

FIXED-INCOME FUND

**ENCASA CANADIAN  
SHORT-TERM BOND FUND**

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*June 30, 2021*

The Board of Directors of Encasa Financial Inc. approved this interim management report of fund performance on August 23, 2021.

**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.

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

*This interim management report of fund performance contains financial highlights, but does not contain either the complete interim financial statements or 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](http://www.encasa.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).*

*Unitholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting guidelines, 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 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 high-quality debt obligations issued or guaranteed by Canadian governments and companies that conduct themselves in a socially responsible manner. The average term to maturity of the Fund's portfolio is typically one to five years.

### Results of Operations

The Fund's net asset value was \$264.4 million as of June 30, 2021.

Over the past six months, the Fund's Series A units lost 1.2%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for information on returns.

The Canadian Fixed Income market has seen mixed results over the last 6 months as rising yields due to inflation concerns during the first quarter were partially offset by a flattening yield curve during the second quarter. More recently, as members of the U.S. Federal Reserve moved forward their expectation for higher interest rates, short term bonds reacted by moving higher, while the rest of the yield curve moved lower. Equities initially reacted negatively with the hint that the current liquid conditions fueling the markets could be a thing of the past, but quickly shrugged that notion off and continued their march to all time highs by the end of the second quarter. With this backdrop, the Encasa Short-Term Bond Fund modestly trailed its benchmark due to a longer-than-benchmark duration in an environment when market yields increased. This was partially offset by strong security selection.

### Recent Developments

Economic growth continues to be supported by fiscal stimulus and a historically high saving rate. In addition, the unemployment rate should see a decline as pandemic related closures re-open. Inflation will experience cyclical pressure due to the base effects as measures reflect the rebound from the depths of the pandemic lockdown period. As such, we may see cyclical inflation cause the yield curve to further steepen. Potential risks to our base case include higher personal and corporate taxes due to the significant U.S. fiscal stimulus; inflation being higher than expected due to supportive monetary and fiscal policy which could result in driving longer term interest rates higher. Going forward we will continue to actively manage portfolio duration to take advantage of interest rate volatility.

Effective September 15, 2020, KPMG LLP replaced PricewaterhouseCoopers LLP as the Funds' auditor.

### Related-Party Transactions

#### *Portfolio Manager, Registrar and Fund Accounting Agent*

Encasa Financial Inc. is the Portfolio Manager of the Fund. Encasa has appointed Addenda Capital Inc. as portfolio sub-adviser in respect of the Encasa Canadian Short-Term Bond Fund. National Bank Financial Inc. is the registrar and fund accounting agent of the Fund. The Fees paid to Addenda Capital Inc. and National Bank Financial Inc. are paid by the Manager and not the Fund.

#### *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 six months (noted by June 30, 2021), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and 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 <sup>1</sup>					Annual Distributions <sup>2</sup>				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		
<b>Series A</b>												
<b>June 30, 2021</b>	<b>10.45</b>	<b>0.12</b>	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.18)</b>	<b>(0.12)</b>	<b>(0.09)</b>	—	—	—	<b>(0.09)</b>	<b>10.24</b>
Dec. 31, 2020	10.11	0.25	(0.08)	0.19	0.14	0.50	(0.16)	—	—	—	(0.16)	10.45
Dec. 31, 2019	10.00	0.26	(0.08)	0.12	(0.01)	0.29	(0.19)	—	—	—	(0.19)	10.11
Dec. 31, 2018	10.06	0.26	(0.08)	(0.31)	0.24	0.11	(0.18)	—	—	—	(0.18)	10.00
Dec. 31, 2017	10.24	0.23	(0.08)	(0.06)	(0.13)	(0.04)	(0.15)	—	—	—	(0.15)	10.06
Dec. 31, 2016	10.34	0.25	(0.08)	(0.02)	(0.08)	0.07	(0.17)	—	—	—	(0.17)	10.24

<sup>1</sup> 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.

