

EQUITY FUND

ENCASA EQUITY FUND

December 31, 2022

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 22, 2023.

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.

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, 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 or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund’s interim financial report, 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 using a responsible investing approach.

Risk

There were no significant changes that affected the Fund's overall level of risk during the reporting year. 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 year.

Results of Operations

The Fund's net asset value fell to \$140.6 million as of December 31, 2022, from \$169.9 million at the end of 2021. The decrease in net assets was attributable to a decrease from operations of \$26.9 million and net redemptions of \$2.4 million.

Over the past year, the Fund's Series A units lost 15.7%. The benchmark lost 9.7%. 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 information on returns.

Over the first three quarters of 2022 the market saw high volatility and lingering inflation woes drive markets downward. Central banks grew more hawkish, increasing interest rates aggressively. These moves added to the uncertainty already churning the markets. Throughout the year inflation remained sticky globally—that is, stubbornly high and difficult to subdue leading to the performance of the first three quarters being in the red.

To start the fourth quarter the S&P 500 rose about 14% only to give up half of those gains during the final two weeks of the year and the TSX gained 6.0% over the quarter. The stock market rose as inflation in North America finally showed signs of decelerating during the fourth quarter, but not as quickly as economists were expecting. The continued stickiness contributed to volatility as markets began to

adjust their expectations for rate hikes with US 10-year bond yields reaching a high of 4.3%, falling as low as 3.3%, and finishing the year around 3.9%. In the fourth quarter the worst-performing sectors for the S&P 500 were Consumer Discretionary and Communication Services. These, in fact were the only two sectors to remain negative in the final quarter of the year. Whereas, for the TSX, the two sectors in the negative for the quarter were Health Care and Utilities.

The S&P 500 fell 18.1% (-12.2% in CAD terms) over the year, with Consumer Discretionary and Communication Services being the largest drags on the market, with Energy and Utilities being the best performers and the only two sectors up on the year. The TSX fell 5.8% for the year, with Energy and Consumer Staples leading the way, Materials and Industrials were both able to remain positive, and Health Care and Information Technology were the worst performers.

Recent Developments

Recently, strong labour markets in the US and Canada have been among the key reasons why the US Federal Reserve and Bank of Canada have raised rates so steeply and have held fast to their positions. The volume of jobs has continued to beat expectations over the past quarter, while unemployment rates hovered around historical lows. Canada's employment numbers, in particular, smashed analysts' expectations: the country added some 220,000 jobs from October to December versus analysts' expectations of 23,000. This healthy labour market has put upward pressure on inflation and helps explain, to a considerable extent, why the Federal Reserve is reluctant to pause, or lower interest rates any time soon. We expect central banks to maintain their hawkish stance until we see signs of weakening in the labour markets.

However, there are some indications of a slowing economy ahead. The Purchasing Managers' Index (PMI) in the US is in contractionary territory on both the service and manufacturing fronts. The service side showed a surprisingly large decline in December, falling six points to 49.6. (Anything under 50 is a sign of contraction.) This caused bond yields to drop significantly as the markets began to adjust their interest rate expectations for the rest of the year. It also caused equities to rise as hopes for a slowdown in rate hikes began to take hold. In addition, the housing market is feeling the impacts of higher interest rates as home prices remain stagnant as demand slowed.

Heading into the new year, the recent 0.5% rate hike announced by the Fed in mid-December brought the total increase to 4.25% within a year—the highest rate since December 2007. In response to the Fed's aggressive efforts to combat inflation, the S&P 500 dipped and hovered around 3850 until the end of the year. Meanwhile, the yield curve remained inverted—a sign that the market is expecting a recession. Our portfolios held defensive positions throughout

the quarter, including overweight positions in the Health Care and Consumer Staples sectors and a lower-than-market beta in our funds; a low beta value indicates less volatility versus the overall market. Responding to concerns about future growth, and with a global slowdown in the forecast, mega-cap stocks dropped significantly after their earnings release in October. We have shifted to an underweight in these mega-growth stocks. Meanwhile, with the US dollar peaking, we have increased the portfolio's allocation to the Materials sector, especially gold names.

