
The accompanying financial statements have been prepared by the management of Encasa Financial Inc. as the manager (the “Manager”) of the Encasa 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 23, 2021

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)
ENCASA CANADIAN SHORT-TERM BOND FUND

June 30, 2021

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
CANADIAN CORPORATE BONDS				
1,025,000	AltaLink LP 3.668% 06NOV23	\$ 1,108,661	\$ 1,090,720	0.41
780,000	ARC Resources Ltd. 2.354% 10MAR26	780,000	786,783	0.30
500,000	Bank of Montreal 1.758% 10MAR26	500,000	503,757	0.19
1,965,000	Bank of Montreal 2.85% 06MAR24	1,997,292	2,053,838	0.78
706,248	Bankers Hall LP 4.377% 20NOV23	712,032	733,167	0.28
300,000	BCI QuadReal Realty 1.056% 12MAR24	300,000	300,006	0.11
480,000	Bell Canada 2.20% 29MAY28	479,410	479,923	0.18
1,870,000	Bell Canada Inc. 3.35% 12MAR25	2,033,270	1,986,838	0.75
960,000	Canadian Imperial Bank of Commerce 1.10% 19JAN26	959,299	938,275	0.35
1,250,000	Canadian Imperial Bank of Commerce 2% 17APR25	1,293,353	1,276,588	0.48
3,390,000	Canadian Imperial Bank of Commerce 2.95% 19JUN29	3,402,629	3,535,601	1.34
3,500,000	Capital Desjardins Inc. 4.954% 15DEC26	3,632,183	3,568,880	1.35
600,000	Capital Power Corp. 4.986% 23JAN26	676,590	675,702	0.26
1,000,000	CARDS II Trust 2.427% 15NOV24	1,000,000	1,039,360	0.39
545,000	Central 1 Credit Union 1.323% 29JAN26	545,000	535,899	0.20
460,000	Central 1 Credit Union 2.391% 30JUN31	460,000	461,205	0.17
2,200,000	Central 1 Credit Union 2.584% 06DEC23	2,200,000	2,277,022	0.86
2,500,000	Central 1 Credit Union 2.60% 07NOV22	2,567,000	2,560,925	0.97
1,045,000	CI Financial Corp. 3.759% 26MAY25	1,065,705	1,115,130	0.42
1,750,000	Coast Capital Savings Credit Union 5% 03MAY28	1,768,288	1,854,440	0.70
1,475,000	Coast Capital Savings Federal Credit Union 0.855% 09DEC22	1,475,000	1,477,685	0.56
364,693	Cordelio Amalco GP I 4.087% 30SEP34	384,047	398,201	0.15
1,700,000	Dollarama Inc. 3.55% 06NOV23	1,722,740	1,791,001	0.68
2,475,000	Eagle Credit Card Trust 2.631% 17OCT22	2,424,714	2,538,682	0.96
1,110,000	Federation des Caisses Desjardins du Quebec 1.093% 21JAN26	1,110,000	1,084,503	0.41
820,000	Federation des Caisses Desjardins du Quebec 1.992% 28MAY31	820,000	818,639	0.31
1,600,000	Federation des Caisses Desjardins du Quebec 2.417% 04OCT24	1,601,959	1,656,736	0.63
445,000	Federation des Caisses Desjardins du Quebec 2.856% 26MAY30	445,000	463,468	0.18
520,000	First Capital Real Estate Investment Trust 3.447% 01MAR28	520,000	538,169	0.20
2,111,000	First Capital Realty Inc. 4.79% 30AUG24	2,284,778	2,298,351	0.87
720,000	Fortified Trust 2.34% 23JAN23	720,000	738,158	0.28
500,000	Genworth MI Canada Inc. 2.955% 01MAR27	508,845	511,515	0.19
3,000,000	Genworth MI Canada Inc. 4.242% 01APR24	3,213,829	3,205,740	1.21
1,225,000	Granite REIT Holdings LP 3.062% 04JUN27	1,304,840	1,289,656	0.49
1,000,000	Hydro One Inc. 0.71% 16JAN23	999,800	999,900	0.38
800,000	Hydro One Inc. 2.77% 24FEB26	855,872	844,240	0.32
460,000	Hyundai Capital Canada Inc. 2.008% 12MAY26	460,000	461,449	0.17
750,000	Ivanhoe Cambridge II Inc. 2.296% 12DEC24	750,000	774,998	0.29
940,000	John Deere Financial Inc. 1.63% 09APR26	939,906	940,282	0.36
1,400,000	Lower Mattagami Energy LP 2.307% 21OCT26	1,484,714	1,453,326	0.55
440,000	Lower Mattagami Energy LP 3.416% 20JUN24	464,561	470,228	0.18
1,875,000	Magna International Inc. 3.10% 15DEC22	1,947,206	1,934,063	0.73
4,250,000	Manulife Financial Corp. 3.317% 09MAY28	4,240,137	4,424,548	1.67
980,000	National Bank of Canada 1.534% 15JUN26	980,000	974,198	0.37
610,000	National Bank of Canada 1.573% 18AUG26	609,994	610,714	0.23
300,000	National Bank of Canada 2.58% 03FEB25	299,991	312,690	0.12
3,250,000	National Bank of Canada 3.183% 01FEB28	3,263,402	3,357,705	1.27
1,050,000	North West Redwater Partnership / NWR Financing Co., Ltd. 1.20% 01DEC23	1,049,675	1,051,208	0.40
2,500,000	OMERS Realty Corp. 1.823% 09MAY22	2,540,363	2,526,325	0.96
770,000	Real Estate Asset Liquidity Trust 3.636% 12NOV2052	826,949	826,949	0.31
1,250,000	Reliance LP 3.75% 15MAR26	1,353,225	1,341,238	0.51
2,525,000	RioCan Real Estate Investment Trust 1.974% 15JUN26	2,528,642	2,498,286	0.94

