

The accompanying financial statements have been prepared by the management of Encasa Financial Inc. as the manager (the "Manager") of the Social Housing Investment Funds (the "Funds") and approved by the Board of Directors of Encasa Financial Inc. The management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

Encasa Financial Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Funds are described in Note 3 to the financial statements.



Thom Armstrong
Chair, Board of Directors
Encasa Financial Inc.



Derek Ballantyne
CEO
Encasa Financial Inc.

August 20, 2018

Unaudited Interim Financial Statements

The accompanying interim financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)

SOCIAL HOUSING CANADIAN SHORT-TERM BOND FUND

June 30, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
BONDS						
CANADIAN BONDS						
CORPORATE						
590	Alectra Inc.	4.521	29-Apr-2021	\$ 628	\$ 622	
445	AltaLink Investments LP	3.674	05-Jun-2019	463	449	
740	AltaLink Investments LP	2.244	07-Mar-2022	730	725	
830	AltaLink LP	2.978	28-Nov-2022	852	841	
1 095	AltaLink LP	3.668	06-Nov-2023	1 176	1 144	
760	Bank of Montreal	1.880	31-Mar-2021	742	744	
1 355	Bank of Montreal	1.610	28-Oct-2021	1 307	1 307	
580	Bank of Montreal	2.890	20-Jun-2023	580	579	
985	Bank of Nova Scotia	2.090	09-Sep-2020	1 001	974	
190	Bell Canada	3.540	12-Jun-2020	193	193	
1 005	Bell Canada	3.250	17-Jun-2020	1 016	1 017	
412	Blackbird Infrastructure 407 GP	1.713	08-Oct-2021	409	407	
1 660	Brookfield Asset Management Inc.	3.950	09-Apr-2019	1 680	1 680	
95	Brookfield Asset Management Inc.	5.300	01-Mar-2021	105	101	
400	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	402	407	
710	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	730	717	
870	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	873	863	
780	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	842	820	
1 720	Bruce Power LP	2.844	23-Jun-2021	1 746	1 718	
320	Cameco Corp.	3.750	14-Nov-2022	325	317	
2 413	Canadian Imperial Bank of Commerce	1.700	09-Oct-2018	2 421	2 412	
595	Canadian Utilities Ltd.	3.122	09-Nov-2022	604	605	
975	Choice Properties LP	3.600	20-Apr-2020	996	989	
90	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	93	91	
300	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	318	308	
452	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	460	453	
445	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	444	443	
365	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	365	367	
855	CU Inc.	9.920	01-Apr-2022	1 074	1 066	
1 091	Eagle Credit Card Trust	2.849	17-Oct-2018	1 105	1 094	
1 741	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	1 755	1 741	
335	Emera Inc.	2.900	16-Jun-2023	335	331	
3 425	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	3 583	3 545	
280	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	311	300	
937	Enbridge Inc.	3.940	30-Jun-2023	1 004	966	
255	Enbridge Pipelines Inc.	4.490	12-Nov-2019	272	263	
1 485	Enbridge Pipelines Inc.	4.450	06-Apr-2020	1 532	1 532	
2 065	Enbridge Pipelines Inc.	3.790	17-Aug-2023	2 217	2 139	
500	Fortis Inc.	2.850	12-Dec-2023	501	493	
240	FortisAlberta Inc.	3.300	30-Sep-2024	250	245	
630	Gaz Metro Inc.	4.930	18-Jun-2019	678	646	
75	Gaz Metro Inc.	1.520	25-May-2020	75	74	
525	Gaz Metro Inc.	5.450	12-Jul-2021	612	569	
2 860	GE Capital Canada Funding Co.	5.680	10-Sep-2019	3 000	2 967	
835	GE Capital Canada Funding Co.	4.600	26-Jan-2022	894	881	
1 870	Genesis Trust II	1.675	17-Sep-2018	1 870	1 869	
265	Greater Toronto Airports Authority	1.510	16-Feb-2021	266	259	
1 915	Greater Toronto Airports Authority	3.040	21-Sep-2022	1 978	1 950	
1 892	Hydro One Inc.	1.480	18-Nov-2019	1 893	1 871	
710	Hydro One Inc.	1.620	30-Apr-2020	699	700	

The accompanying notes are an integral part of the financial statements.

