

March 7, 2018

To the Unitholders of the:

**Social Housing Canadian Short-Term Bond Fund**  
**Social Housing Canadian Bond Fund**  
**Social Housing Canadian Equity Fund**  
(collectively the “Social Housing Investment Funds”, the “SHIF”, or the “Funds”)

Dear Investor,

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”), Encasa Financial Inc. (the “Manager”) has established an Independent Review Committee (the “IRC”) for the Funds. The IRC is composed of three individuals, each of whom is independent of the Funds, the Manager and its affiliates.

The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Funds. The Manager is required to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures guiding its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such conflict of interest matter to the IRC for its review. Certain matters require the IRC’s prior approval before proceeding, but in most cases the IRC is only required to offer a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the relevant Fund(s). For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“the SIs”), which enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval or recommendation, providing the Manager undertakes them in accordance with the SIs.

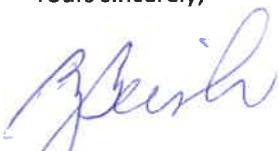
The members of the IRC are proud to represent the best interests of the Funds in any matter where the Manager has a conflict of interest. In respect of any conflict of interest matter referred to us, we apply our best judgment to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the relevant Fund(s) and is fair to Unitholders’ interests.

We are now pleased to publish this annual report to the Unitholders of the Funds, which describes the IRC and its activities during the last financial year of the Funds ending December 31, 2017.

This report is available on the Manager’s website at [www.encasa.ca](http://www.encasa.ca) or you may request a copy, at no cost to you, by contacting Encasa Financial Inc. at 1-888-791-6671.

This document and other information about the Funds, such as the Simplified Prospectus, Annual Information Form and Fund Facts, are also available on [www.sedar.com](http://www.sedar.com).

Yours sincerely,



Brigitte Geisler  
Chair, SHIF IRC

# Annual Report of the Independent Review Committee of the Social Housing Investment Funds

**Social Housing Canadian Short-Term Bond Fund  
Social Housing Canadian Bond Fund  
Social Housing Canadian Equity Fund  
(collectively the “Social Housing Investment Funds”, the “SHIF”, or the “Funds”)**

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”), Encasa Financial Inc. (the “Manager”) has established an Independent Review Committee (the “IRC”) for the Funds.

The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Funds, which have been brought to the IRC’s attention. The Manager is required to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures guiding its management of those conflicts of interest.

## Composition of the IRC

The current members (the “IRC Members”) of the IRC, each of whom is independent of the Funds, the Manager and its affiliates, and their principal occupations, are as follows:

<b>Name and Municipality of Residence</b>	<b>Principal Occupation</b>	<b>Initial Appointment and Term of Office</b>	<b>Other IRC Appointments</b>	<b>Independence</b>
Brigitte Geisler, Toronto, Ontario Chair, IRC	Lawyer	First appointed May 1, 2012 for a three (3) year term. Reappointed May 1, 2015 for a three (3) year term.	N/A	Independence Certified November 9, 2017
Cindy Taylor, Vancouver, BC	Asset Manager	First appointed July 1, 2015 for a three (3) year term.	N/A	Independence Certified November 9, 2017

Robert Medland, Toronto, Ontario	Accountant - CPA, CA	First appointed May 1, 2016 for a three (3) year term	N/A	Independence Certified November 30, 2017
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### **Compensation and Indemnification**

At least annually, the IRC reviews its compensation, giving consideration to the following:

1. the number, nature and complexity of the investment Funds for which the IRC acts;
2. the nature and extent of the workload of each IRC member, including the frequency of meetings required and the commitment of time and energy that is expected from each member;
3. industry best practices, including industry averages and surveys on independent review committee compensation;
4. the responsibilities of, and the potential liabilities faced by the IRC members; and
5. the best interests of the Funds.

In considering these factors, the IRC has directed that the IRC's compensation be shared equally among the individual Funds. The IRC's compensation is comprised of Members' Fees.

### **Members' Fees**

The IRC Members are paid a "per meeting" fee which, in aggregate for the year, amounted to \$17,500 in 2017. The IRC reviewed its compensation in December 2017 in accordance with the above considerations, and in keeping with the Manager's recommendation, determined that the current fees were adequate.

