

FIXED-INCOME FUND

ENCASA CANADIAN BOND FUND*(formerly, Social Housing Canadian Bond Fund)*

December 31, 2019

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 23, 2020.

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 financial statements at your request, and at no cost, by calling 1-888-791-6671 x 237, by writing to Encasa 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 generate a relatively high level of total investment return by investing primarily in bonds of Canadian governments and companies. The investments of the Fund are primarily bonds of Canadian governments and companies which do not mature for at least one year and with a rating not lower than BBB by an approved credit rating agency. The Fund may also invest in bonds or other debt instruments which are issued by foreign issuers. The Fund invests primarily in securities of companies that conduct themselves in a socially responsible manner. The average term to maturity of the Fund's portfolio is typically five to twelve years.

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 new risk classification methodology. The risk classification for this Fund has not changed.

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

Results of Operations

The Fund's net asset value rose to \$152 million as of December 31, 2019, from \$150 million at the end of 2018. The increase in net assets was attributable to an increase from operations of \$9.8 million offset by net redemptions of \$7.9 million, after taking into consideration the redesignation of Series B units.

Over the past year, the Fund's Series A units gained 6.6%. The benchmark gained 6.9%. 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.

A pause in interest rate cuts by the U.S. Federal Reserve Board (Fed) combined with declines in uncertainties related to trade tensions and Brexit resulted in higher interest rates and tighter credit spreads in the final months of 2019. During the quarter, shorter bonds performed better than longer bonds, but the reverse was true over the full year

with the FTSE Long Term Index outperforming the Short and Mid Term indices by substantial margins. Provincial bonds were the leaders over the full year, followed by Corporates, with the shorter FTSE Federal Index lagging. In this environment, the Encasa Canadian Bond Fund performed well, and benefited from being overweight in Corporates at the expense of Federal bonds. The longer-than-benchmark duration further added value, as the Fund benefitted from the overall decline in market interest rates during the year. Finally, security selection within the Provincials sector also had a large positive contribution to performance.

Recent Developments

At the end of the reporting period, the Fed along with the Bank of Canada, appeared to be comfortable in maintaining current monetary policy to start the year. However, the first few months of the year saw the sudden and unprecedented shock to the economy as a result of the COVID-19 pandemic, combined with a significant drop in oil prices. These two shocks have been met by an aggressive easing in monetary policy with 150 basis point cuts in administered rates by the Fed and the Bank of Canada, with more stimulus likely to come. This has resulted in bond yields falling across all maturities, and has caused a widening of credit spreads and reduction in market liquidity. In this environment, portfolio duration will be actively traded to take advantage of volatility. Portfolio credit exposure has been positioned defensively, with a focus on credit fundamentals.

Effective December 13, 2019, Series B units were redesignated to Series A units and as such there are no Series B units currently outstanding.

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets and fixed income yields, is expected to have a material impact on all equity and fixed income portfolios during the first half of 2020, and potentially beyond. We continue to monitor developments in equity and fixed income markets generally, and in connection with the Fund's portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Fund, will be affected in the near term.

Related-Party Transactions

Portfolio Manager, Registrar and Fund Accounting Agent

Encasa Financial Inc. is the Portfolio Manager of the Funds. Encasa has appointed Addenda Capital Inc. as portfolio sub-adviser in respect of the Encasa Canadian Bond Fund (formerly, Social Housing Canadian Bond Fund). National Bank Financial Inc. is the registrar and fund accounting agent of the Funds.

Distributor

Worldsource Financial Management Inc. is 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

Natcan Trust Company is 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.

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	Total	
Series A												
Dec. 31, 2019	10.35	0.32	(0.10)	0.37	0.10	0.69	(0.23)	–	–	–	(0.23)	10.80
Dec. 31, 2018	10.51	0.32	(0.10)	(0.38)	0.21	0.05	(0.24)	–	–	–	(0.24)	10.35
Dec. 31, 2017	10.54	0.31	(0.10)	(0.03)	(0.01)	0.17	(0.21)	–	–	–	(0.21)	10.51
Dec. 31, 2016	10.78	0.35	(0.10)	0.13	(0.23)	0.15	(0.25)	–	(0.15)	–	(0.40)	10.54
Dec. 31, 2015	10.98	0.37	(0.10)	0.22	(0.17)	0.32	(0.26)	–	(0.26)	–	(0.52)	10.78
Series B												
Dec. 31, 2019	9.41	0.27	(0.08)	0.32	0.08	0.59	(0.50)	–	–	–	(0.50)	–
Dec. 31, 2018	9.55	0.29	(0.10)	(0.37)	0.22	0.04	(0.19)	–	–	–	(0.19)	9.41
Dec. 31, 2017	9.58	0.28	(0.10)	(0.03)	(0.01)	0.14	(0.18)	–	–	–	(0.18)	9.55
Dec. 31, 2016	9.80	0.32	(0.10)	0.12	(0.26)	0.08	(0.21)	–	(0.14)	–	(0.35)	9.58
Dec. 31, 2015	10.00	0.34	(0.18)	0.20	(0.15)	0.21	(0.24)	–	(0.24)	–	(0.48)	9.80

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 reinvested in additional units of the Fund.