June 30, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
CORPORATE (cont.)						
525	Hydro One Inc.	4.400	01-Jun-2020	\$ 572	\$ 544	
2 535	Hydro One Inc.	1.840	24-Feb-2021	2 523	2 487	
1 720	Hydro One Inc.	3.200	13-Jan-2022	1 840	1 748	
405	Industrial Alliance Insurance & Financial Services Inc.	2.800	16-May-2024	402	406	
225	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	235	233	
300	Loblaw Companies Ltd.	3.748	12-Mar-2019	300	303	
395	Lower Mattagami Energy LP	3.416	20-Jun-2024	419	408	
1 680	NAV Canada	4.397	18-Feb-2021	1 856	1 759	
1 490	North West Redwater Partnership	2.100	23-Feb-2022	1 458	1 453	
315	Nova Scotia Power Inc.	9.750	02-Aug-2019	389	338	
355	OMERS Realty Corp.	2.473	12-Nov-2019	355	355	
415	OMERS Realty Corp.	2.971	05-Apr-2021	415	418	
494	Pembina Pipeline Corp.	4.890	29-Mar-2021	547	520	
930	Rogers Communications Inc.	2.800	13-Mar-2019	930	934	
495	Royal Bank of Canada*	2.820	12-Jul-2018	508	495	
1 145	Royal Bank of Canada*	1.590	23-Mar-2020	1 133	1 130	
155	Royal Bank of Canada*	2.860	04-Mar-2021	158	156	
4 805	Royal Bank of Canada*	2.030	15-Mar-2021	4 851	4 724	
1 568	Royal Bank of Canada*	1.650	15-Jul-2021	1 568	1 519	
125	Sun Life Financial Inc.	2.770	13-May-2024	126	125	
120	TELUS Corp.	5.050	04-Dec-2019	125	125	
752	TELUS Corp.	5.050	23-Jul-2020	838	788	
450	TELUS Corp.	3.200	05-Apr-2021	466	455	
1 264	Thomson Reuters Corp.	3.369	23-May-2019	1 279	1 276	
185	TMX Group Ltd.	3.253	03-Oct-2018	185	186	
674	Toronto Hydro Corp.	4.490	12-Nov-2019	744	694	
400	Toronto-Dominion Bank	1.693	02-Apr-2020	394	395	
7 625	Toronto-Dominion Bank	1.680	08-Jun-2021	7 639	7 437	
365	Toronto-Dominion Bank	3.005	30-May-2023	365	367	
922	TransCanada Pipelines Ltd.	3.650	15-Nov-2021	948	949	
1 045	TransCanada Pipelines Ltd.	3.690	19-Jul-2023	1 082	1 077	
2 153	Union Gas Ltd.	4.850	25-Apr-2022	2 446	2 322	
510	Westcoast Energy Inc.	8.500	04-Sep-2018	559	515	
2 832	Westcoast Energy Inc.	5.600	16-Jan-2019	3 064	2 883	
1 055	Westcoast Energy Inc.	4.570	02-Jul-2020	1 133	1 094	
1 256	Winnipeg Airport Authority Inc.	4.569	20-Nov-2019	1 307	1 291	
				90 564	88 703	
FEDERAL						
7 888	Canada Housing Trust No. 1	2.000	15-Dec-2019	8 074	7 895	
2 572	Canada Housing Trust No. 1	3.750	15-Mar-2020	2 747	2 648	
6 129	Canada Housing Trust No. 1	1.450	15-Jun-2020	6 059	6 063	
8 590	Canada Housing Trust No. 1	1.250	15-Dec-2020	8 597	8 416	
7 890	Canada Housing Trust No. 1	1.250	15-Jun-2021	7 885	7 680	
1 947	Canada Housing Trust No. 1	3.800	15-Jun-2021	2 060	2 036	
2 458	Canada Housing Trust No. 1	1.500	15-Dec-2021	2 444	2 398	
1 442	Canada Housing Trust No. 1	1.750	15-Jun-2022	1 458	1 412	
7 676	Canada Housing Trust No. 1	2.400	15-Dec-2022	7 815	7 695	
11 806	Canada Housing Trust No. 1	2.350	15-Jun-2023	11 727	11 788	
2 036	Government of Canada	1.750	01-Mar-2019	2 038	2 038	
158	Government of Canada	1.750	01-Aug-2020	156	157	
1 160	Government of Canada	3.250	01-Jun-2021	1 203	1 201	
1 584	Government of Canada	0.750	01-Sep-2021	1 525	1 524	
6 891	Government of Canada	4.250	01-Dec-2021	7 861	7 833	
6 526	Government of Canada	0.500	01-Mar-2022	6 157	6 178	
560	Government of Canada	2.750	01-Jun-2022	574	575	
14 472	Government of Canada	1.750	01-Mar-2023	14 219	14 270	
						35.4

The accompanying notes are an integral part of the financial statements.