### **Indemnification of IRC Members**

No indemnities were paid to the IRC Members by the Funds or the Manager during the financial year ending December 31, 2017.

### **Disclosure of IRC Member's Holdings**

As at December 31, 2017, the IRC Members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any voting or equity securities of the Manager; or
- any voting or equity securities in a person or company that provides services to the Manager or a Fund.

### **Standing Instructions**

The IRC has approved Standing Instructions (the "SIs"), which permit the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI.

The Manager relied on the following SIs, as applicable, in the financial year ended December 31, 2017:

Standing Instruction No.1: **CONFLICT OF INTEREST MATTERS: POLICIES AND PROCEDURES MANUAL - OMNIBUS**, as applicable. This SI approves the Manager's COIM: Policies and Procedures, as listed in Appendix A.

Standing Instruction No.2: **CALCULATION OF THE NAV**

Standing Instruction No. 3: **INTER-FUND TRADING** The Manager did not make any inter-fund trades during 2017 and did not, therefore, rely on this SI in the fiscal year ended December 31, 2017.

Standing Instruction No. 4: **TRADING IN SECURITIES OF A RELATED ISSUER OF THE PORTFOLIO MANAGER**

Standing Instruction No. 5: **RELATED UNDERWRITER PROHIBITIONS**

Standing Instruction No. 6: **RELATED DEALER PRINCIPAL TRADING RESTRICTIONS**

Standing Instruction No. 7: **USE OF BROKERAGE SERVICES**

#### **Conflict of Interest Matters Reviewed**

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation.

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval.

#### **Referrals from the Manager**

In addition to the conflict of interest matters undertaken in compliance with the terms and conditions of the SIs, during the financial year ending December 31, 2017, the Manager referred one potential conflict of interest matters to the IRC for its approval and recommendation as follows:

##### **1) Change in Service Providers**

In accordance with the Manager's COIM: Policies & Procedures, when the Manager makes material changes that involve insourcing or outsourcing services that are managed by the Manager, there is a perceived or potential conflict of interest to the extent that the decision could result in benefits to the Manager.

In March 2017, the Manager referred a potential conflict of interest matter to the IRC related to a proposed change in the service providers to the Funds for distribution, fund accounting, custodian and trustee services related to the management of the Funds, for the consideration and recommendation of the IRC.

The Manager's COIM: Policies & Procedures provide for the following:

“Any proposal by the Manager to make a material change to a Fund service provider will be reviewed in light of the following considerations:

- a) there must be comprehensive business rationale for the termination of the existing arrangement related firstly to the best interests of the Fund(s), and secondarily, to the best interests of the Manager;
- b) the new service being proposed must be comparable to, or greater than the existing service in professional capacity;
- c) the cost of the new service being proposed must be comparable to or less than the existing service. “

Whenever the Manager is contemplating a material change to a Fund service provider, the proposal will be referred to the IRC for its prior review and recommendation.

The IRC considered the proposed course of action on March 20, 2017 and passed the following resolution:

“After reviewing the Manager’s proposal and after making reasonable inquiry, in the opinion of the IRC, the Manager’s proposed course of action to change the service providers of the Funds as presented by the Encasa Financial Inc. CEO, will achieve a fair and reasonable result for the SHIF Funds.”

#### **Other Matters in 2017**

Over the course of 2017, the Manager kept the IRC apprised of the business activities of the Manager, as appropriate.



Brigitte Geisler  
Chair, SHIF IRC

## **Appendix A**

### **POLICIES AND PROCEDURES COVERED BY OMNIBUS INSTRUCTIONS:**

Charging and Allocation between Fund(s) and Series  
Showing Favouritism to Unitholders  
Personal Trading by the Manager's Access Persons  
Accepting Gifts by the Manager's Access Persons from a Service Provider  
Complaints Handling  
Short Term Trading and Market Timing  
Investment Allocations  
Correcting Portfolio Pricing Errors  
Correcting Unitholder Account Errors  
Making Reasonable Enquiries of Portfolio Manager's Conflict of Interest Policies  
Services Provided to the Fund by Related Parties  
Proxy Voting for Securities held by a Fund