Staples	4.1%	Canadian Utilities	4.7%
Financials	1.1%	Air Canada	4.6%
Information Technology	0.4%	Capital Power Corp	4.0%
Health Care	-0.4%	Crombie Real Estate Investment Trust	3.7%
Consumer Discretionary	-1.9%	Allied Properties Real Estate Investment Trust	3.6%
<b>Total Portfolio Allocation</b>	<b>100.0%</b>	Killam Apartment Real Estate Investment Trust	3.5%
		Empire Co	3.1%
		Quebecor Inc	3.0%
		Cenovus Energy Inc.	2.4%
		Telus Corp.	2.2%
		Metro Inc.	2.1%
		Manulife Financial Corp.	1.5%
		Loblaw Companies Limited	1.5%
		George Weston Ltd	1.5%
		AltaGas Canada Inc	1.2%
		WSP Global Inc	1.1%
		IMAX Corp	0.9%
		Constellation Software Inc	0.9%
		<b>Total Percentage of Net Asset Value Represented by Holdings</b>	<b>114.5%</b>
<b>Total Net Asset Value</b>	<b>\$12,906,342</b>		

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 tables presented above represent the average holdings in the fund for the three months ended December 31, 2019. The Veritas Absolute Return Fund inception date is October 1, 2019.

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.