

FIXED-INCOME FUND

**SOCIAL HOUSING
CANADIAN SHORT-TERM BOND FUND**

June 30, 2017

The Board of Directors of Encasa Financial Inc. approved this interim management report of fund performance on August 15, 2017.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” “forecast,” “objective” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. 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.

Encasa Financial Inc. is the manager (the “Manager”) of the Fund. RBC Global Asset Management Inc. (“RBC GAM”), an indirect wholly-owned subsidiary of Royal Bank of Canada (“Royal Bank”), is the portfolio manager of the Fund.

This interim management report of fund performance contains financial highlights, but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the interim and the annual financial statements at your request, and at no cost, by calling 1-888-791-6671 x 237, by writing to Social Housing Investment Funds c/o Encasa Financial Inc., 30 Duncan Street, Suite 606, Toronto, Ontario, M5V 2C3, or by visiting the Manager’s website at www.encasa.ca or SEDAR at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The investment objective of the Fund is to provide investors with a relatively high level of current interest income, stability of capital and immediate liquidity by investing primarily in short-term debt instruments issued by Canadian governments and companies that conduct themselves in a socially responsible manner. To achieve the Fund's investment objectives, the portfolio manager invests primarily in high-quality Canadian corporate and government bonds. The Fund will typically have an average term to maturity of one to five years.

Results of Operations

The Fund's net asset value was \$260 million as of June 30, 2017.

Over the past six months, the Fund's Series A units gained 0.1%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Corporate and provincial bonds outperformed federal-government fixed income during the first half of 2017, bolstered by accelerating global economic growth. The arrival of President Trump led to bond losses early in the period on speculation that his pro-growth policy proposals would lead to faster inflation. Canadian bonds outperformed U.S. bonds during this time amid weak commodity prices and the Bank of Canada's (the "BOC") willingness to keep short-term interest rates unchanged, while the U.S. Federal Reserve (the "Fed") was raising them. However, Canadian yields surged late in the period after stronger domestic growth prompted the BOC to consider raising rates, and led to overall underperformance in Canadian bonds.

Against this backdrop, the Fund was managed to take advantage of changes in interest rates while keeping the Fund's overall average maturity modestly shorter than the overall market. This strategy was a meaningful contributor to relative performance.

The Fund's exposure to corporate and federal-agency bonds was neutral for relative performance. The Fund was on average only slightly overweight in corporate bonds, and therefore did not fully benefit from the outperformance of corporate bonds during the period. The portfolio manager shifted assets between federal-agency and provincial bonds, during the period, depending on the relative attractiveness of each. The Fund was generally underweight in these areas, freeing up room for higher-yielding corporate bonds.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

Several years of slow global economic growth, accompanied by pro-growth monetary policies have led to historically low global interest rates. However, central banks are now leaning toward removing economic stimulus in response to a stronger global economy. The Fed is setting the pace with a handful of rate increases already. Recent economic data in Canada also support an improving economy. Against this backdrop, the portfolio manager now expects the BOC to boost its benchmark rate in the near term. The portfolio manager intends to use fluctuations in interest rates as opportunities to make investments at higher yields.

Effective June 30, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology"). Pursuant to the new risk classification methodology, certain funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology. The risk classification for this Fund has not changed.

Related-Party Transactions

Portfolio Manager, Registrar and Fund Accounting Agent

RBC GAM, a wholly-owned subsidiary of Royal Bank, is the portfolio manager, registrar and fund accounting agent of the Fund and provides or arranges for certain other services for the Fund. The fees paid to RBC GAM are paid by the Manager and not the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking and brokerage. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributor

Phillips, Hager & North Investment Funds Ltd. is the principal distributor of the Fund and a wholly-owned subsidiary of RBC GAM. The fees paid to Phillips, Hager & North Investment Funds Ltd. are paid by RBC GAM and not the Fund.

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund. RBC IS holds title to the Fund's property on behalf of unitholders and also holds the assets of the Fund. The fees paid to RBC IS are paid by RBC GAM and not the Fund.

