

## EQUITY FUND

**ENCASA EQUITY FUND**

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*December 31, 2021*

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 23, 2022.

**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 annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-888-791-6671 x 237, by writing to Encasa Funds c/o Encasa Financial Inc., 119 Spadina Avenue, Suite 400, Toronto, Ontario, M5V 2L1, or by visiting the Manager’s website at [www.encasa.ca](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

Up until 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. 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. In both periods, the Fund primarily invested in securities of companies that conduct themselves in a responsible manner.

### Risk

There were no significant changes that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

The Manager previously adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the “new risk classification methodology”). The Manager reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of the Manager’s annual review and the adoption of the risk classification methodology. The risk classification for this Fund has not changed.

There were no changes to the Fund’s risk rating during the reporting period.

### Results of Operations

The Fund’s net asset value rose to \$170 million as of December 31, 2021, from \$141 million at the end of 2020. The increase in net assets was attributable to an increase from operations of \$28.8 million and net proceeds of \$0.5 million.

Over the past year, the Fund’s Series A units gained 20.5%. The benchmark gained 22.7%. The Fund’s return is after the deduction of fees and expenses, while the benchmark return does not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

After a strong finish in 2020, the markets continued their momentum into the first half of 2021, fueled by accelerating economic momentum, mass vaccination efforts and the lifting of lockdown measures. Equity markets continued to build on this momentum, with strong performance in the technology sector as stronger-than-expected

earnings pushed stocks higher throughout the second quarter. The second quarter saw commodity prices rise as the growing economic reopening increased demand, followed by a healthy correction in June as investors took profits.

Over the first half of 2021, the S&P 500 rose 15.24% (+11.99% in CAD terms), with Energy, Financials and Real Estate being the strongest sectors. Similarly in Canada, the TSX rose 17.30% over the six-month period, with Energy, Financials and Health Care being the standout performers.

There was plenty of volatility throughout the second half of 2021 as a result of the emergence of the COVID-19 Delta and Omicron variants, continued inflation, and the potential for action from the U.S. Federal Reserve. Despite this heightened volatility, the equity markets rallied heading toward the new year after a slight correction early in the fourth quarter. Bond yields continued their downward trend early in the third quarter. After hitting a low in August, they picked up sharply after the U.S. Federal Reserve signalled that it would start tapering its bond-buying in the coming year, and U.S. 10-year government bonds closed the year at 1.51%. In terms of style, value stocks (such as banks) and other defensive sectors outperformed momentum stocks (such as technology) in December and were leading into 2022.

The S&P 500 rose 28.71% (27.61% in CAD terms) over the year, with only defensive sectors (Utilities and Consumer staples) lagging behind the index. The TSX rose 25.09% for the year, with Energy, Financials and Real Estate leading the way. Health Care was the only sector in Canada to turn in a negative performance for the year.

### Recent Developments

The second half of 2021 was hampered by the emergence of COVID-19 variants of concern, which were more contagious and vaccine-resistant than expected. As a result, global travel restrictions largely remained in place and supply chain disruptions continued, pushing back spending expectations and a full economic recovery until 2022. However, as new data about the virus emerged from Britain and South Africa, so did some reason for optimism. Omicron has turned out to be less deadly than feared, and milder than its predecessors. The markets were buoyed by this news, rising to new highs during the last week of 2021 despite some heavy volatility earlier in December.

The Purchasing Managers’ Index (PMI)—an indication of economic trends in the manufacturing and service sectors—fell during the third quarter but rebounded and remained buoyant in Q4. Inflation continued to stay high, with core inflation hitting close to 5.0% on a year-over-year basis and the U.S. Federal Reserve noting that while it still believes inflation is transitory, it now expects it to persist for a longer time than initially anticipated.

With some economic indicators rebounding during the fourth quarter, the fundamentals are in place for a strong recovery in 2022. Jobs numbers continued to improve, with the unemployment rate in the U.S. falling to 4.2% despite an increase in labour force participation rates. Despite weakness in the manufacturing PMIs, the U.S. service sector continues to be strong, with the services PMIs reaching fresh highs for the year.

Considering all of the encouraging data and the positive effects of significant monetary stimulus and increased government spending throughout the pandemic, the economy is expected to stay strong into 2022. Value stocks will likely benefit as clarity is gained around both the economic impact of Omicron and the path of U.S. Federal Reserve rate hikes. Further, the latest economic data indicate that supply chain pressures are easing. As a result, Industrials and Materials should see more upside. On the other hand, work-from-home beneficiaries, such as IT and Health Care, will weaken. In terms of country exposures, it is likely that the U.S. will take a lead. In the meantime, Canada will find itself in a positive position as the steepening yield curve benefits the Financial sector.

