

CANADIAN EQUITY FUND

ENCASA CANADIAN EQUITY FUND*(formerly, Social Housing Canadian Equity 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 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 rose to \$128 million as of December 31, 2019, from \$119 million at the end of 2018. The increase in net assets was attributable to an increase from operations of \$16.7 million offset by net redemptions of \$8.4 million, after taking into consideration the redesignation of Series B units.

Over the past year, the Fund's Series A units gained 14.2%. The benchmark gained 22.6%. 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 number of uncertainties around the world neared resolution during the last months of the year—such as the U.S.-China trade tensions, the Brexit issue and the Hong Kong protests and elections—the markets regained their confidence. From baby steps at the start of the

last quarter, they roared higher as time went on, ultimately turning in a strong finish to wrap up 2019.

Trade tensions between the United States and China were a constant throughout 2019 and they escalated after the first half of the year, but by the end of the fourth quarter, a resolution was in sight.

The S&P 500 rose 31.48% (24.83% in CAD terms) over the year, its biggest one-year gain since 2013. The strongest sectors were Information Technology, Health Care and Financials. The laggards were Consumer Staples and Utilities, with Real Estate also falling slightly.

In Canada, the TSX Index grew by 22.84% over the year. Information Technology, Health Care and Materials—specifically gold—led the way. The Real Estate and Energy sectors dropped back, with Consumer Staples turning in a slightly negative performance to finish off an otherwise strong quarter.

Recent Developments

The future of Brexit became clearer as the Conservative party, led by Boris Johnson, won a majority government in December. Johnson built his campaign around getting out of the Brexit limbo with or without a deal. This ambition seemed to resonate with voters who were tired of the uncertainty and lack of progress. The UK became the first nation to ever leave the European Union on January 31, 2020.

The last leg of the year was marked by risk-on events, such as the continued unrest in Hong Kong after the government introduced a hugely unpopular extradition bill, sparking widespread outrage, as well as geopolitical tensions escalating in the Middle East a few days into 2020, as the U.S. killed Iranian General Qassem Soleimani in Baghdad in an airstrike. Iranian retaliated by targeting two military bases housing U.S. troops in Iraq, followed by apparent de-escalation efforts thereafter. Later in the year and into 2020, the spread of the novel coronavirus (or COVID-19) attracted most of the attention, as nations worldwide brace for its potential consequences.

The U.S. Federal Reserve Board now seems likely to respond to worldwide events including the COVID-19 spread, although the full extent of impact and measures to be taken remains largely unknown. We still think positively about the U.S. economy, considering the end of the trade war, additional monetary policy space in the event of a bear market, and the strength of its economy relative to those of other regions. However, we are starting to flatten our position among regions. The big Brexit question mark seems to be behind us now, though not all economic indicators in Europe are positive.

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 Genus Capital Management Inc. as portfolio sub-adviser in respect of the Encasa Canadian Equity Fund (formerly, Social Housing Canadian Equity 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.

Brokers and Dealers

The Manager, through the sub-advisers, has developed criteria for brokers and to allocate brokerage on the basis of best execution in the particular circumstances of a trade.

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, 2019	17.57	0.48	(0.22)	0.51	1.78	2.55	–	(0.36)	(0.01)	–	(0.37)	19.69
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
Series B												
Dec. 31, 2019	8.43	0.22	(0.10)	0.20	0.82	1.14	–	–	–	–	–	–
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

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	19.69	127,724	6,486	1.12	1.12	107.29	0.17
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
Series B							
Dec. 31, 2019	–	–	–	1.02	1.20	107.29	0.17
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

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	1.00%	–	100%
Series B	1.20%	–	100%

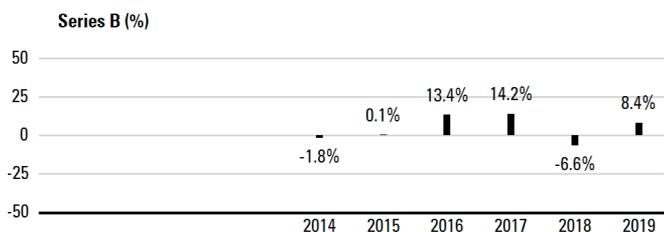
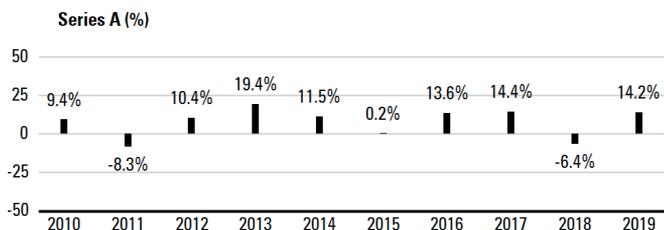
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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. 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 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	14.2	6.9	6.8	7.5	–
Blended benchmark	22.6	8.3	7.9	8.5	–
Broad-based index	22.9	8.3	6.3	6.9	–
Series B	8.4	7.6	–	–	6.4
Blended benchmark	15.6	8.8	–	–	7.7
Broad-based index	22.3	8.3	–	–	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 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, Benchmark and index 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 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, 2019
Investment Mix

	% of Net Asset Value
Canadian Equities	67.1
United States Equities	21.7
Overseas Equities	7.6
Cash/Other	3.6

Top 25 Holdings

	% of Net Asset Value
The Toronto-Dominion Bank	5.46
The Bank of Nova Scotia	4.49
Manulife Financial Corp.	4.10
Royal Bank of Canada	3.99
CGI Inc.	3.78
Parkland Fuel Corp.	3.53
Parex Resources Inc.	3.35
Kirkland Lake Gold Ltd.	3.24
Air Canada	2.89
Microsoft Corp.	2.77
Canadian Apartment Properties REIT	2.60
Algonquin Power & Utilities Corp.	2.57
Constellation Software Inc.	2.37
Magna International Inc.	2.29
Gibson Energy Inc.	2.22
Bank of Montreal	2.17
Aecon Group Inc.	2.11
The Home Depot Inc.	2.06
Comcast Corp.	1.98
Canadian National Railway Co.	1.96
Canadian Pacific Railway Ltd.	1.88
Bristol-Myers Squibb Co.	1.64
Synchrony Financial	1.63
Canadian Tire Corp Ltd.	1.60
Merck & Co Inc.	1.54
Top 25 Holdings	68.22

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.