Brokers and Dealers

From time to time, brokerage business for the Fund was allocated to investment dealers that are affiliates of Royal Bank and RBC GAM (“related-party dealers”). The Fund has relied on the standing instructions (“Standing Instructions”) from its Independent Review Committee (“IRC”) with respect to the allocation of brokerage to related-party dealers and requires RBC GAM to develop criteria for brokers and to allocate brokerage on the basis of best execution in the particular circumstances of a trade and that trades allocated to related-party dealers be on competitive terms and conditions, including as to brokerage commissions.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied, or may rely, on the Standing Instructions from the IRC with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and
- (d) inter-fund trading. These Standing Instructions impose terms and conditions on inter-fund trades, including that an investment decision in respect of inter-fund trading is influenced solely by the best interests of each Fund, the trade is made in compliance with the requirements of National Instrument 81-107 *Independent Review Committee for Investment Funds*, and that the terms of the purchase and sale are no less beneficial to the Fund than those generally available to other market participants in an arm’s-length transaction.

The applicable Standing Instructions require that Related-Party Trading Activities be conducted in accordance with applicable RBC GAM policies and that RBC GAM and the Manager report to the IRC on a quarterly basis.

The Standing Instructions related to the transactions described in (a), (b) and (c) listed above, impose terms and conditions on Related-Party Trading Activities, including that the investment be in accordance with the investment objectives of each Fund and in the best interests of each Fund and that an investment decision in respect of Related-Party Trading Activities:

- (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates;
- (ii) represents the business judgment of RBC GAM uninfluenced by considerations other than the best interests of the Fund;
- (iii) is in compliance with RBC GAM policies and procedures; and
- (iv) achieves a fair and reasonable result for the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2017), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Fund's Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
June 30, 2017	10.24	0.11	(0.04)	(0.01)	(0.05)	0.01	(0.08)	–	–	–	(0.08)	10.17
Dec. 31, 2016	10.34	0.25	(0.08)	(0.02)	(0.08)	0.07	(0.17)	–	–	–	(0.17)	10.24
Dec. 31, 2015	10.33	0.26	(0.08)	(0.01)	0.02	0.19	(0.18)	–	–	–	(0.18)	10.34
Dec. 31, 2014	10.27	0.28	(0.08)	0.03	0.03	0.26	(0.20)	–	–	–	(0.20)	10.33
Dec. 31, 2013	10.35	0.29	(0.08)	(0.06)	(0.03)	0.12	(0.21)	–	–	–	(0.21)	10.26
Dec. 31, 2012	10.43	0.32	(0.08)	(0.05)	(0.03)	0.16	(0.24)	–	–	–	(0.24)	10.35
Series B												
June 30, 2017	9.91	0.11	(0.04)	(0.01)	(0.06)	–	(0.07)	–	–	–	(0.07)	9.84
Dec. 31, 2016	10.00	0.24	(0.09)	(0.02)	(0.12)	0.01	(0.15)	–	–	–	(0.15)	9.91
Dec. 31, 2015	10.00	0.25	(0.16)	(0.01)	0.02	0.10	(0.17)	–	–	–	(0.17)	10.00
Dec. 31, 2014 ³	10.00 [†]	0.03	(0.01)	–	–	0.02	(0.04)	–	–	–	(0.04)	10.00

¹ 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. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

² Distributions were reinvested in additional units of the Fund.

³ From November 24, 2014.

[†] Initial offering net asset value per unit.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	MER (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
June 30, 2017	10.17	252 401	24 807	0.79	0.79	201.11	—
Dec. 31, 2016	10.24	251 096	24 510	0.79	0.79	187.42	—
Dec. 31, 2015	10.34	248 191	24 010	0.79	0.79	166.22	—
Dec. 31, 2014	10.33	246 970	23 914	0.78	0.78	197.53	—
Dec. 31, 2013	10.27	248 828	24 237	0.79	0.79	295.14	—
Dec. 31, 2012	10.36	243 174	23 473	0.80	0.80	189.53	—
Series B							
June 30, 2017	9.84	7 633	776	0.85	0.93	201.11	—
Dec. 31, 2016	9.91	6 931	699	0.85	0.99	187.42	—
Dec. 31, 2015	10.00	1 122	112	0.84	1.58	166.22	—
Dec. 31, 2014 ⁴	10.00	10	1	0.84	0.84	197.53	—

¹ The management expense ratio ("MER") is based on total expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. The Manager may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by the Manager of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by the Manager.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. 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 the Fund's portfolio turnover rate in a 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 high turnover rate and the performance of a fund.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ From November 24, 2014.