As the new year kicks off, economic data is beginning to ease concerns about inflation. However, it is still too early to conclude that central bank tightening is fully in the rear-view mirror. Given persistent economic uncertainties—including the outcome of China's re-opening—our outlook remains cautious and our approach is to be prepared for a potential recession. We have balanced our defensive and cyclical sector bets, favouring Consumer Staples, Materials, and Industrials. We expect value stocks to continue to outperform growth stocks so our portfolios will have more value exposure. Finally, given the peak in inflation and the US dollar, we have begun to increase our exposure to the Europe, Australia and Far East (EAFE) region while reducing our overweight in the US. We anticipate continued outperformance of international markets and US underperformance.

Related-Party Transactions

Portfolio Manager, Registrar and Fund Accounting Agent

Encasa Financial Inc. acts as the Manager and the Portfolio Manager of the Fund and earns fees from the Fund for such services. Encasa has appointed Genus Capital Management Inc. as portfolio sub-adviser in respect of the Encasa Equity Fund. National Bank Financial Inc. through its National Bank Independent Network division has been appointed as 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 ¹					Annual Distributions ²				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		
Series A												
Dec. 31, 2022	20.87	0.41	(0.24)	(0.85)	(2.61)	(3.29)	–	(0.17)	–	–	(0.17)	17.43
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

¹ 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.

² 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 (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
Dec. 31, 2022	17.43	140,642	8,069	1.11	1.11	166.85	0.22
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

¹ 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.

² 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.

³ 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%	6%	94%

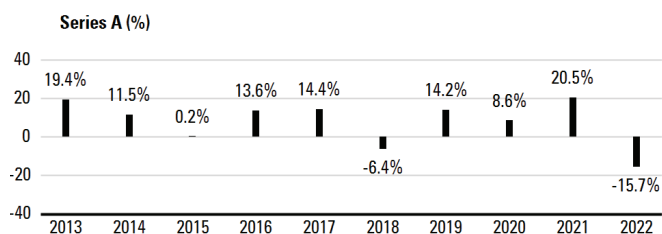
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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.



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, 2022, 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	(15.7)	3.3	3.3	7.4
Blended benchmark	(9.7)	6.4	6.7	9.1
S&P/TSX Composite Index	(5.8)	7.5	6.9	7.7
MSCI World Index (CAD)	(11.8)	7.0	8.4	12.9

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, 2022

Investment Mix

	% of Net Asset Value
United States Equities	47.5
Canadian Equities	31.0
Overseas Equities	20.7
Cash/Other	0.8

SUMMARY OF INVESTMENT PORTFOLIO (cont.)
(after consideration of derivative products, if any)
As at December 31, 2022
Top 25 Holdings

	% of Net Asset Value
The Toronto-Dominion Bank	4.02
Royal Bank of Canada	3.61
Metro Inc.	2.72
Bank of Montreal	2.65
ARC Resources Ltd.	2.37
Novo Nordisk A/S	2.31
Phillips 66	2.18
Sumitomo Metal Mining Co., Ltd.	2.11
Dollarama Inc.	2.06
Gartner Inc.	1.97
Chugai Pharmaceutical Co., Ltd.	1.93
Deutsche Telekom AG	1.89
Texas Instruments Inc.	1.88
Shin-Etsu Chemical Co., Ltd.	1.79
Microsoft Corp.	1.74
Lincoln Electric Holdings Inc.	1.70
Finning International Inc.	1.67
Merck & Co Inc.	1.65
LPL Financial Holdings Inc.	1.60
Marathon Petroleum Corp.	1.59
Elevance Health Inc.	1.58
Unum Group	1.58
Acuity Brands Inc.	1.55
National Bank of Canada	1.50
Reliance Steel & Aluminum Co.	1.50
Top 25 Holdings	51.15

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 or SEDAR at www.sedar.com.