June 30, 2018

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
FEDERAL (cont.)						
225	Government of Canada	1.500	01-Jun-2023	\$ 219	\$ 219	
560	Government of Canada	2.250	01-Jun-2025	566	564	
				93 384	92 590	37.0
PROVINCIAL/MUNICIPAL						
5 460	Province of Alberta	1.250	01-Jun-2020	5 433	5 372	
498	Province of Manitoba	5.500	15-Nov-2018	533	505	
2 029	Province of Manitoba	1.550	05-Sep-2021	2 026	1 982	
11 288	Province of Ontario	4.200	02-Jun-2020	12 284	11 725	
2 759	Province of Ontario	4.000	02-Jun-2021	2 904	2 891	
2 816	Province of Ontario	3.150	02-Jun-2022	3 035	2 892	
5 322	Province of Ontario	2.850	02-Jun-2023	5 422	5 402	
				31 637	30 769	12.3
TOTAL CANADIAN BONDS				215 585	212 062	84.7
UNITED STATES BONDS						
1 443	AT&T Inc. CAD	3.825	25-Nov-2020	1 486	1 476	
980	Bank of America Corp. CAD	2.604	15-Mar-2023	980	964	
545	The Walt Disney Co. CAD	2.758	07-Oct-2024	540	537	
880	United Parcel Service Inc. CAD	2.125	21-May-2024	872	840	
TOTAL UNITED STATES BONDS				3 878	3 817	1.5
TOTAL BONDS				219 463	215 879	86.2
MORTGAGE-BACKED SECURITIES						
575	Canadian Mortgage Pools	1.600	01-Mar-2019	570	575	
836	Canadian Mortgage Pools	1.750	01-Aug-2019	832	834	
458	Canadian Mortgage Pools	1.900	01-Nov-2019	457	458	
395	Canadian Mortgage Pools	1.200	01-Feb-2020	393	390	
757	Canadian Mortgage Pools	1.550	01-Jun-2021	761	744	
1 035	Canadian Mortgage Pools	1.270	01-Jul-2021	1 029	1 011	
8 333	Canadian Mortgage Pools	1.450	01-Dec-2021	8 258	8 136	
1 659	Canadian Mortgage Pools	2.390	01-May-2023	1 644	1 654	
TOTAL MORTGAGE-BACKED SECURITIES				13 944	13 802	5.5
MORTGAGES						
CMHC Insured						
208	Mortgage, 3.160% Sep 05, 2024			208	203	
TOTAL MORTGAGES				208	203	0.1
SHORT-TERM INVESTMENTS[†]				10 669	10 669	4.2
TOTAL INVESTMENTS				\$ 244 284	240 553	96.0
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					9 916	4.0
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS					\$ 250 469	100.0

* See note 7 in the generic notes.

[†] Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.17% to 1.81% and mature between July 5, 2018 and October 15, 2018.

Statements of Financial Position (unaudited)
(in \$000s except per unit amounts)

(see note 2 in the generic notes)	June 30 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 240 553	\$ 252 821
Cash	220	289
Due from investment dealers	11 068	–
Subscriptions receivable	6	72
Dividends receivable, interest accrued and other assets	1 082	942
TOTAL ASSETS	252 929	254 124
LIABILITIES		
Due to investment dealers	2 171	–
Redemptions payable	120	–
Accounts payable and accrued expenses	169	181
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2 460	181
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 250 469	\$ 253 943
Investments at cost	\$ 244 284	\$ 257 256
NAV		
SERIES A	\$ 242 313	\$ 245 885
SERIES B	\$ 8 156	\$ 8 058
NAV PER UNIT		
SERIES A	\$ 9.99	\$ 10.06
SERIES B	\$ 9.67	\$ 9.73

