

CANADIAN EQUITY FUND

**SOCIAL HOUSING
CANADIAN EQUITY FUND**

December 31, 2017

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 19, 2018.

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 annual management report of fund performance contains financial highlights, but does not contain 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., 119 Spadina Avenue, Suite 400, Toronto, Ontario, M5V 2L1, 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 long-term capital growth by investing primarily in a diversified portfolio of common shares of Canadian companies, which are chosen primarily for their growth potential and because they conduct themselves in a socially responsible manner. To achieve the Fund's investment objective, the portfolio manager invests in companies that it believes have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, a sound financial position, strong earnings potential, and a reasonable valuation. The Fund may from time to time invest a portion of its assets in non-Canadian securities where such an investment is consistent with the investment objective of the Fund.

Risk

There were no significant changes that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

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.

There were no changes to the Fund's risk rating during the reporting period.

Results of Operations

The Fund's net asset value rose to \$132 million as of December 31, 2017, from \$119 million at the end of 2016. The increase was due mainly to investment returns.

Over the past year, the Fund's Series A units gained 14.4%, outperforming the 10.7% rise in the benchmark. The broad-based index rose 9.1%. The Fund's return is after the deduction of fees and expenses, while benchmark and broad-based index returns do not include any costs of investing. 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.

Global economic growth surged to the highest in seven years in 2017 thanks to a confluence of factors. Stock markets rose in most of the world during 2017, driven by the tailwinds of rising corporate profits and the continued environment of relatively low global interest rates. The S&P/TSX Composite Index rose over 9% during 2017, but lagged other major equity markets due to the index's minimal exposure to the strong returns delivered by the Information Technology sector. Canadian growth was unexpectedly brisk, prompting the Bank of Canada to raise interest rates twice during the year, even as investors worried about Canadians' high household debts and the future of the North American Free Trade Agreement.

The Canadian equity portion of the Fund outperformed the broader Canadian market during the period. The Fund benefited from strong security selection in the Utilities, Materials and Industrials sectors. In Utilities, an overweight position in Brookfield Infrastructure Partners boosted returns as the stock benefited from a strong organic growth profile. In Materials, the Fund's exclusion of Barrick Gold and an overweight position in Kirkland Lake Gold bolstered relative performance.

Outside of Canada, the Fund had exposure to global equities through the RBC Vision Global Equity Fund, which had a positive impact on overall performance. Within the global fund, an underweight position in the Telecommunication Services sector and an overweight in Information Technology had a positive impact on performance. From a security-selection standpoint, favourable stock picks in Industrials and Consumer Discretionary aided portfolio returns.

Recent Developments

Global stock markets continue to be supported by the synchronized global expansion and better-than-expected corporate profit growth around the world, but the recent rally has pushed equities closer to fair value. Without support from rising valuations, further gains in stocks will likely be paced by corporate profit growth. The portfolio manager expects that Canada's path to higher interest rates will be longer and slower than in the U.S., with the Canadian economy's reliance on housing, consumer spending and energy projects remaining key points of discussion. The potential impact of any U.S. protectionist measures on Canadian trade is also being closely monitored.

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. These related-party commissions were \$5,000 (2016 – \$2,000), or 14% (2016 – 4%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied, or may have relied, 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 five years or for the periods since inception. This information is derived from the Fund's 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												
Dec. 31, 2017	19.42	0.49	(0.23)	0.78	1.74	2.78	–	(0.23)	(0.31)	–	(0.54)	21.67
Dec. 31, 2016	17.44	0.48	(0.21)	0.41	1.69	2.37	–	(0.26)	(0.13)	–	(0.39)	19.42
Dec. 31, 2015	18.27	0.50	(0.21)	0.80	(1.06)	0.03	–	(0.24)	(0.63)	–	(0.87)	17.44
Dec. 31, 2014	17.38	0.47	(0.21)	1.00	0.74	2.00	–	(0.25)	(0.86)	–	(1.11)	18.27
Dec. 31, 2013	14.74	0.44	(0.18)	0.06	2.55	2.87	–	(0.23)	–	–	(0.23)	17.38
Series B												
Dec. 31, 2017	9.38	0.24	(0.13)	0.38	0.88	1.37	–	(0.10)	(0.15)	–	(0.25)	10.47
Dec. 31, 2016	8.42	0.23	(0.11)	0.20	0.88	1.20	–	(0.11)	(0.06)	–	(0.17)	9.38
Dec. 31, 2015	8.84	0.24	(0.22)	0.39	(0.51)	(0.10)	–	(0.12)	(0.31)	–	(0.43)	8.42
Dec. 31, 2014 ³	10.00 [†]	0.02	(0.01)	0.05	0.04	0.10	–	(0.11)	(0.86)	–	(0.97)	8.84

