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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.

March 23, 2022

December 31, 2021

To the Unitholders and Trustee of:

**Encasa Canadian Short-Term Bond Fund**

**Encasa Canadian Bond Fund**

**Encasa Equity Fund**

(individually, a "Fund")

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## Opinion

We have audited the financial statements of each Fund, which comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements of each Fund present fairly, in all material respects, the financial position of each Fund as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information of each Fund. Other information comprises the information included in the Management Report of Fund Performance of each Fund filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements of each Fund does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each Fund or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report of Fund Performance of each Fund filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

December 31, 2021

In preparing the financial statements, management is responsible for assessing the ability of the Funds to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing each Fund's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of each Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on each Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause each Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yours very truly,



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 23, 2022

**SCHEDULE OF INVESTMENT PORTFOLIO  
 ENCASA EQUITY FUND**

December 31, 2021

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>AUSTRALIAN EQUITIES</b>				
44,100	James Hardie Industries PLC	\$ 2,058,586	\$ 2,243,388	1.32
<b>BRITISH EQUITIES</b>				
105,200	Segro PLC	2,035,972	2,588,984	1.52
<b>CANADIAN EQUITIES</b>				
49,893	Bank of Montreal	5,489,955	6,794,928	4.00
35,100	Canadian Apartment Properties REIT	2,101,203	2,104,596	1.24
24,380	Canadian Pacific Railway Ltd.	1,144,891	2,218,092	1.31
80,200	Canadian Western Bank	3,147,828	2,911,260	1.71
79,300	Canfor Corp.	2,132,525	2,542,358	1.50
70,000	CI Financial Corp.	1,420,806	1,850,800	1.09
133,500	Enerplus Corp.	1,143,141	1,780,890	1.05
84,700	Finning International Inc.	2,777,848	2,700,236	1.59
44,900	Gildan Activewear Inc.	2,033,966	2,407,987	1.42
18,400	Intact Financial Corp.	2,955,509	3,025,328	1.78
16,411	Magna International Inc.	1,352,489	1,679,666	0.99
97,000	RioCan Real Estate Investment Trust	2,132,286	2,225,180	1.31
55,172	Royal Bank of Canada	4,286,284	7,406,841	4.36
2,700	Shopify Inc.	3,003,853	4,702,563	2.77
82,400	TELUS Corp.	2,320,012	2,454,696	1.45
17,000	The Descartes Systems Group Inc.	1,672,462	1,778,540	1.05
73,700	The Toronto-Dominion Bank	6,349,306	7,147,426	4.21
28,000	Thomson Reuters Corp.	4,113,833	4,235,560	2.49
73,400	Tourmaline Oil Corp.	2,485,797	2,997,656	1.76
		52,063,994	62,964,603	37.08
<b>EUROPEAN EQUITIES</b>				
600	Adyen NV	2,386,098	1,996,956	1.18
13,500	Covestro AG	1,175,494	1,053,553	0.62
5,700	L'Oreal SA	3,281,458	3,422,017	2.01
2,200	Sartorius Stedim Biotech	1,598,289	1,528,105	0.90
103,000	UniCredit SpA	1,924,295	2,008,665	1.18
		10,365,634	10,009,296	5.89
<b>JAPANESE EQUITIES</b>				
49,800	Chugai Pharmaceutical Co., Ltd.	2,327,917	2,045,103	1.20
103,500	Daiwa House Industry Co., Ltd.	3,960,085	3,764,446	2.22
20,100	M3 Inc.	1,640,109	1,280,250	0.75
2,900	Nintendo Co., Ltd.	1,765,941	1,710,657	1.01
		9,694,052	8,800,456	5.18
<b>SWISS EQUITIES</b>				
5,200	Sika AG	1,846,741	2,744,132	1.62
600	Straumann Holding AG	1,691,886	1,613,134	0.95
115,800	UBS Group AG	2,246,553	2,639,193	1.55
		5,785,180	6,996,459	4.12
<b>U.S. EQUITIES</b>				
7,500	Acuity Brands Inc.	1,634,112	2,009,646	1.18
15,000	Advanced Micro Devices Inc.	1,250,941	2,731,798	1.61
11,400	Applied Materials Inc.	1,918,675	2,270,365	1.34
16,600	Best Buy Co Inc.	2,334,534	2,134,510	1.26
6,000	Cigna Corp.	1,541,053	1,743,718	1.03
151,900	Coterra Energy Inc.	3,960,522	3,652,648	2.15
52,900	Dropbox Inc.	2,008,583	1,642,959	0.97
6,900	Fortinet Inc.	2,386,991	3,138,511	1.85



