

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 EQUITY FUND

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
7 000	Cineplex Inc.	\$ 353	\$ 204	
9 000	Dollarama Inc.	462	459	
36 500	Freshii Inc.	290	226	
4 823	Gildan Activewear Inc., Class A	111	179	
1 908	Linamar Corp.	83	110	
11 111	Magna International Inc., Class A	499	850	
23 300	Quebecor Inc., Class B	298	627	
11 264	Restaurant Brands International Inc.	562	893	
28 197	Shaw Communications Inc., Class B	658	755	
		3 316	4 303	3.2
Consumer Staples				
18 579	Cott Corporation	253	405	
8 700	Jamieson Wellness Inc.	137	232	
16 973	Loblaw Companies Ltd.	806	1 147	
13 547	Maple Leaf Foods Inc.	259	450	
9 300	Metro Inc., Class A	373	416	
14 675	Saputo Group Inc.	620	641	
		2 448	3 291	2.5
Energy				
23 838	ARC Resources Ltd.	531	324	
37 892	Cameco Corp.	634	560	
50 443	Canadian Natural Resources Ltd.	1 805	2 394	
21 881	Crescent Point Energy Corp.	609	211	
70 732	Enbridge Inc.	3 847	3 324	
5 000	Enbridge Income Fund Holdings Inc.	159	161	
58 044	Encana Corp.	933	997	
4 711	Gibson Energy Inc.	76	83	
12 219	Imperial Oil Ltd.	540	534	
23 319	Kelt Exploration Ltd.	152	208	
13 227	Keyera Corp.	367	484	
49 653	Nuvista Energy Ltd.	381	453	
28 000	Pembina Pipeline Corp.	997	1 275	
28 002	PrairieSky Royalty Ltd.	838	727	
30 262	Raging River Exploration Inc.	248	172	
15 729	Seven Generations Energy Ltd.	396	228	
7 082	ShawCor Ltd.	225	181	
74 121	Suncor Energy Inc.	2 608	3 965	
20 000	TORC Oil & Gas Ltd.	160	147	
14 614	Tourmaline Oil Corp.	526	343	
38 931	TransCanada Corp.	1 799	2 214	
16 967	Trinidad Drilling Ltd.	112	32	
		17 943	19 017	14.3
Financials				
27 993	Bank of Montreal	2 069	2 845	
58 453	Bank of Nova Scotia	3 509	4 351	
48 737	Brookfield Asset Management Inc., Class A	1 558	2 599	
14 744	Canadian Imperial Bank of Commerce	1 347	1 686	
10 500	Canadian Western Bank	342	364	

Holdings	Security	Cost	Fair Value	% of Net Assets
Financials (cont.)				
29 070	Element Fleet Management Corp.	\$ 386	\$ 180	
15 332	Fiera Capital Corp.	199	180	
7 100	Industrial Alliance Insurance & Financial Services Inc.	381	360	
4 791	Intact Financial Corp.	395	447	
97 861	Manulife Financial Corporation	2 115	2 311	
9 540	National Bank of Canada	452	602	
6 026	Onex Corporation	372	581	
36 082	Power Corporation of Canada	1 103	1 062	
61 172	Royal Bank of Canada*	3 967	6 055	
30 118	Sun Life Financial Inc.	1 277	1 591	
13 427	Thomson Corp.	557	712	
77 688	Toronto-Dominion Bank	3 310	5 911	
		23 339	31 837	23.9
Health Care				
23 729	Chartwell Retirement Residences Real Estate Investment Trust	288	364	
		288	364	0.3
Industrials				
17 574	Air Canada	145	373	
160 000	Bombardier Inc., Class B	505	832	
9 059	Brookfield Business Partners LP	291	456	
31 820	Canadian National Railway Co.	1 423	3 422	
9 256	Canadian Pacific Railway Ltd.	1 443	2 230	
15 500	Finning International Inc.	461	503	
7 728	Russel Metals Inc.	180	208	
13 984	Waste Connections Inc.	802	1 385	
		5 250	9 409	7.1
Information Technology				
19 000	BlackBerry Ltd.	263	241	
24 100	Celestica Inc.	346	377	
10 890	CGI Group Inc., Class A	342	907	
1 311	Descartes Systems Group Inc.	41	56	
3 400	Kinaxis Inc.	244	301	
10 578	Open Text Corp.	243	489	
45 000	Real Matters Inc.	412	257	
2 880	Shopify Inc., Class A	372	552	
		2 263	3 180	2.4
Materials				
19 593	Agnico Eagle Mines Ltd.	689	1 181	
16 663	Detour Gold Corp.	225	197	
48 225	Eldorado Gold Corp.	336	64	
651	First Majestic Silver Corp.	6	7	
10 440	Franco-Nevada Corp.	569	1 002	
29 225	Goldcorp Inc.	606	528	
29 650	Hudbay Minerals Inc.	238	217	
27 986	Interfor Corp.	330	707	
91 183	Kinross Gold Corp.	505	451	
16 850	Kirkland Lake Gold Ltd.	189	469	
7 799	Labrador Iron Ore Royalty Corp.	116	188	