June 30, 2021

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
CANADIAN CORPORATE BONDS (cont.)				
1,720,000	Royal Bank of Canada 2.088% 30JUN30	\$ 1,742,390	\$ 1,747,073	0.66
650,000	Royal Bank of Canada 2.352% 02JUL24	682,429	671,561	0.25
4,000,000	Royal Bank of Canada 3.45% 29SEP26	4,040,832	4,028,720	1.52
1,100,000	Saputo Inc. 1.415% 19JUN26	1,100,000	1,075,965	0.41
700,000	SmartCentres Real Estate Investment Trust 1.74% 16DEC25	700,000	691,334	0.26
4,250,000	Sun Life Financial Inc. 2.38% 13AUG29	4,323,991	4,377,543	1.66
4,900,000	Sun Life Financial Inc. 2.58% 10MAY32	4,898,138	5,054,105	1.91
420,000	TELUS Corp. 3.35% 15MAR23	419,546	434,406	0.16
790,000	The Bank of Nova Scotia 2.16% 03FEB25	789,739	811,844	0.31
1,200,000	The Bank of Nova Scotia 2.36% 08NOV22	1,241,988	1,228,596	0.46
6,880,000	The Bank of Nova Scotia 2.49% 23SEP24	6,905,298	7,143,229	2.70
2,230,000	The Toronto-Dominion Bank 2.496% 02DEC24	2,251,562	2,318,509	0.88
2,150,000	The Toronto-Dominion Bank 2.621% 22DEC21	2,199,149	2,173,779	0.82
7,325,000	The Toronto-Dominion Bank 3.589% 14SEP28	7,424,668	7,710,588	2.92
225,000	Union Gas Ltd. 2.81% 01JUN26	239,186	237,287	0.09
725,000	Vancouver Airport Fuel Facilities Corp. 2.168% 23JUN25	725,000	722,412	0.27
1,450,000	Ventas Canada Finance Ltd. 2.80% 12APR24	1,459,970	1,503,433	0.57
480,000	WTH Car Rental ULC 2.781% 20JUL24	480,000	480,000	0.18
		113,234,787	114,797,294	43.40
CANADIAN DISCOUNT NOTES				
1,800,000	Canadian Treasury Bill 0% 16SEP21	1,799,514	1,799,588	0.68
850,000	Canadian Treasury Bill 0% 25NOV21	849,420	849,494	0.32
250,000	Canadian Treasury Bill 0% 28OCT21	249,873	249,903	0.09
		2,898,807	2,898,985	1.09
CANADIAN FEDERAL BONDS				
27,870,000	Canada Housing Trust No 1 1.90% 15SEP26	29,439,065	28,755,987	10.88
13,750,000	Canada Housing Trust No 1 2.35% 15SEP23	14,361,591	14,286,525	5.40
5,500,000	Canada Post Corp. 4.08% 16JUL25	6,092,888	6,149,715	2.33
10,000,000	Canadian Government Bond 0.50% 01DEC30	9,360,100	9,220,100	3.49
		59,253,644	58,412,327	22.10
CANADIAN MORTGAGE-BACKED SECURITIES				
88,382	Canadian Mortgage Pools 1.27% 01JUL21	87,827	88,382	0.03
1,036,978	Canadian Mortgage Pools 2.39% 01MAY2023	1,027,220	1,066,791	0.40
925,277	MCAP RMBS Issuer Corp Mortgage Pass-Through Certificates Series 2018-1 2.40% 15OCT22	925,452	925,452	0.35
1,175,989	MCAP RMBS Issuer Corp Mortgage Pass-Through Certificates Series 2018-2 2.75% 15MAY23	1,157,761	1,157,761	0.44
		3,198,260	3,238,386	1.22
CANADIAN PROVINCIAL/MUNICIPAL BONDS				
1,800,000	Municipal Finance Authority of British Columbia 5.35% 02DEC24	2,034,180	2,065,788	0.78
939,631	Ontario School Boards Financing Corp. 5.80% 07NOV28	1,047,764	1,094,755	0.41
1,750,000	Province of British Columbia Canada 2.30% 18JUN26	1,840,650	1,838,585	0.70
6,500,000	Province of British Columbia Canada 8% 08SEP23	8,005,686	7,537,400	2.85
1,325,000	Province of Newfoundland and Labrador Canada 0.635% 27FEB23	1,331,916	1,331,665	0.50
3,000,000	Province of Newfoundland and Labrador Canada 0.695% 17MAR24	3,022,200	3,030,600	1.15
3,250,000	Province of Nova Scotia Canada 0.60% 09NOV22	3,269,143	3,265,080	1.23
1,000,000	Province of Nova Scotia Canada 0.7075% 09NOV24	1,015,970	1,014,760	0.38
19,750,000	Province of Ontario Canada 0.54% 21AUG23	19,816,956	19,857,440	7.51
3,750,000	Province of Ontario Canada 1.85% 01FEB27	3,967,500	3,840,413	1.45
2,500,000	Province of Ontario Canada 1.95% 27JAN23	2,525,100	2,559,100	0.97
6,350,000	Province of Ontario Canada 2.60% 02JUN27	6,738,922	6,751,257	2.55
3,750,000	Province of Ontario Canada 2.65% 05FEB25	3,978,300	3,971,438	1.50
3,000,000	Province of Quebec Canada 0.9125% 19APR22	3,026,280	3,016,440	1.14
3,250,000	Province of Quebec Canada 1.0425% 19OCT23	3,320,525	3,309,573	1.25
10,250,000	Province of Quebec Canada 2.60% 06JUL25	11,166,658	10,877,813	4.11
400,000	South Coast British Columbia Transportation Authority 3.05% 04JUN25	439,196	429,136	0.16
		76,546,946	75,791,243	28.64