### Statements of Financial Position

(see note 2 in the generic notes)	December 31 2021	December 31 2020
<b>ASSETS</b>		
Investments at fair value (Cost: \$144,596,577; 2020: \$121,624,615)	\$ 168,673,589	\$ 140,274,998
Cash	1,263,853	319,912
Subscriptions receivable	11,359	117,153
Dividends receivable, interest accrued and other assets	109,490	85,902
Unrealized gain on foreign exchange contracts	123,689	59,083
<b>TOTAL ASSETS</b>	<b>170,181,980</b>	<b>140,857,048</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	191,795	160,694
Redemptions payable	78,516	109,153
Unrealized loss on foreign exchange contracts	41,136	38,665
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>311,447</b>	<b>308,512</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>\$ 169,870,533</b>	<b>\$ 140,548,536</b>
<b>NUMBER OF REDEEMABLE UNITS OUTSTANDING</b>		
<b>SERIES A</b>	<b>8,138,645</b>	<b>7,018,124</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 20.87</b>	<b>\$ 20.03</b>

### Statements of Comprehensive Income

For the periods ended December 31 (see note 2 in the generic notes)	2021	2020
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 4,671,213	\$ 2,904,978
Interest for distribution purposes	7,349	136,998
Net realized gain (loss) on investments	21,353,470	8,946,299
Change in unrealized gain (loss) on investments	5,620,797	852,957
Net gain (loss) on foreign currencies and other net assets	(233,935)	141,604
<b>TOTAL INCOME (LOSS)</b>	<b>31,418,894</b>	<b>12,982,836</b>
<b>EXPENSES</b>		
Management fees	1,491,315	1,188,171
Withholding taxes	542,769	140,510
Transaction costs	293,705	246,493
GST/HST	198,294	160,653
Audit fees	25,324	25,393
Legal fees	15,986	16,030
IRC fees	8,579	15,692
Filing fees	8,548	8,108
Bank charges	2,650	1,203
<b>TOTAL EXPENSES</b>	<b>2,587,170</b>	<b>1,802,253</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		
	<b>\$ 28,831,724</b>	<b>\$ 11,180,583</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 4.07</b>	<b>\$ 1.70</b>

**Statements of Cash Flows**

 For the periods ended December 31  
 (see note 2 in the generic notes)

	2021	2020
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets		
attributable to holders of redeemable units	\$ 28,831,724	\$ 11,180,583
<b>Adjustments for non-cash items</b>		
Net realized loss (gain) on investments	(21,353,470)	(8,946,299)
Change in unrealized loss (gain) on investments	(5,620,797)	(852,957)
<b>Change in non-cash balances</b>		
(Increase) decrease in accrued receivables	(23,588)	98,280
Increase (decrease) in accrued payables	31,101	12,315
Proceeds from sale of investments	216,146,890	160,692,913
Purchase of investments	(217,633,349)	(168,058,363)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>378,511</b>	<b>(5,873,528)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	9,738,474	7,819,620
Distributions to unitholders, net of reinvestments	86	–
Cash paid on redemption of redeemable units	(9,173,130)	(6,131,241)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>FINANCING ACTIVITIES</b>	<b>565,430</b>	<b>1,688,379</b>
Increase (decrease) in cash during the period	943,941	(4,185,149)
Cash, beginning of period	319,912	4,505,061
<b>CASH, END OF PERIOD</b>	<b>\$ 1,263,853</b>	<b>\$ 319,912</b>
<b>SUPPLEMENTAL INFORMATION*</b>		
Interest paid	\$ 2,650	\$ 1,203
Interest received	7,349	136,998
Dividends received, net of withholding taxes	4,104,840	2,862,748

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

**Statements of Changes in Net Assets Attributable to Holders of Redeemable Units**

For the periods ended December 31 (see note 2 in the generic notes)	Series A	
	2021	2020
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>	<b>\$ 140,548,536</b>	<b>\$ 127,724,198</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>28,831,724</b>	<b>11,180,583</b>
Proceeds from redeemable units issued	9,632,680	7,884,149
Reinvestment of distributions to unitholders*	22,821,570	8,902,744
Redemption of redeemable units	(9,142,493)	(6,240,394)
<b>DISTRIBUTIONS TO UNITHOLDERS</b>	<b>(22,821,484)</b>	<b>(8,902,744)</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>	<b>\$ 169,870,533</b>	<b>\$ 140,548,536</b>

\* For the year ended December 31, 2021, the total distributions from the Fund from net income were \$2,366,005 (December 31, 2020 – \$1,433,048) and the total distributions from the Fund from capital gains were \$20,455,479 (December 31, 2020 – \$7,469,695). The Fund did not make any distributions from return of capital.