<sup>2</sup> Distributions were automatically reinvested in additional units of the same series of the Fund.

### Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	MER (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series A</b>							
<b>June 30, 2021</b>	<b>10.24</b>	<b>264,421</b>	<b>25,827,391</b>	<b>0.79</b>	<b>0.79</b>	<b>111.77</b>	—
Dec. 31, 2020	10.45	263,411	25,202	0.80	0.80	149.84	—
Dec. 31, 2019	10.11	248,337	24,572	0.78	0.78	196.44	—
Dec. 31, 2018	10.00	229,383	22,942	0.81	0.81	282.52	—
Dec. 31, 2017	10.06	245,885	24,440	0.79	0.79	154.89	—
Dec. 31, 2016	10.24	251,096	24,510	0.79	0.79	187.42	—

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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:

Series A	Management Fees	Breakdown of Services	
		Distribution	Other*
	0.80%	9%	92%

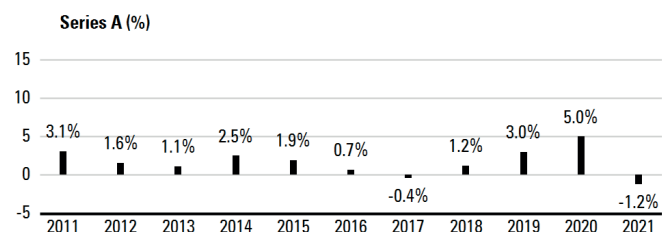
\* Includes all costs related to management, portfolio management, registrar, general administration and profit.

**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 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 or interim period.



For the 12-month periods ended December 31 and the six-month period ended June 30, 2021.

**SUMMARY OF INVESTMENT PORTFOLIO**

(after consideration of derivative products, if any)

As at June 30, 2021

**Investment Mix**

	% of Net Asset Value
Corporate Bonds	43.4
Provincial/Municipal Bonds	28.6
Federal Bonds	23.2
Supranationals	2.8
Mortgage-Backed Securities	1.2
Cash/Other	0.8

**Top 25 Holdings**

	% of Net Asset Value
Canada Housing Trust No 1 1.90% 15SEP26	10.88
Province of Ontario Canada 0.54% 21AUG23	7.51
Canada Housing Trust No 1 2.35% 15SEP23	5.40
Province of Quebec Canada 2.60% 06JUL25	4.11
Canadian Government Bond 0.50% 01DEC30	3.49
The Toronto-Dominion Bank 3.589% 14SEP28	2.92
Province of British Columbia Canada 8% 08SEP23	2.85
The Bank of Nova Scotia 2.49% 23SEP24	2.70
Province of Ontario Canada 2.60% 02JUN27	2.55
Canada Post Corp. 4.08% 16JUL25	2.33
Sun Life Financial Inc. 2.58% 10MAY32	1.91
Manulife Financial Corp. 3.317% 09MAY28	1.67
Sun Life Financial Inc. 2.38% 13AUG29	1.66
Royal Bank of Canada 3.45% 29SEP26	1.52
Province of Ontario Canada 2.65% 05FEB25	1.50
Province of Ontario Canada 1.85% 01FEB27	1.45
Capital Desjardins Inc. 4.954% 15DEC26	1.35
Canadian Imperial Bank of Commerce 2.95% 19JUN29	1.34
National Bank of Canada 3.183% 01FEB28	1.27
Province of Quebec Canada 1.0425% 19OCT23	1.25
Province of Nova Scotia Canada 0.60% 09NOV22	1.23
Genworth MI Canada Inc. 4.242% 01APR24	1.21
Province of Newfoundland and Labrador Canada 0.695% 17MAR24	1.15
Province of Quebec Canada 0.9125% 19APR22	1.14
Asian Development Bank 1.50% 04MAY28	1.04
<b>Top 25 Holdings</b>	<b>65.43</b>

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](http://www.encasa.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).