Statements of Comprehensive Income (unaudited)
(in \$000s except per unit amounts)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	3 105	2 902
Net realized gain (loss) on investments	(2 310)	(374)
Change in unrealized gain (loss) on investments	704	(1 338)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	1 499	1 190
Net gain (loss) on foreign cash balances	(3)	–
TOTAL OTHER INCOME (LOSS)	(3)	–
TOTAL INCOME (LOSS)	1 496	1 190
EXPENSES (see notes – Fund Specific Information)		
Management fees	850	879
Filing fees	5	4
Legal fees	6	3
Audit fees	11	8
IRC fees	4	12
GST/HST	112	118
Expenses reimbursed by Manager	(3)	(3)
TOTAL EXPENSES	985	1 021
INCREASE (DECREASE) IN NAV	\$ 511	\$ 169
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 497	\$ 170
SERIES B	\$ 14	\$ (1)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.02	\$ 0.01
SERIES B	\$ 0.02	\$ –

Statements of Cash Flow (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 511	\$ 169
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	(55)	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	2 310	374
Change in unrealized loss (gain) on investments	(704)	1 338
(Increase) decrease in accrued receivables	(140)	12
Increase (decrease) in accrued payables	(12)	5
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(367 674)	(623 671)
Proceeds from sale and maturity of investments	369 494	619 763
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3 730	(2 010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	9 111	11 555
Cash paid on redemption of redeemable units	(12 910)	(9 556)
Distributions paid to holders of redeemable units	–	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (3 799)	\$ 1 999
Net increase (decrease) in cash for the period	(69)	(11)
Cash (bank overdraft), beginning of period	289	273
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 220	\$ 262
Interest received (paid)	\$ 2 910	\$ 2 914
Dividends received, net of withholding taxes	\$ –	\$ –

Statements of Changes in NAV (unaudited) (in \$000s)

For the periods ended June 30 (see note 2 in the generic notes)	Series A		Series B		Total	
	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 245 885	\$ 251 096	\$ 8 058	\$ 6 931	\$ 253 943	\$ 258 027
INCREASE (DECREASE) IN NAV	497	170	14	(1)	511	169
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	8 882	10 759	163	739	9 045	11 498
Reinvestments of distributions to holders of redeemable units	2 097	1 911	67	54	2 164	1 965
Redemption of redeemable units	(12 951)	(9 624)	(79)	(36)	(13 030)	(9 660)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(1 972)	3 046	151	757	(1 821)	3 803
Distributions from net income	(2 097)	(1 911)	(67)	(54)	(2 164)	(1 965)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(2 097)	(1 911)	(67)	(54)	(2 164)	(1 965)
NET INCREASE (DECREASE) IN NAV	(3 572)	1 305	98	702	(3 474)	2 007
NAV AT END OF PERIOD	\$ 242 313	\$ 252 401	\$ 8 156	\$ 7 633	\$ 250 469	\$ 260 034

June 30, 2018

General Information (see note 1 in the generic notes)

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.

Financial Instrument Risk and Capital Management (see note 5 in the generic notes)

Credit Risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2018	December 31 2017
AAA	51.3	60.3
AA	16.7	16.6
A	19.5	12.1
BBB	11.8	10.4
BB	0.6	0.5
Unrated*	0.1	0.1
Total	100.0	100.0

* Mortgages, which represent 100% (December 31, 2017 – 100%) of the unrated above, are all Canada Mortgage and Housing Corporation (CMHC) guaranteed mortgages, and therefore have the backing of an AAA rated issuer. As at June 30, 2018 and December 31, 2017, there were no mortgage payments in arrears for more than 90 days.

Concentration Risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	June 30 2018	December 31 2017
Federal Bonds	37.0	46.3
Corporate Bonds	36.9	32.6
Provincial Bonds	12.3	12.3
Mortgage-Backed Securities	5.5	6.4
Mortgages	0.1	0.1
Cash/Other	8.2	2.3
Total	100.0	100.0

Interest Rate Risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2018	December 31 2017
Less than 1 year	8.4	8.8
1 – 5 years	87.6	81.9
5 – 10 years	4.0	9.3
> 10 years	–	–
Total	100.0	100.0

Please see the generic notes at the back of the financial statements.

