

CANADIAN EQUITY FUND

**SOCIAL HOUSING
CANADIAN EQUITY FUND***December 31, 2018*

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 22, 2019.

A Note on Forward-looking Statements

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

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

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

Encasa Financial Inc. is the manager (the “Manager”) and the portfolio manager (the “Portfolio Manager”) of the Fund.

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Fund. You can get a copy of the interim and the annual financial statements at your request, and at no cost, by calling 1-888-791-6671 x 237, by writing to Social Housing Investment Funds c/o Encasa Financial Inc., 119 Spadina Avenue, Suite 400, Toronto, Ontario, M5V 2L1, or by visiting the Manager’s website at www.encasa.ca or SEDAR at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The investment objective of the Fund is to seek long-term capital growth by investing primarily in a diversified portfolio consisting of equity securities of companies located in Canada. The Fund generally invests in growth companies that have: superior management; industry leadership; a high level of profitability compared to their competitors; a sound financial position; strong earnings growth; and a reasonable valuation. The Fund may from time to time invest a portion of its assets in non-Canadian securities where such an investment is consistent with the investment objectives of the Fund. The Fund invests primarily in securities of companies that conduct themselves in a socially responsible manner.

Risk

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

The Manager previously adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). The Manager reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of the Manager's annual review and the adoption of the risk classification methodology. The risk classification for this Fund has not changed.

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

Results of Operations

The Fund's net asset value fell to \$119 million as of December 31, 2018, from \$132 million at the end of 2017. The decrease was due to investment losses and redemptions.

Over the past year, the Fund's Series A units lost 6.4%, matching the 6.4% loss in the benchmark. The Fund's return is after the deduction of fees and expenses, while the benchmark return does not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

The first half of the year saw markets rebound on the back of strong first-quarter earnings and improving investor sentiment but markets fell during the second half of the year with U.S. stocks hit the hardest as investors questioned how much farther the bull market could run. The U.S. Federal Reserve struck a more hawkish tone on rate hikes than what the market wanted, which proved to be a major catalyst for the correction.

With the trade war between the U.S. and key trading partners dragging on, weakness in other major economies started to show, despite U.S. economic strength seen throughout the year. Weakness filtered through the economy as businesses began to prepare for higher costs along with tightening labour markets and lower demand. Around the world, purchasing managers' indexes (PMI), a popular measure of economic health, fell sharply from highs earlier in the year.

The S&P 500 performed well mid-year but had a difficult start and ending. In the fourth quarter, it fell 13.52% (-8.63% in CAD terms) and fell 4.39% (+4.22% in CAD terms) overall in 2018. The weakest sectors during the fourth quarter were Information Technology and Industrials with the Real Estate and Utilities sectors eking out small gains.

Even though Canada fell less than the rest of the world in the last quarter, the S&P TSX Composite lost more during 2018 as it fell 8.90% (in CAD terms). In the fourth quarter, the index was dragged down by the Financials, Energy, and Industrials sectors. The Materials, Communication Services, and Consumer Staples sectors finished the quarter in positive territory.

Recent Developments

Global stock markets fell during the past 6 months with U.S. stocks hit hardest as investors questioned how much farther the bull market could run. The U.S. Federal Reserve struck a more hawkish tone on interest rate hikes than what the market wanted, which proved to be a major catalyst for the correction during the last half of 2018. The other major contributor to the market decline has been the continued trade war between the U.S. and key trading partners which is causing weakness in major economies to show. Businesses have begun to prepare for higher costs along with tightening labour markets and lower demand.

Effective as of the close of business on September 28, 2018, RBC Global Asset Management Inc. (“RBC GAM”) was replaced as portfolio manager with Encasa Financial Inc. and Genus Capital Management Inc. was appointed as portfolio sub-adviser to the Social Housing Canadian Equity Fund.

Since this change, sector allocation has been altered. The Fund did have a large overweight position in Energy and Financials and both sectors are now underweight. Health Care and Communications are now the most overweight sectors.