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

June 30, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
Materials (cont.)				
70 484	Lundin Mining Corp.	\$ 361	\$ 515	
6 013	Methanex Corp.	368	559	
6 925	Mountain Province Diamonds Inc.	44	23	
7 579	Norbord Inc.	193	410	
30 842	Nutrien Ltd.	2 005	2 206	
11 060	Osisko Gold Royalties Ltd.	173	138	
14 913	Teck Resources Ltd., Class B	349	499	
3 427	Torex Gold Resources Inc.	63	40	
16 102	Turquoise Hill Resources Ltd.	45	61	
18 058	Wheaton Precious Metals Corp.	527	524	
67 361	Yamana Gold Inc.	447	258	
		<u>8 384</u>	<u>10 244</u>	<u>7.7</u>
Real Estate				
8 077	Allied Properties Real Estate Investment Trust	282	338	
9 000	Boardwalk Real Estate Investment Trust	369	411	
15 518	Brookfield Property Partners LP	387	387	
18 000	BSR Real Estate Investment Trust	230	225	
30 000	Choice Properties Real Estate Investment Trust	351	363	
20 000	Dream Unlimited Corp.	140	195	
22 205	First Capital Realty Inc.	425	459	
29 334	Tricon Capital Group Inc.	284	324	
		<u>2 468</u>	<u>2 702</u>	<u>2.0</u>
Telecommunication Services				
22 490	BCE Inc.	981	1 197	
22 289	Rogers Communications Inc., Class B	901	1 392	
23 820	TELUS Corp.	725	1 112	
		<u>2 607</u>	<u>3 701</u>	<u>2.8</u>
Utilities				
32 055	Algonquin Power & Utilities Corp.	240	407	
10 789	Brookfield Infrastructure Partners LP	400	544	
12 489	Brookfield Renewable Partners LP	358	493	
10 729	Emera Inc.	498	459	
20 335	Fortis Inc.	819	854	
55 000	TransAlta Corp.	384	363	
20 850	TransAlta Renewables Inc.	288	259	
		<u>2 987</u>	<u>3 379</u>	<u>2.5</u>
TOTAL CANADIAN EQUITIES		<u>71 293</u>	<u>91 427</u>	<u>68.7</u>

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
20 600	iShares S&P/TSX 60 Index Fund	\$ 499	\$ 500	
3 447 040	RBC Vision Global Equity Fund*	26 321	39 893	
TOTAL UNDERLYING FUNDS		<u>26 820</u>	<u>40 393</u>	<u>30.4</u>
SHORT-TERM INVESTMENTS†		<u>1 013</u>	<u>1 013</u>	<u>0.8</u>
TOTAL INVESTMENTS		<u>\$ 99 126</u>	<u>132 833</u>	<u>99.9</u>
OTHER NET ASSETS				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			<u>120</u>	<u>0.1</u>
NET ASSETS				
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		<u>\$ 132 953</u>		<u>100.0</u>

* 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 a rate of 1.20% and mature on July 3, 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	\$ 132 833	\$ 132 064
Cash	90	71
Due from investment dealers	–	118
Subscriptions receivable	86	131
Dividends receivable, interest accrued and other assets	234	214
TOTAL ASSETS	133 243	132 598
LIABILITIES		
Due to investment dealers	160	472
Accounts payable and accrued expenses	130	135
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	290	607
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 132 953	\$ 131 991
Investments at cost	\$ 99 126	\$ 100 244
NAV		
SERIES A	\$ 129 463	\$ 128 917
SERIES B	\$ 3 490	\$ 3 074
NAV PER UNIT		
SERIES A	\$ 22.35	\$ 21.67
SERIES B	\$ 10.78	\$ 10.47