#### **Related-Party Transactions**

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

Encasa Financial Inc. is the Portfolio Manager of the Fund. Encasa has appointed 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 Fund. The Fees paid to Genus Capital Management 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.

##### ***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.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <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>Dec. 31, 2021</b>	<b>20.03</b>	<b>0.66</b>	<b>(0.32)</b>	<b>2.94</b>	<b>0.79</b>	<b>4.07</b>	<b>(0.08)</b>	<b>(0.25)</b>	<b>(2.91)</b>	–	<b>(3.24)</b>	<b>20.87</b>
Dec. 31, 2020	19.69	0.46	(0.24)	1.37	0.11	1.70	–	(0.22)	(1.14)	–	(1.35)	20.03
Dec. 31, 2019	17.57	0.48	(0.22)	0.51	1.78	2.55	–	(0.36)	(0.01)	–	(0.37)	19.69
Dec. 31, 2018	21.67	0.54	(0.25)	2.72	(4.34)	(1.33)	–	(0.14)	(2.51)	–	(2.65)	17.57
Dec. 31, 2017	19.42	0.49	(0.23)	0.78	1.74	2.78	–	(0.23)	(0.31)	–	(0.54)	21.67

<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 reinvested in additional units of the Fund.

### Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	MER (%) <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>Dec. 31, 2021</b>	<b>20.87</b>	<b>169,871</b>	<b>8,139</b>	<b>1.12</b>	<b>1.12</b>	<b>140.63</b>	<b>0.19</b>
Dec. 31, 2020	20.03	140,549	7,018	1.13	1.13	130.91	0.20
Dec. 31, 2019	19.69	127,724	6,486	1.12	1.12	107.29	0.17
Dec. 31, 2018	17.57	116,134	6,611	1.08	1.08	87.45	0.10
Dec. 31, 2017	21.67	128,917	5,948	1.12	1.12	17.96	0.06

<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*
	1.00%	7%	93%

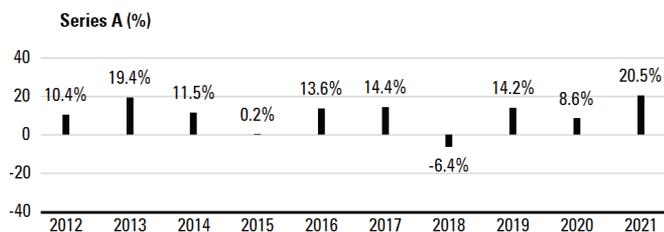
\* Includes all costs related to management, portfolio management, registrar, general administration and profit.

### 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.



### Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2021, compared with the following benchmarks:

The blended benchmark is composed of:

- 35% S&P/TSX Composite Index
- 65% MSCI World Index (CAD)

The broad-based indices are the S&P/TSX Composite Index and the MSCI World Index (CAD).

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years
Series A	20.5	14.3	9.8	10.3
Blended benchmark	22.7	17.9	11.2	11.0
S&P/TSX Composite Index	25.1	17.5	10.0	9.1
MSCI World Index (CAD)	21.3	19.2	14.3	15.8

The blended benchmark and broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the blended benchmark and broad-based index.

### INDEX DESCRIPTIONS

**S&P/TSX Composite Index** This index is a benchmark Canadian market cap weighted index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange (TSX) with about 250 companies included in it.

**MSCI World Index (CAD)** This index is a market cap weighted index that captures the Canadian dollar performance of large and mid-cap companies across 23 Developed Markets (DM) countries. With 1,585 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2021

#### Investment Mix

	% of Net Asset Value
United States Equities	44.2
Canadian Equities	37.1
Overseas Equities	18.1
Cash/Other	0.6

**SUMMARY OF INVESTMENT PORTFOLIO (cont.)**
*(after consideration of derivative products, if any)*
*As at December 31, 2021*
**Top 25 Holdings**

	% of Net Asset Value
Royal Bank of Canada	4.36
The Toronto-Dominion Bank	4.21
Bank of Montreal	4.00
Shopify Inc.	2.77
The Home Depot Inc.	2.60
Thomson Reuters Corp.	2.49
Daiwa House Industry Co., Ltd.	2.22
Coterra Energy Inc.	2.15
NVIDIA Corp.	2.13
Target Corp.	2.07
L'Oreal SA	2.01
Fortinet Inc.	1.85
Intact Financial Corp.	1.78
Tourmaline Oil Corp.	1.76
Microsoft Corp.	1.73
NetApp Inc.	1.73
Canadian Western Bank	1.71
The Procter & Gamble Co.	1.69
KLA Corp.	1.67
Sika AG	1.62
Advanced Micro Devices Inc.	1.61
Texas Instruments Inc.	1.61
Finning International Inc.	1.59
UBS Group AG	1.55
Schlumberger Ltd.	1.54
<b>Top 25 Holdings</b>	<b>54.45</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).