

EQUITY FUND

**ENCASA EQUITY FUND**

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*June 30, 2022*

The Board of Directors of Encasa Financial Inc. approved this interim management report of fund performance on August 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 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, 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 seek long-term capital growth by investing in a diversified portfolio consisting of equity securities of companies primarily located outside of Canada. The Fund invests primarily in securities of companies that conduct themselves in a responsible manner.

### Results of Operations

The Fund's net asset value was \$141.0 million as of June 30, 2022.

Over the past six months, the Fund's Series A units lost 18.1%. 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 year kicked off with continued volatility, lingering high levels of inflation, and fears that the U.S. Federal Reserve would raise interest rates aggressively. Worries about the threat (and later, the reality) of the Russia–Ukraine conflict intensified these concerns. The equity markets fell almost 15% before bouncing back during the second half of March. There were big moves in the bond market as well, with U.S. 10-year government bonds rising to 2.5% from 1.0% during the first quarter. Commodities were strong, with gold and copper moving up a little over 5.0%.

The S&P 500 fell 4.60% (5.66% in CAD terms) during the first quarter of 2022. The losses were broad-based, with only the Energy and Utilities sectors spared. In Canada, the S&P/TSX rose 3.82%, with the Energy and Materials sectors leading the way. The Consumer Discretionary, Health Care, Information Technology and Real Estate sectors turned in negative performances.

The second quarter continued the trend toward high volatility and lingering inflation woes. Central banks grew more hawkish, increasing interest rates aggressively. These moves added to the uncertainty already churning the markets, which continue to price in future rate hikes and recession probabilities. Yields on 10-year treasury bonds rose throughout the quarter, climbing 60 basis points to touch 3.0% briefly in June. However, metals, whose prices are sensitive to economic ups and downs, such as copper, declined sharply when the global economy began to show signs of slowing.

The S&P 500 fell 16.1% (13.4% in CAD terms) during the second quarter 2022 and overall fell 19.97% (18.56% in CAD terms) over the six-month period. Every sector in the S&P 500 ended up with negative returns, except for the Energy sector which comfortably outpaced the rest. Utilities and Consumer Staples managed to decrease by a lesser magnitude, while Consumer Discretionary, Communication Services and Information Technology were the largest decliners in

the period. In Canada, the S&P/TSX dropped 13.2% in Q2 and 9.85% for the six-month period. The best performing sectors were Energy, which outpaced the rest of the index, and Utilities, which managed to end slightly positive. In contrast, the worst performing sectors were Information Technology, Health Care, and by a lesser degree Real Estate.

### Recent Developments

The quarter's biggest shock came from the U.S. Federal Reserve. Although the markets had expected (and priced in) higher interest rates ahead, the aggressiveness of the Fed's announced increases caught the markets off-guard. There were suggestions throughout the quarter that both the Bank of Canada and the Fed could be even more ambitious and boost rates by as much as 75 basis points (0.75%)—and in June, the Fed did increase its rate by the rumoured 75 basis points in an effort to combat inflation. This added volatility to the markets.

The Bank of Canada surprised the markets with a rate increase as well, in early July, shortly after the close of the quarter. It raised rates by 100 basis points (1.0%), citing increasing and persistent inflation and noting that more corporations are passing higher costs on to consumers. It also observed that the economy is starting to overheat, making an aggressive rate hike necessary to bring demand and supply back into balance.

Given the persistent inflation and slowdown in global economic activity, economists and investors have been speculating that we may be headed for a recession. However, the consensus around this probability is unclear, ranging from no recession (a soft landing) to a 50% chance. Nonetheless, we anticipate a slowdown in economic growth into the middle of 2023. As economic and inflation data continue to arrive in the second half of the year, we will begin to have a clearer picture of a possible recession scenario. Reduced geopolitical risks—such as an end to the war in Ukraine—and resolved supply chain issues, particularly those arising in China, would reduce the risk of a recession.

There were mixed results on economic data throughout the quarter: core inflation remained above 4.0% on a year-over-year basis, but there were signs that inflation might begin to slow from its furious pace. The recent central bank rate hikes will take time to filter through the economy and show up in the economic data. Although the central banks are trying to control inflation by increasing interest rates, there are still concerns on the supply side. For example, China remains adamant about its zero-COVID policy and continues to enforce lockdowns. The lingering conflict between Ukraine and Russia is adding to supply chain disruptions and inflation woes, and it is uncertain when there will be a resolution.