Management Fees

Encasa Financial Inc. is the Manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before taxes, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.80%	—	100%
Series B	0.90%	—	100%

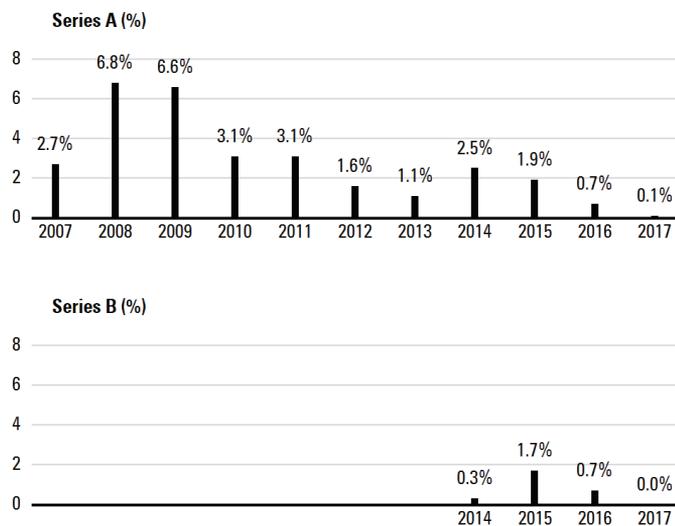
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



Series B units have been available for sale to unitholders since November 2014. Inception dates are not provided for series that have been in existence for more than 10 years.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2017.

The 2014 year-by-year return for Series B represents the return from November 2014 to December 2014 only.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2017

Investment Mix

	% of Net Asset Value
Federal Bonds	38.7
Corporate Bonds	37.0
Provincial Bonds	12.6
Mortgage-Backed Securities	9.8
Mortgages	0.2
Cash/Other	1.7

Top 25 Holdings

	% of Net Asset Value
Government of Canada 0.750% Aug 1 2019	13.6
Province of Ontario 4.200% Jun 2 2020	5.4
Canada Housing Trust No. 1 1.250% Jun 15 2021	4.1
Canadian Mortgage Pools 1.450% Dec 1 2021	4.0
Canada Housing Trust No. 1 1.250% Dec 15 2020	3.7
Canada Housing Trust No. 1 2.000% Dec 15 2019	3.4
Canada Housing Trust No. 1 1.950% Jun 15 2019	3.3
Toronto-Dominion Bank 1.680% Jun 8 2021	2.5
Province of Ontario 4.400% Jun 2 2019	2.3
Government of Canada 0.500% Mar 1 2022	2.1
Province of Alberta 1.250% Jun 1 2020	2.1
Canada Housing Trust No. 1 2.350% Dec 15 2018	2.0
Royal Bank of Canada 2.030% Mar 15 2021	1.9
Province of Ontario 3.150% Jun 2 2022	1.8
Bank of Nova Scotia 1.330% May 1 2018	1.8
Canada Housing Trust No. 1 1.750% Jun 15 2022	1.4
Cash & Cash Equivalents	1.4
National Grid Electricity Transmission Plc. CAD 2.730% Sep 20 2017	1.3
Canada Housing Trust No. 1 3.750% Mar 15 2020	1.1
Bank of Montreal 2.240% Dec 11 2017	1.0
Westcoast Energy Inc. 5.600% Jan 16 2019	1.0
Canadian Imperial Bank of Commerce 1.700% Oct 9 2018	0.9
TELUS Corp. 5.050% Jul 23 2020	0.9
Government of Canada 2.750% Jun 1 2022	0.9
Canada Housing Trust No. 1 1.150% Dec 15 2021	0.9
Top 25 Holdings	64.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling 1-888-771-7473, by writing to Social Housing Investment Funds c/o Phillips, Hager & North Investment Funds Ltd., 155 Wellington Street West, 21st Floor, Toronto, Ontario, M5V 3K7, or by visiting the Manager's website at www.encasa.ca or SEDAR at www.sedar.com.