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, 2019	10.80	152,145	14,091	0.90	0.90	231.05	–
Dec. 31, 2018	10.35	146,974	14,205	0.92	0.92	249.61	–
Dec. 31, 2017	10.51	157,178	14,956	0.90	0.90	97.55	–
Dec. 31, 2016	10.54	140,254	13,305	0.91	0.91	137.31	–
Dec. 31, 2015	10.78	133,259	12,360	0.90	0.90	212.98	–
Series B							
Dec. 31, 2019	–	–	–	0.82	1.01	231.05	–
Dec. 31, 2018	9.41	3,226	343	1.03	1.20	249.61	–
Dec. 31, 2017	9.55	3,059	320	1.02	1.27	97.55	–
Dec. 31, 2016	9.58	1,762	184	1.04	1.39	137.31	–
Dec. 31, 2015	9.80	1,254	128	1.00	1.81	212.98	–

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.

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	0.85%	—	100%
Series B	1.00%	—	100%

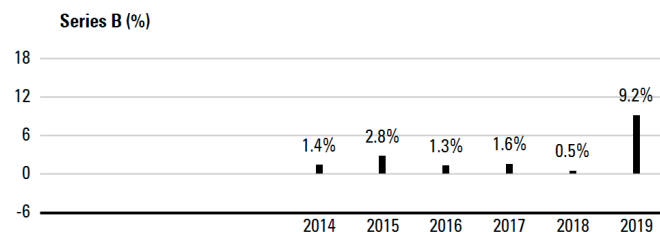
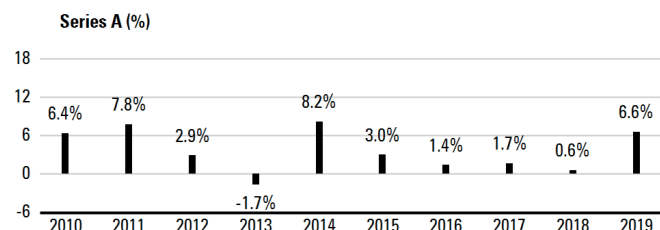
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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. 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, 2019, compared with the following benchmark:

FTSE TMX Canada Universe Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	6.6	3.0	2.7	3.6	—
Benchmark	6.9	3.6	3.2	4.3	—
Series B	9.2	3.1	—	—	2.9
Benchmark	9.6	3.8	—	—	3.5

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series B units were available for sale to unitholders from November 2014 to December 12, 2019. Inception dates are not provided for series that have been in existence for more than 10 years.

The 2019 year-by-year return, the past year annual compound return and Benchmark for Series B represents the period from January to November 2019 only.

All outstanding Series B units were redesignated as Series A units effective December 13, 2019.

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

INDEX DESCRIPTION

FTSE TMX Canada Universe Bond Index This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

SUMMARY OF INVESTMENT PORTFOLIO
(after consideration of derivative products, if any)
As at December 31, 2019
Investment Mix

	% of Net Asset Value
Corporate Bonds	49.1
Federal Bonds	32.2
Provincial/Municipal Bonds	17.7
Cash/Other	1.0

Top 25 Holdings

	% of Net Asset Value
Canada Housing Trust No 1 2.35% 15SEP23	8.59
Canada Housing Trust No 1 2.55% 15MAR25	5.24
Hydro-Quebec 6% 15FEB40	4.56
Canada Housing Trust No 1 1.80% 15DEC24	4.40
Province of Ontario Canada 2.65% 05FEB25	3.99
Canadian Government Bond 2.75% 01DEC48	3.90
Province of Ontario Canada 2.90% 02DEC46	3.30
Canadian Government Bond 1% 01JUN27	2.63
Province of Quebec Canada 2.60% 06JUL25	2.20
Province of Manitoba Canada 4.65% 05MAR40	1.87
South Coast British Columbia Transportation Authority 3.25% 23NOV28	1.82
International Bank for Reconstruction & Development 1.80% 26JUL24	1.79
OPB Finance Trust 1.88% 24FEB22	1.71
Financement-Quebec 5.25% 01JUN34	1.68
Manulife Financial Corp. 3.317% 09MAY28	1.67
Royal Bank of Canada 2.609% 01NOV24	1.45
Ontario School Boards Financing Corp. 5.80% 07NOV28	1.34
Canadian Government Bond 1.25% 01JUN30	1.29
The Toronto-Dominion Bank 2.982% 30SEP25	1.16
The Hospital for Sick Children 3.416% 07DEC57	1.11
Bank of Montreal 2.85% 06MAR24	1.09
Province of New Brunswick Canada 4.55% 26MAR37	1.07
TCHC Issuer Trust 4.877% 11MAY37	1.04
University of Toronto 5.841% 15DEC43	0.99
Province of Ontario Canada 4.60% 02JUN39	0.99
Top 25 Holdings	60.88

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 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.