As at June 30, 2018, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.6% (December 31, 2017 – 2.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair Value Hierarchy (\$000s except % amounts)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2018 and December 31, 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	229 681	203	229 884
Short-term investments	–	10 669	–	10 669
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	240 350	203	240 553
% of total portfolio	–	99.9	0.1	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	–	–	–	–
Fixed-income				
and debt securities	–	247 742	206	247 948
Short-term investments	–	4 873	–	4 873
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	252 615	206	252 821
% of total portfolio	–	99.9	0.1	100.0

During the periods ended June 30, 2018 and December 31, 2017, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	June 30 2018	December 31 2017
Balance at beginning of period	206	1 027
Net purchases	–	685
Net sales	(2)	(1 505)
Net transfers in	–	–
Net transfers out	–	–
Realized gains (losses)	–	(5)
Change in unrealized gains (losses)	(1)	4
Balance at end of period	203	206
Unrealized gains (losses)	(5)	(4)

June 30, 2018

The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the unobservable inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at June 30, 2018, a 10% increase or decrease in the weighted average spread premium of 1.45% (December 31, 2017 – 1.45%), an unobservable input, would have increased or decreased the Fund's NAV, respectively, by approximately 0.0% (December 31, 2017 – 0.0%).

Management Fees

Encasa Financial Inc. is the Manager of the Fund and manages the overall business affairs of the Fund, including providing or arranging for administrative services and the sale of units of the Fund. Management fees are paid monthly in consideration for management, distribution, portfolio management and other services.

Management fees for each series are calculated at the following annual percentages, before GST/HST, of the daily NAV of each series of the Fund.

Series A	0.80%
Series B	0.90%

Investments by Related Parties (\$000s except unit amounts)

Encasa Financial Inc., or its shareholders, held the following investments in the Fund as at:

	June 30 2018	December 31 2017
Units held		
Series A	152 743	128 347
Series B	144 119	142 925
Value of all units	2 920	2 682

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	3 519
Non-capital losses	–

Redeemable Units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended June 30 (see note 2 in the generic notes)	2018	2017
Series A		
Opening units	24 440	24 510
Issued number of units	886	1 047
Reinvested number of units	209	187
Redeemed number of units	(1 291)	(937)
Ending number of units	24 244	24 807
Series B		
Opening units	828	699
Issued number of units	16	76
Reinvested number of units	7	5
Redeemed number of units	(8)	(4)
Ending number of units	843	776

1. The Funds

The Funds are open-ended mutual fund trusts established under the laws of the Province of Ontario and governed by a Master Trust Agreement. Encasa Financial Inc. (the “Manager”) is the Manager of the Funds and its head office is located at 119 Spadina Avenue, Suite 400, Toronto, Ontario.

The Funds may issue an unlimited number of units in some or all of Series A and Series B.

Series A Units may be purchased by certain non-profit, tax-exempt, prescribed housing providers under the *Housing Services Act, 2011* (Ontario) and other tax-exempt housing-related organizations with the consent of the Manager.

Series B Units may be purchased by co-operative and non-profit organizations, and also by taxable corporations engaged in a social purpose in Canada with the consent of the Manager.

2. Financial Period

The information provided in these financial statements and notes thereto is for the six-month periods ended June 30, 2018 and 2017, or as at June 30, 2018 and December 31, 2017, as applicable. In the year a Fund or series is established, “period” represents the period from inception to June 30 of that fiscal year.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies of the Funds, which are investment entities, are as follows:

Adoption of New Accounting Standards Effective January 1, 2018, the Funds adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be classified as amortized cost and fair value, with changes in fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgment.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the

current or comparative period. The Funds’ financial assets and financial liabilities previously designated as FVTPL under IAS 39 Financial Instruments continue to be measured as FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost.

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment and derivative portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets, liabilities and derivatives is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds’ debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model objectives. Consequently, all investments and derivative contracts are measured at FVTPL.