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 assets 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							
Dec. 31, 2017	21.67	128 917	5 948	1.12	1.12	17.96	0.06
Dec. 31, 2016	19.42	117 291	6 040	1.17	1.17	23.91	0.10
Dec. 31, 2015	17.44	104 351	5 984	1.17	1.17	42.55	0.13
Dec. 31, 2014	18.27	103 069	5 642	1.17	1.17	36.91	0.16
Dec. 31, 2013	17.38	90 193	5 189	1.19	1.19	44.28	0.17
Series B							
Dec. 31, 2017	10.47	3 074	294	1.30	1.57	17.96	0.06
Dec. 31, 2016	9.38	2 029	216	1.34	1.70	23.91	0.10
Dec. 31, 2015	8.42	1 102	131	1.30	2.46	42.55	0.13
Dec. 31, 2014 ⁴	8.84	47	5	1.31	1.31	36.91	0.16

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 for 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	1.00%	—	100%
Series B	1.20%	—	100%

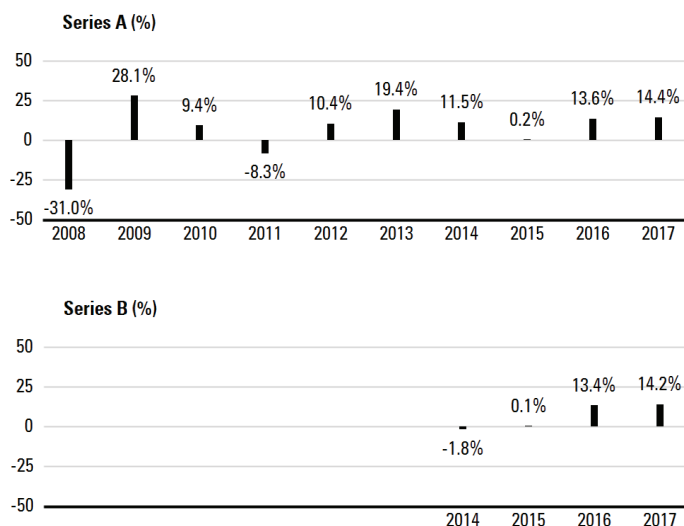
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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.



Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2017, compared with the following benchmarks:

The blended benchmark is composed of:

- 70% S&P/TSX Capped Composite Total Return Index
- 30% MSCI World Total Return Net Index (CAD)

The broad-based index is the S&P/TSX Capped Composite Total Return Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	14.4	9.2	11.6	5.4	—
Blended benchmark	10.7	8.4	11.2	5.7	—
Broad-based index	9.1	6.6	8.6	4.7	—
Series B	14.2	9.0	—	—	8.1
Blended benchmark	10.7	8.4	—	—	7.7
Broad-based index	9.1	6.6	—	—	5.6

The blended benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the blended benchmark and broad-based index.

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.

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

INDEX DESCRIPTIONS

S&P/TSX Capped Composite Total Return Index This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

MSCI World Total Return Net Index (CAD) This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at December 31, 2017
Investment Mix

	% of Net Asset Value
Canadian Equities	68.6
United States Equities	17.3
Overseas Equities	12.3
Cash/Other	1.8

Top 25 Holdings

	% of Net Asset Value
RBC Vision Global Equity Fund	30.3
Royal Bank of Canada	4.7
Toronto-Dominion Bank	4.1
Bank of Nova Scotia	3.1
Enbridge Inc.	2.5
Canadian National Railway Co.	2.4
Suncor Energy Inc.	2.3
Brookfield Asset Management Inc., Class A	2.0
Bank of Montreal	2.0
TransCanada Corp.	1.9
Canadian Natural Resources Ltd.	1.7
Canadian Pacific Railway Ltd.	1.7
Manulife Financial Corporation	1.6
Canadian Imperial Bank of Commerce	1.4
Cash & Cash Equivalents	1.1
Rogers Communications Inc., Class B	1.1
BCE Inc.	1.1
Pembina Pipeline Corp.	1.0
Waste Connections Inc.	1.0
Power Corporation of Canada	0.9
TELUS Corp.	0.9
Loblaw Companies Ltd.	0.9
Agnico Eagle Mines Ltd.	0.9
Sun Life Financial Inc.	0.8
Franco-Nevada Corp.	0.8
Top 25 Holdings	72.2

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.

The Simplified Prospectus and other information about the underlying Fund is available on the SEDAR website at www.sedar.com.