June 30, 2021

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
CANADIAN SUPRANATIONALS				
750,000	Asian Development Bank 0.75% 10FEB26	\$ 749,888	\$ 737,018	0.28
2,750,000	Asian Development Bank 1.50% 04MAY28	2,738,983	2,748,213	1.04
2,750,000	European Investment Bank 1% 28JAN28	2,749,450	2,666,208	1.01
1,000,000	Inter-American Development Bank 4.40% 26JAN26	1,162,230	1,143,620	0.43
		<u>7,400,551</u>	<u>7,295,059</u>	<u>2.76</u>
TOTAL INVESTMENTS OWNED		<u>262,532,995</u>	<u>262,433,294</u>	<u>99.21</u>
NET INVESTMENTS OWNED		\$ 262,532,995	262,433,294	99.21
OTHER ASSETS, NET			<u>1,987,693</u>	<u>0.79</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 264,420,987	100.00

Statements of Financial Position (unaudited)

(see note 2 in the generic notes)	June 30 2021	December 31 2020
ASSETS		
Investments at fair value (Cost: \$262,532,995; 2020: \$256,832,277)	\$ 262,433,294	\$ 261,484,064
Cash	690,876	605,318
Due from investment dealers	2,124,520	3,015,150
Subscriptions receivable	23,153	228,589
Dividends receivable, interest accrued and other assets	1,485,918	1,374,501
TOTAL ASSETS	266,757,761	266,707,622
LIABILITIES		
Due to investment dealers	2,125,660	3,026,280
Redemptions payable	5,922	66,920
Accounts payable and accrued expenses	205,192	203,550
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	2,336,774	3,296,750
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	\$ 264,420,987	\$ 263,410,872
NUMBER OF REDEEMABLE UNITS OUTSTANDING		
SERIES A	25,827,391	25,201,826
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT		
SERIES A	\$ 10.24	\$ 10.45

Statements of Comprehensive Income (unaudited)