Related-Party Transactions***Portfolio Manager, Registrar and Fund Accounting Agent***

Effective as of the close of business on September 28, 2018, Encasa Financial Inc. was appointed as portfolio manager and National Bank Financial Inc. was appointed registrar and fund accounting agent of the Fund. The fees paid to National Bank Financial Inc. are paid by the Manager and not the Fund.

Distributor

Effective as of the close of business on September 28, 2018, Worldsource Financial Management Inc. was appointed as the principal distributor of the Fund. The fees paid to Worldsource Financial Management Inc. are paid by the Manager and not the Fund.

Trustee and Custodian

Effective as of the close of business on September 28, 2018, Natcan Trust Company was appointed as the trustee and custodian of the Fund. Natcan Trust Company holds title to the Fund's property on behalf of unitholders and also holds the assets of the Fund. The fees paid to Natcan Trust Company are paid by the Manager and not the Fund.

Brokers and Dealers

Effective as of the close of business on September 28, 2018, Encasa Financial Inc. was appointed as portfolio manager. Prior to then, from time to time, brokerage business for the Fund was allocated to investment dealers that are affiliates of Royal Bank and RBC GAM ("related-party dealers"). The Fund relied on the standing instructions ("Standing Instructions") from its Independent Review Committee ("IRC") with respect to the allocation of brokerage to related-party dealers and required RBC GAM to develop criteria for brokers and to allocate brokerage on the basis of best execution in the particular circumstances of a trade and that trades allocated to related-party dealers be on competitive terms and conditions, including as to brokerage commissions. These related-party commissions were \$2,000 (2017 – \$5,000), or 2% (2017 – 14%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Effective as of the close of business on September 28, 2018, Encasa Financial Inc. was appointed as portfolio manager. Prior to then, pursuant to applicable securities legislation, the Fund relied, or may have relied, on the Standing Instructions from the IRC with respect to one or more of the following transactions:

Related-Party Trading Activities

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

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

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

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
Dec. 31, 2018	21.67	0.54	(0.25)	2.72	(4.34)	(1.33)	–	(0.14)	(2.51)	–	(2.65)	17.57
Dec. 31, 2017	19.42	0.49	(0.23)	0.78	1.74	2.78	–	(0.23)	(0.31)	–	(0.54)	21.67
Dec. 31, 2016	17.44	0.48	(0.21)	0.41	1.69	2.37	–	(0.26)	(0.13)	–	(0.39)	19.42
Dec. 31, 2015	18.27	0.50	(0.21)	0.80	(1.06)	0.03	–	(0.24)	(0.63)	–	(0.87)	17.44
Dec. 31, 2014	17.38	0.47	(0.21)	1.00	0.74	2.00	–	(0.25)	(0.86)	–	(1.11)	18.27
Series B												
Dec. 31, 2018	10.47	0.25	(0.13)	1.31	(2.10)	(0.67)	–	(0.03)	(1.28)	–	(1.31)	8.43
Dec. 31, 2017	9.38	0.24	(0.13)	0.38	0.88	1.37	–	(0.10)	(0.15)	–	(0.25)	10.47
Dec. 31, 2016	8.42	0.23	(0.11)	0.20	0.88	1.20	–	(0.11)	(0.06)	–	(0.17)	9.38
Dec. 31, 2015	8.84	0.24	(0.22)	0.39	(0.51)	(0.10)	–	(0.12)	(0.31)	–	(0.43)	8.42
Dec. 31, 2014 ³	10.00 [†]	0.02	(0.01)	0.05	0.04	0.10	–	(0.11)	(0.86)	–	(0.97)	8.84

¹ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash or reinvested in additional units of the Fund.

³ From November 24, 2014.

[†] Initial offering net assets value per unit.