The Funds’ obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds (“ETFs”) managed by the Portfolio Manager or an affiliate of the Portfolio Manager (“sponsored funds”) and may invest in other funds and ETFs managed by unaffiliated entities (“unsponsored funds”); collectively, “underlying funds.” The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and

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other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The Manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services;
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both; and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between

knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of

business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on foreign exchange contracts is included in “Derivative income” in the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are mutual funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the Fund Accounting Agent. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each valuation

date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

Functional Currency The Funds have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Expenses Each series of units of a Fund is responsible for the certain operating expenses, exclusive of the services included in the management fee, that relate specifically to that series and for its proportionate share of the operating expenses that

are common to all series. These expenses include audit, taxes, legal and filing fees, mortgage service fees and transaction costs, as applicable, and fees and expenses payable in connection with the Independent Review Committee (“IRC”).

Increase (Decrease) in NAV Per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series divided by the average units outstanding per series during the period.

4. Critical Accounting Judgments and Estimates

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair Value Measurement of Securities Not Quoted in an Active Market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial Instrument Risk and Capital Management

The Manager is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, the Manager also uses internal guidelines, maintains a governance structure that oversees each Fund’s investment activities and monitors compliance with the Fund’s investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund’s direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity Risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of units. Liquidity risk is managed by investing the majority of a Fund’s assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of its assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its NAV for the purpose of funding redemptions. All non-derivative financial liabilities, other than units, are due within 90 days.

Credit Risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund’s Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund’s unrealized gain on the contractual obligations with the counterparty. The portfolio manager monitors each Fund’s credit exposure and counterparty ratings daily.

Concentration Risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a Fund’s interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency Risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

6. Taxes

The Funds qualify as open-ended mutual fund trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Administrative and Other Related-Party Transactions**Portfolio Manager, Registrar and Fund Accounting Agent**

RBC Global Asset Management Inc. ("RBC GAM"), a wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"), is the portfolio manager, registrar and fund accounting agent of the Funds and provides or arranges for certain other services for the Funds. The fees paid to RBC GAM are paid by the Manager and not the Funds.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying mutual funds"). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, such as banking and brokerage. Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributor

Phillips, Hager & North Investment Funds Ltd. is the principal distributor of the Funds 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 Funds.

Trustee and Custodian

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

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada. The Funds have relied on the standing instructions ("Standing Instructions") from their IRC with respect to the allocation of brokerage to related-party dealers and require 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 Funds 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 Funds 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 reports to the Manager who reports 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 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 Funds;
- (iii) is in compliance with RBC GAM policies and procedures; and

- (iv) achieves a fair and reasonable result for the Funds.

8. Revision of Comparative Information

Where applicable, certain comparative figures on the Statements of Cash Flow have been revised.

Amounts reclassified to "Non-cash distributions from underlying funds" have been presented separately from amounts related to "Cost of investments purchased" to appropriately reflect the non-cash components of investments purchased. The impact on the "Net cash provided by (used in) operating activities" is nil.

Comparative figures on the Statements of Cash Flow have been revised for the Social Housing Canadian Equity Fund.

Where applicable, certain comparative figures on the Statements of Comprehensive Income have been revised due to the implementation of IFRS 9. Certain amounts previously recorded as "Net gain (loss) on foreign currencies and other net assets," "Other derivatives" and "Net gain (loss) from futures contracts" are now recorded as "Derivative income." And certain amounts previously recorded as "Other income (loss)" are now recorded as "Income from investment trusts."

Comparative figures on the Statements of Comprehensive Income have been revised for the following funds:

Social Housing Canadian Bond Fund
Social Housing Canadian Equity Fund

Where applicable, certain comparative figures in the Fair Value Hierarchy table have been revised to reflect the investment in exchange-traded funds as part of "Underlying funds" rather than as "Equities."

Comparative figures in the Fair Value Hierarchy table have been revised for the Social Housing Canadian Equity Fund.

9. Subsequent Events

Effective September 28, 2018, Natcan Trust will be appointed as the Trustee and Custodian, National Bank Financial Inc. will be appointed as the Registrar and Fund Accounting Agent, Addenda Capital Inc. will be appointed as the portfolio sub-advisor to the Manager in respect of the Social Housing Canadian Short-Term Bond Fund and the Social Housing Canadian Bond Fund, Genus Capital Management Inc. will be appointed as the portfolio sub-advisor to the Manager in respect of the Social Housing Canadian Equity Fund and Worldsource Financial Management Inc. will be appointed as the Principal Distributor for the Funds.