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)		
Dividends	\$ 1 299	\$ 1 145
Interest for distribution purposes	9	3
Income from investment trusts	25	459
Net realized gain (loss) on investments	1 594	1 924
Change in unrealized gain (loss) on investments	1 887	3 302
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	4 814	6 833
Net gain (loss) on foreign cash balances	1	(1)
TOTAL OTHER INCOME (LOSS)	1	(1)
TOTAL INCOME (LOSS)	4 815	6 832
EXPENSES (see notes – Fund Specific Information)		
Management fees	618	571
Filing fees	5	4
Legal fees	6	3
Audit fees	11	8
IRC fees	4	12
GST/HST	83	80
Transaction costs	21	20
Expenses reimbursed by Manager	(3)	(3)
TOTAL EXPENSES	745	695
INCREASE (DECREASE) IN NAV	\$ 4 070	\$ 6 137
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 3 965	\$ 6 032
SERIES B	\$ 105	\$ 105
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.67	\$ 1.03
SERIES B	\$ 0.34	\$ 0.47

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	\$ 4 070	\$ 6 137
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	(436)
Net realized loss (gain) on investments	(1 574)	(1 901)
Change in unrealized loss (gain) on investments	(1 887)	(3 302)
(Increase) decrease in accrued receivables	(20)	(27)
Increase (decrease) in accrued payables	(5)	8
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(92 275)	(101 651)
Proceeds from sale and maturity of investments	94 773	104 047
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3 082	2 875
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	3 400	3 598
Cash paid on redemption of redeemable units	(6 463)	(6 468)
Distributions paid to holders of redeemable units	–	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (3 063)	\$ (2 870)
Net increase (decrease) in cash for the period	19	5
Cash (bank overdraft), beginning of period	71	74
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 90	\$ 79
Interest received (paid)	\$ 10	\$ 3
Dividends received, net of withholding taxes	\$ 1 303	\$ 1 140

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	\$ 128 917	\$ 117 291	\$ 3 074	\$ 2 029	\$ 131 991	\$ 119 320
INCREASE (DECREASE) IN NAV	3 965	6 032	105	105	4 070	6 137
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	3 029	3 440	326	123	3 355	3 563
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–
Redemption of redeemable units	(6 448)	(6 468)	(15)	–	(6 463)	(6 468)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(3 419)	(3 028)	311	123	(3 108)	(2 905)
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	–	–
NET INCREASE (DECREASE) IN NAV	546	3 004	416	228	962	3 232
NAV AT END OF PERIOD	\$ 129 463	\$ 120 295	\$ 3 490	\$ 2 257	\$ 132 953	\$ 122 552

June 30, 2018

General Information (see note 1 in the generic notes)

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.

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

Concentration Risk (%)

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

	June 30 2018	December 31 2017
Investment mix		
Canadian Equities	68.7	67.1
Global Equity Funds	30.0	30.2
Canadian Equity Funds	0.4	1.5
Cash/Other	0.9	1.2
Total	100.0	100.0

Currency Risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	June 30 2018	December 31 2017
Currency		
United States dollar	19.9	19.6
Pound sterling	2.9	2.4
Euro	2.8	2.5
Japanese yen	1.7	1.9
Swiss franc	1.3	1.2
Hong Kong dollar	1.0	1.0
South African rand	0.8	1.1
Total	30.4	29.7

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.5% (December 31, 2017 – 1.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other Price Risk (% impact on NAV)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2018	December 31 2017
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.9	+ or - 0.9

Since historical correlation may not be representative of future correlation, 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	91 427	–	–	91 427
Underlying funds	40 393	–	–	40 393
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 013	–	1 013
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	131 820	1 013	–	132 833
% of total portfolio	99.2	0.8	–	100.0

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	88 539	–	–	88 539
Underlying funds	41 866	–	–	41 866
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	1 659	–	1 659
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	130 405	1 659	–	132 064
% of total portfolio	98.7	1.3	–	100.0

For the periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

June 30, 2018

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	1.00%
Series B	1.20%

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	53 729	43 433
Series B	33 862	33 862
Value of all units	1 556	1 296

Unconsolidated Structured Entities (%) (see note 3 in the generic notes)

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
RBC Vision Global Equity Fund	30.0	9.9	30.2	10.5

The table below summarizes the Fund's interest in the unsponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the unsponsored funds ("Ownership").

	June 30 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
iShares S&P/TSX 60 Index Fund	0.4	–	1.5	–

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

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

The Fund had no capital or non-capital losses as at December 31, 2017.

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	5 948	6 040
Issued number of units	140	170
Reinvested number of units	–	–
Redeemed number of units	(295)	(325)
Ending number of units	5 793	5 885

Series B		
Opening units	294	216
Issued number of units	31	13
Reinvested number of units	–	–
Redeemed number of units	(1)	–
Ending number of units	324	229

Transaction Costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2018		June 30 2017	
	\$	%	\$	%
Total transaction costs	21	100	20	100
Related-party brokerage commissions*	1	5	2	10
Commission arrangements [†]	1	5	3	15

* See note 7 in the generic notes.

[†] Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

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

June 30, 2018

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.