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	MER (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
Dec. 31, 2018	17.57	116,134	6,611	1.08	1.08	87.45	0.10
Dec. 31, 2017	21.67	128,917	5,948	1.12	1.12	17.96	0.06
Dec. 31, 2016	19.42	117,291	6,040	1.17	1.17	23.91	0.10
Dec. 31, 2015	17.44	104,351	5,984	1.17	1.17	42.55	0.13
Dec. 31, 2014	18.27	103,069	5,642	1.17	1.17	36.91	0.16
Series B							
Dec. 31, 2018	8.43	3,245	385	1.26	1.42	87.45	0.10
Dec. 31, 2017	10.47	3,074	294	1.30	1.57	17.96	0.06
Dec. 31, 2016	9.38	2,029	216	1.34	1.70	23.91	0.10
Dec. 31, 2015	8.42	1,102	131	1.30	2.46	42.55	0.13
Dec. 31, 2014 ⁴	8.84	47	5	1.31	1.31	36.91	0.16

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

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a fund.

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

⁴ From November 24, 2014.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.00%	–	100%
Series B	1.20%	–	100%

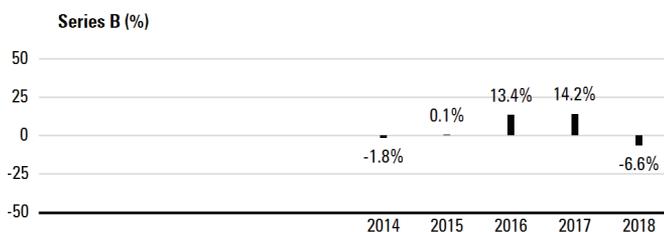
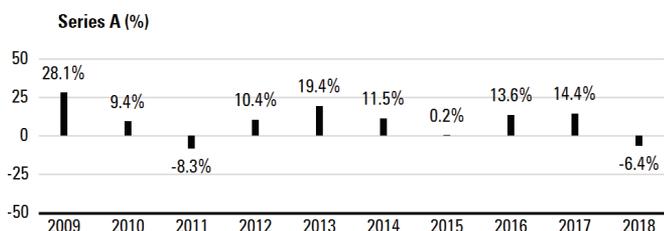
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2018, compared with the following benchmarks:

The blended benchmark is composed of:

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

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

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	-6.4	6.7	6.3	8.7	–
Blended benchmark	-6.4	6.3	5.9	8.9	–
Broad-based index	-8.9	6.4	4.1	7.9	–
Series B	-6.6	6.6	–	–	4.3
Blended benchmark	-6.4	6.3	–	–	4.1
Broad-based index	-8.9	6.4	–	–	2.3

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

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

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

INDEX DESCRIPTIONS

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

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

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)
 As at December 31, 2018

Investment Mix

	% of Net Asset Value
Canadian Equities	62.82
United States Equities	21.84
Overseas Equities	11.73
Cash/Other	3.61

Top 25 Holdings

	% of Net Asset Value
Royal Bank of Canada	4.79
The Toronto-Dominion Bank	4.27
Kirkland Lake Gold Ltd	3.34
The Bank of Nova Scotia	3.33
Enbridge Inc.	3.15
Canadian Pacific Railway Ltd	3.14
CGI Group Inc.	3.11
Bank of Montreal	3.02
Microsoft Corp.	2.81
Canadian National Railway Co.	2.70
Canadian Imperial Bank of Commerce	2.61
Canadian Apartment Properties REIT	2.32
Rogers Communications Inc.	2.29
Shire PLC	2.19
Quebecor Inc.	2.07
TELUS Corp.	1.97
CVS Health Corp.	1.94
Sony Corp.	1.93
Fast Retailing Co., Ltd	1.82
Gildan Activewear Inc.	1.80
VMware Inc.	1.79
Pembina Pipeline Corp.	1.67
Magna International Inc.	1.66
Walgreens Boots Alliance Inc.	1.65
Humana Inc.	1.51
Top 25 Holdings	62.88

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling 1-888-771-7473, by writing to Social Housing Investment Funds, 119 Spadina Avenue, Suite 400, Toronto, Ontario M5V 2L1, or by visiting the Manager's website at www.encasa.ca or SEDAR at www.sedar.com.

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