119 Spadina Ave #400
Toronto, ON
M5V 2L1

1651 Commercial Drive, #220
Vancouver, BC
V5L 3Y3

Toll-free: 888-791-6671
Toronto: 416-488-3077
Vancouver: 604-424-8384
Fax: 416-205-9460

information@encasa.ca
www.encasa.ca

SPECIAL MEETING OF UNITHOLDERS OF THE ENCASA CANADIAN EQUITY FUND

Encasa Financial held a Special Meeting of Unitholders of the Encasa Canadian Equity Fund on June 25, 2020. At the Meeting, Unitholders voted to approved to change the investment objective of the Fund. Before voting, Unitholders submitted questions and comments relating to the proposal to change the investment objective of the Fund. A transcript of the questions received and answers provided by Encasa are outlined below.

Please confirm there are no changes to the Management Expense Ration (MER) as a result of this mandate change.

There is no change in the Management Expense Ratio for the Fund. The MER will remain identical to what it is currently. Any costs associated with implementation of this change are costs are incurred by Encasa and not by Unitholders.

Please comment on the effect of foreign exchange risk on the change in the mandate. Is there a specific strategy to manage/hedge increased foreign exchange exposure?

The use of forwards as a tool in managing currency fluctuation is available to Genus Capital Management, the sub-adviser to the Encasa Canadian Equity Fund. However, it is the view of both Encasa and its sub-adviser that hedging strategies have a relatively limited utility. Hedging strategies are best deployed in particular circumstances, which most of the time, do not exist. In fact, historically, in Canadian denominated funds working globally, hedging strategies have proven to be more expensive and less beneficial when deployed on a large scale.

Encasa is satisfied there are sufficient tools to manage extreme situations, however, does not view currency fluctuation as being a very high risk in the Fund. In a Canadian context, hedging currency is important when there is a systematic or directional appreciation in the Canadian dollar, which does not occur often. The direction generally tends to be a depreciation of the Canadian dollar. In the mandate, Encasa has provided its sub-adviser with the ability to hedge the foreign exposure through forwards to be utilized opportunistically where there is a directional change to the Canadian dollar.

Could you please comment on the expected changes in transaction expenses (non-MER) as a result of the mandate change?

There are no anticipated transactional changes,and there are no change in investment strategy or investment processes. Increased foreign exposure will not add to transaction expenses.

119 Spadina Ave #400
Toronto, ON
M5V 2L1

1651 Commercial Drive, #220
Vancouver, BC
V5L 3Y3

Toll-free: 888-791-6671
Toronto: 416-488-3077
Vancouver: 604-424-8384
Fax: 416-205-9460

information@encasa.ca
www.encasa.ca

What are the risks primarily for housing corporations that are invested mainly to preserve capital and not necessarily for gains?

The mandate was deliberately selected around large-cap corporations. This global mandate is one of investing in developed countries and economies. We are not taking risks on emerging economies, emerging markets or frontier, likely volatile, forms of investments. We remain within stable economies and securities. The nature of the mandate provided to Encasa's sub-adviser to the Fund is in fact not different - the proposed change provides the ability to select a much broader set of securities.

In that respect, modeling conducted in assessing risk and volatility in the portfolio tended to reduce risk and volatility, which speaks to a more focused attention on preservation of capital or a greater ability to preserve capital in the Fund than previously. We are not changing the mandate, characteristics, or risk characteristics of the Fund. We are simply broadening the ability of the Fund and the sub-adviser of the Fund to seek out securities that meet our investment policies, and in some cases, that better meet our mandate, which is based on medium-risk capital preservation.

When considering capital preservation and growth, the perspective is based on portfolio construction, and alignment of capital and spending requirements. The Encasa Canadian Equity Fund exposure is used to provide growth in assets for long-term spending needs. It is recommended that investors consider their entire portfolio when evaluating capital versus growth.