For the periods ended June 30 (see note 2 in the generic notes)	2021	2020
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 3,029,527	\$ 3,052,736
Net realized gain (loss) on investments	(416,742)	2,168,721
Change in unrealized gain (loss) on investments	(4,751,491)	5,034,407
TOTAL INCOME (LOSS)	(2,138,706)	10,255,864
EXPENSES		
Management fees	884,569	854,718
GST/HST	116,654	113,420
Audit fees	12,558	12,627
IRC fees	6,010	9,583
Legal fees	7,927	7,971
Filing fees	2,318	1,758
TOTAL EXPENSES	1,030,036	1,000,077
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		
	\$ (3,168,742)	\$ 9,255,787
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT		
SERIES A	\$ (0.12)	\$ 0.38

Statements of Cash Flow (unaudited)

For the periods ended June 30 (see note 2 in the generic notes)	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Increase (decrease) in net assets		
attributable to holders of redeemable units	\$ (3,168,742)	\$ 9,255,787
Adjustments for non-cash items		
Net realized loss (gain) on investments	416,742	(2,168,721)
Change in unrealized loss (gain) on investments	4,751,491	(5,034,407)
Change in non-cash balances		
(Increase) decrease in accrued receivables	(111,417)	170,879
Increase (decrease) in accrued payables	1,642	777
Proceeds from sale of investments	144,496,528	184,437,891
Purchase of investments	(150,623,981)	(185,303,490)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	(4,237,737)	1,358,716
FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	14,563,410	7,527,772
Cash paid on redemption of redeemable units	(10,240,115)	(8,589,057)
CASH PROVIDED BY (USED IN)		
FINANCING ACTIVITIES	4,323,295	(1,061,285)
Increase (decrease) in cash during the period	85,558	297,431
Cash, beginning of period	605,318	774,874
CASH, END OF PERIOD	\$ 690,876	\$ 1,072,305
SUPPLEMENTAL INFORMATION*		
Interest received	\$ 2,918,109	\$ 3,223,615

* Included as a part of cash flows from operating activities.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

For the periods ended June 30 (see note 2 in the generic notes)	Series A	
	2021	2020
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS,		
BEGINNING OF PERIOD	\$ 263,410,872	\$ 248,336,890
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF		
REDEEMABLE UNITS	(3,168,742)	9,255,787
Proceeds from redeemable units issued	14,357,974	8,158,276
Reinvestment of distributions to unitholders*	2,242,479	2,159,430
Redemption of redeemable units	(10,179,117)	(8,632,234)
DISTRIBUTIONS TO UNITHOLDERS	(2,242,479)	(2,159,430)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS,		
END OF PERIOD	\$ 264,420,987	\$ 257,118,719

* For the period ended June 30, 2021, the total distributions from the Fund from net income were \$2,242,479 (June 30, 2020 – \$2,159,430) and the total distributions from the Fund from capital gains were \$nil (June 30, 2020 – \$nil). The Fund did not make any distributions from return of capital.

June 30, 2021

General Information

(see note 1 in the generic notes)

The investment objective of the Fund is to obtain a relatively high level of current interest income consistent with preserving capital and maintaining liquidity by investing primarily in Canadian short-term debt instruments. The Fund invests primarily in securities of companies that conduct themselves in a socially responsible manner.

Financial Instrument Risk and Capital Management

(see note 5 in the generic notes)

The following tables present the Fund's direct risks.

Credit Risk (%)

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	June 30 2021	December 31 2020
AAA	29.5	36.5
AA	28.2	24.1
A	31.5	24.6
BBB	10.7	14.8
Total	100.0	100.0

Concentration Risk (%)

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

Investment mix	June 30 2021	December 31 2020
Corporate Bonds	43.4	44.3
Provincial/Municipal Bonds	28.6	25.3
Federal Bonds	23.2	27.8
Supranationals	2.8	–
Mortgage-Backed Securities	1.2	1.9
Cash/Other	0.8	0.7
Total	100.0	100.0

Interest Rate Risk (%)

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	June 30 2021	December 31 2020
Less than 1 year	4.1	11.1
1 – 5 years	56.8	61.1
5 – 10 years	36.5	25.6
> 10 years	2.6	2.2
Total	100.0	100.0

As at June 30, 2021, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net asset value may have decreased or increased, respectively, by approximately 3.2% (December 31, 2020 – 3.2%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Fair Value Hierarchy (\$)

(see note 3 in the generic notes)

The following is a summary of the inputs used as of June 30, 2021 and December 31, 2020.