December 31, 2021

## General Information

### (see note 1 in the generic notes)

Effective July 1, 2020, the name of the Fund was changed from “Encasa Canadian Equity Fund” to “Encasa Equity Fund” and the investment objective for the Fund was changed to seek long-term capital growth by investing in a diversified portfolio consisting of equity securities of companies primarily located outside of Canada. Prior to July 1, 2020, the investment objective of the Fund was to seek long-term capital growth by investing primarily in a diversified portfolio consisting of equity securities of companies located in Canada. In both periods, the Fund primarily invested in securities of companies that conduct themselves in a responsible manner.

## Financial Instrument Risk and Capital Management

### (see note 5 in the generic notes)

The following tables present the Fund’s direct risks.

#### Concentration Risk (%)

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

	December 31 2021	December 31 2020
Investment mix		
United States Equities	44.2	45.6
Canadian Equities	37.1	34.6
Overseas Equities	18.1	19.5
Cash/Other	0.6	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### Currency Risk (% of net assets)

The table below summarizes the Fund’s net exposure (after hedging, if any) to currency risk as at:

	December 31 2021	December 31 2020
Currency		
United States dollar	44.5	43.5
Euro	6.3	2.0
Swiss franc	2.8	2.5
Japanese yen	2.4	7.1
Pound sterling	2.2	1.2
Australian dollar	1.6	3.6
Danish krone	0.5	2.0
Swedish krona	–	3.0
<b>Total</b>	<b>60.3</b>	<b>64.9</b>

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund’s net asset value may have decreased or increased, respectively, by approximately 3.0% (December 31, 2020 – 3.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

#### Other Price Risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based indices (noted below) on the Fund’s net assets, using a 36-month historical correlation of data of the Fund’s return and the indices, with all other factors kept constant, as at:

	December 31 2021	December 31 2020
S&P/TSX Composite Total Return Index	+ or - 0.9	+ or - 0.9
MSCI World Index (CAD)	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, 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 December 31, 2021 and 2020.

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	168,673,589	–	–	168,673,589
Forward contracts	–	123,689	–	123,689
	168,673,589	123,689	–	168,797,278

#### Liabilities

Forward contracts	–	41,136	–	41,136
	–	41,136	–	41,136

December 31, 2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	140,274,998	–	–	140,274,998
Forward contracts	–	59,083	–	59,083
	140,274,998	59,083	–	140,334,081

#### Liabilities

Forward contracts	–	38,665	–	38,665
	–	38,665	–	38,665

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

December 31, 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	1.00%
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The Manager may, in its discretion, charge a lower annual fee than indicated in the Fund's prospectus.

As at December 31, 2021, management fees of \$153,651 (December 31, 2020 - \$126,464) 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:

	December 31 2021	December 31 2020
<b>Units held</b>		
Series A	23,720	20,522
<b>Value of all units</b>	<b>495,045</b>	410,987

## Taxes (\$)

### (see note 6 in the generic notes)

The following were the net non-capital and capital losses for the Fund as at:

	December 31 2021	December 31 2020
Capital losses	–	–
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 December 31  
(see note 2 in the generic notes)

	2021	2020
<b>Series A</b>		
Redeemable units, beginning of period	7,018,124	6,485,707
Redeemable units issued	431,270	416,561
Redemption of redeemable units	(407,007)	(328,226)
Reinvestments of units	1,096,258	444,082
<b>Redeemable units, end of period</b>	<b>8,138,645</b>	7,018,124

## Transaction Costs

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2021		December 31 2020	
	\$	%	\$	%
Total transaction costs	293,712	100	246,493	100
Commission arrangements*	172,133	58	141,028	57

\* Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

## 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 March 23, 2022.

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 for the years ended December 31, 2021 and 2020, or as at December 31, 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”). 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.

December 31, 2021

*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. The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date as obtained from an independent source.

*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 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 equal 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.

**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



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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**

There are risks associated with any fund that concentrates its investments in a particular issuer or issuers within a geographical region, asset type, industry sector or market segment. Concentrating investments allows a fund to focus on a particular issuer's potential, but it also means that the value of the fund tends to be more volatile than the value of a more diversified fund because the concentrated fund's value is affected more by the performance of that particular issuer or issuers in the same category that 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.

The COVID-19 virus is a fading risk to the global recovery and the extent of the continuing impacts from the COVID-19 outbreak on the Funds' operations and performance remains uncertain and difficult to predict. The ultimate economic fallout from the on-going pandemic, and the long-term impact on economies, markets, industries and individual companies remain uncertain. The extent of the impact to the financial performance and the operations of the Funds will depend on future developments, which are highly uncertain and cannot be predicted. For the period ending December 31, 2021, there was no significant impact to the Fund as a result of the ongoing pandemic.

**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. 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 requires its portfolio sub-advisers to have in place appropriate compliance policies for Best Execution, Broker Selection and The Use of Client Brokerage Commissions.