To satisfy the objectives in the Encasa Responsible Investment Policy and Genus' Responsible Investment Policy (available on demand), the portfolio is rebalanced regularly using a customized investable universe which excludes companies with a reading of 1500 or more in "Carbon Emissions – Scope 1 and 2 Intensity in t/USD million sales", as well as excluding any companies with Oil Shale and Tar Sands Reserves, Evidence of Total Coal Reserves or any tie with Thermal Coal and companies with ESG ratings of CCC. The custom screening process also sees that companies with over 10% of revenues from certain activities are excluded, such as gambling operations, production of pornography, production, processing or sale of alcohol or tobacco, production of weapons.

Additionally, the custom screens will check and flag for severe controversies (with scoring 4 or 5, in a 1 to 5 scale, being 5 the most severe) as per Sustainalytics methodologies, and for single red flags, or more than 2 orange flags (as per the MSCI ESG methodology), in the following categories of controversies: Governance, Customers, Employee Related, Society, Environment, Supply Chain, amongst others. These flagged companies are also excluded from the investable universe.

Through external service providers, the company engaged with 41 unique companies on subjects of Decent Work, Health Access and Equity, IT & Civil Rights, Political Spending & Oversight, Racial Justice, Reconciliation, Just Transition, Reducing Greenhouse Gas Emission and Sustainable Finance (companies and engagement progress available on demand). Additionally, the company proxy-voted on 52 meetings (15 in Canada, 30 in the U.S. and 7 elsewhere) during the first half of the year (meeting type, contrarian vs board-aligned positions and details available on demand).

For the first half of 2022, the portfolio triggered no significant moves or sells of any securities as a result of the previous stated screening methodology.

#### **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 six months (noted by June 30, 2022), 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, 2022</b>	<b>20.87</b>	<b>0.21</b>	<b>(0.12)</b>	<b>0.08</b>	<b>(3.98)</b>	<b>(3.81)</b>	–	–	–	–	–	<b>17.09</b>
Dec. 31, 2021	20.03	0.66	(0.32)	2.94	0.79	4.07	(0.08)	(0.25)	(2.91)	–	(3.24)	20.87
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>June 30, 2022</b>	<b>17.09</b>	<b>141,054</b>	<b>8,254</b>	<b>1.11</b>	<b>1.11</b>	<b>148.62</b>	<b>0.21</b>
Dec. 31, 2021	20.87	169,871	8,139	1.12	1.12	140.63	0.19
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:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.00%	6%	94%

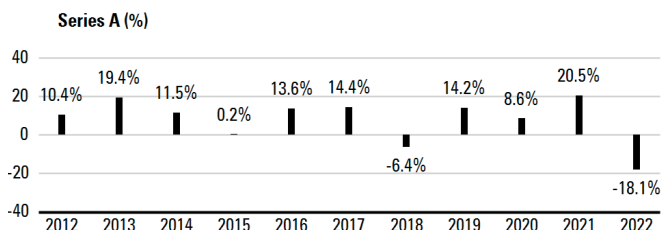
\* Includes all costs related to management, portfolio management, registrar, general administration and profit.

**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, 2022.

**SUMMARY OF INVESTMENT PORTFOLIO**

(after consideration of derivative products, if any)  
As at June 30, 2022

**Investment Mix**

	% of Net Asset Value
United States Equities	46.3
Canadian Equities	36.7
Overseas Equities	16.1
Cash/Other	0.9

**Top 25 Holdings**

	% of Net Asset Value
The Toronto-Dominion Bank	4.41
Bank of Montreal	3.41
Microsoft Corp.	3.16
The Procter & Gamble Co.	2.48
Thomson Reuters Corp.	2.37
AltaGas Ltd.	2.25
The Descartes Systems Group Inc.	2.21
AmerisourceBergen Corp.	2.12
The Progressive Corp.	2.11
Repsol SA	2.03
Toromont Industries Ltd.	1.97
Reliance Steel & Aluminum Co.	1.94
L'Oreal SA	1.89
Texas Instruments Inc.	1.86
Vermilion Energy Inc.	1.75
US Bancorp/MN	1.73
Parex Resources Inc.	1.70
RioCan Real Estate Investment Trust	1.64
Canadian Apartment Properties REIT	1.63
Elevance Health Inc.	1.63
Loblaw Cos Ltd.	1.61
Old Republic International Corp.	1.59
Suncorp Group Ltd.	1.55
Accenture PLC	1.55
Royal Bank of Canada	1.54
Top 25 Holdings	52.13

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).