June 30, 2021	Level 1	Level 2	Level 3	Total
Assets				
Corporate Bonds	–	114,797,294	–	114,797,294
Federal Bonds	–	61,311,312	–	61,311,312
Mortgage-Backed Securities	–	3,238,386	–	3,238,386
Provincial/Municipal Bonds	–	75,791,243	–	75,791,243
Supranationals	–	7,295,059	–	7,295,059
	–	262,433,294	–	262,433,294

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Corporate Bonds	–	116,712,985	–	116,712,985
Federal Bonds	–	73,176,114	–	73,176,114
Mortgage-Backed Securities	–	5,002,755	–	5,002,755
Provincial/Municipal Bonds	–	66,592,210	–	66,592,210
	–	261,484,064	–	261,484,064

For the periods ended June 30, 2021 and December 31, 2020, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

June 30, 2021

Management Fees

Encasa Financial Inc. is the Manager of the Fund and manages the overall business and 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 net asset value of each series of the Fund.

Series A	0.80%
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The Manager may, in its discretion, charge a lower annual fee than indicated in the Fund's prospectus.

As at June 30, 2021, management fees of \$167,077 (December 31, 2020 - \$170,592) were payable to the Manager of the Fund.

Investments by Related Parties (\$ except unit amounts)

Encasa Financial Inc., or its shareholders, held the following investments in the Fund as at:

	June 30 2021	December 31 2020
Units held		
Series A	881,999	874,630
Value of all units	9,031,669	9,141,722

Taxes (\$)

(see note 6 in the generic notes)

The net non-capital and capital losses as at December 31, 2020 for the Fund were:

Capital losses	4,117,963
Non-capital losses	—

Redeemable Units

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the net asset value per unit.

For the periods ended June 30
(see note 2 in the generic notes)

	2021	2020
Series A		
Redeemable units, beginning of period	25,201,826	24,571,894
Redeemable units issued	1,391,953	792,737
Redemption of redeemable units	(985,142)	(841,219)
Reinvestments of units	218,754	210,373
Redeemable units, end of period	25,827,391	24,733,785

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. These financial statements were approved for issuance by the Board of Directors of Encasa Financial Inc. on August 23, 2021.

Units of a Fund may be purchased by registered charities, non-profit and co-operative organizations, or any person or category of person that may be accepted from time to time by the Manager at its sole discretion. In order to purchase units of a Fund, you may be required to sign a subscription agreement or other documents.

2. Financial Period

The information provided in these financial statements and notes thereto is as at June 30, 2021 and December 31, 2020, or for the periods ended June 30, 2021 and 2020, as applicable.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including International Accounting Standard (IAS) 34, Interim Financial Reporting. The significant accounting policies of the Funds, which are investment entities, are as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives

Each of the Funds classifies its investment and derivatives 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 fair value through profit and loss.

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.

The Fund’s redeemable units do not meet the criteria in International Accounting Standard 32, Financial Instruments – Presentation, for classification as equity due to a requirement to distribute income and therefore have been classified as financial liabilities.

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.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

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 “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

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.

Cash

Cash is comprised of cash and deposits with banks and is measured at cost. The carrying amount of cash approximates its fair value because it is short-term in nature.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Funds may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

Foreign Exchange

The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the noon rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign currencies and other net assets” 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 “Change in unrealized gain (loss) on investments” 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

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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.

Withholding Tax Expense Policy

The Funds generally incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

Income Recognition

“Dividends” are 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. 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 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 year.

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.

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgments and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Funds in future periods. Given that the full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the global economy and the Funds’ performance is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to management’s judgments and estimates.

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 sub-advisers, who engage in 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.

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 sub-advisers monitor 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. The Funds will distribute all net income and realized capital gains to unitholders such that the Funds are not subject to income tax. 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**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 Short-Term Bond Fund and the Encasa Canadian Bond Fund and Genus Capital Management Inc. as portfolio sub-adviser in respect of the Encasa Equity Fund (formerly, Encasa Canadian

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Equity Fund). National Bank Financial Inc. is the registrar and fund accounting agent of the Funds. The Fees paid to Addenda Capital Inc., Genus Capital Management Inc. and National Bank Financial Inc. are paid by the Manager and not the Funds.

Distributor

Worldsource Financial Management Inc. is the principal distributor of the Funds. The fees paid to Worldsource Financial Management Inc. are paid by the Manager and not the Funds.

Trustee and Custodian

Natcan Trust Company is the trustee and custodian of the Funds. Natcan Trust Company holds title to the Funds' property on behalf of unitholders and also holds the assets of the Funds. The fees paid to Natcan Trust Company are paid by the Manager and not the Funds.

Brokers and Dealers

The Manager, through the sub-advisers, has developed criteria for selecting brokers including best execution.