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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.

August 23, 2023

SCHEDULE OF INVESTMENT PORTFOLIO (unaudited)  
**ENCASA EQUITY FUND**

June 30, 2023

Number of shares/units	Investments owned		Average cost	Fair value	% of net asset value
<b>British Equities</b>					
153,800	Informa PLC	\$	1,902,123	\$ 1,878,213	1.27
957,000	Vodafone Group PLC		1,479,389	1,191,230	0.80
			3,381,512	3,069,443	2.07
<b>Canadian Equities</b>					
30,879	Agnico Eagle Mines Ltd.		2,082,537	2,042,646	1.38
126,000	ARC Resources Ltd.		2,249,288	2,226,420	1.50
30,293	Bank of Montreal		3,487,846	3,624,255	2.44
22,700	Canadian Apartment Properties REIT		1,288,790	1,154,522	0.78
27,200	CGI Inc.		3,377,166	3,799,840	2.56
31,800	Dollarama Inc.		2,561,605	2,853,096	1.92
76,400	Dream Industrial Real Estate Investment Trust		1,104,504	1,078,004	0.73
73,100	Enerplus Corp.		1,384,704	1,403,520	0.95
42,200	Finning International Inc.		1,384,226	1,719,650	1.16
38,300	Hydro One Ltd.		1,409,187	1,449,655	0.98
39,000	Linamar Corp.		2,636,494	2,715,180	1.83
40,300	Metro Inc.		2,888,815	3,015,246	2.03
47,400	National Bank of Canada		4,599,250	4,678,380	3.16
52,000	Open Text Corp.		2,882,818	2,865,200	1.93
64,500	Parex Resources Inc.		1,614,809	1,713,120	1.16
9,090	TFI International Inc.		1,323,084	1,371,954	0.93
64,900	The Toronto-Dominion Bank		5,485,934	5,328,939	3.59
10,500	Toromont Industries Ltd.		1,112,833	1,142,715	0.77
			42,873,890	44,182,342	29.80
<b>Danish Equities</b>					
2,800	Genmab A/S		1,582,563	1,402,178	0.95
14,100	Novo Nordisk A/S		2,044,817	3,008,849	2.03
			3,627,380	4,411,027	2.98
<b>European Equities</b>					
82,900	Deutsche Telekom AG		2,196,517	2,392,968	1.61
40,400	Industria de Diseno Textil SA		1,861,190	2,070,113	1.40
28,510	Infineon Technologies AG		1,305,365	1,556,648	1.05
16,000	Moncler SpA		1,262,006	1,468,140	0.99
116,600	Outotec OYJ		1,838,110	1,860,965	1.26
33,400	Prysmian SpA		1,384,502	1,847,533	1.25
10,200	Publicis Groupe SA		927,887	1,083,331	0.73
14,800	Vinci SA		2,183,353	2,275,074	1.53
			12,958,930	14,554,772	9.82
<b>Japanese Equities</b>					
31,500	Chugai Pharmaceutical Co., Ltd.		1,310,362	1,179,103	0.80
13,600	Nitto Denko Corp.		1,219,318	1,324,387	0.89
40,500	SBI Holdings Inc/Japan		1,139,981	1,027,170	0.69
56,000	Shin-Etsu Chemical Co., Ltd.		1,953,142	2,446,060	1.65
			5,622,803	5,976,720	4.03
<b>Swedish Equities</b>					
73,600	Atlas Copco AB		1,468,578	1,403,374	0.95
<b>Swiss Equities</b>					
11,200	Novartis AG		1,470,953	1,491,134	1.01

June 30, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>U.S. Equities</b>				
6,200	Acuity Brands Inc.	\$ 1,438,644	\$ 1,338,388	0.90
4,100	Ameriprise Financial Inc.	1,792,927	1,802,689	1.22
8,300	Cadence Design Systems Inc.	2,064,388	2,576,603	1.74
900	Chipotle Mexican Grill Inc.	2,025,542	2,548,255	1.72
32,600	Cisco Systems Inc.	2,201,773	2,232,717	1.51
18,200	Commercial Metals Co.	1,138,668	1,268,650	0.86
13,000	Constellation Energy Corp.	1,478,063	1,575,402	1.06
8,400	EMCOR Group Inc.	1,739,551	2,054,584	1.39
9,200	Expeditors International of Washington Inc.	1,401,156	1,475,126	0.99
18,300	Fortinet Inc.	1,523,367	1,831,070	1.24
13,800	Gilead Sciences Inc.	1,522,826	1,407,842	0.95
39,100	Halliburton Co.	2,213,779	1,707,453	1.15
1,900	Humana Inc.	1,426,318	1,124,545	0.76
6,100	Intuitive Surgical Inc.	2,530,639	2,761,018	1.86
13,300	Jabil Circuit Inc.	1,463,699	1,900,130	1.28
13,300	Kimberly-Clark Corp.	2,507,552	2,430,575	1.64
22,500	Lattice Semiconductor Corp.	2,212,387	2,861,277	1.93
64,200	Liberty Global PLC	1,872,630	1,510,122	1.02
5,100	Lincoln Electric Holdings Inc.	936,148	1,340,925	0.90
84,600	Marathon Oil Corp.	2,893,697	2,577,895	1.74
15,400	Merck & Co Inc.	2,060,796	2,352,223	1.59
12,840	Microsoft Corp.	4,696,011	5,787,923	3.90
5,200	Moody's Corp.	2,186,345	2,393,442	1.61
21,700	New Jersey Resources Corp.	1,383,775	1,355,786	0.91
7,100	NVIDIA Corp.	2,527,928	3,975,656	2.68
19,900	PACCAR Inc.	1,942,082	2,203,477	1.49
8,000	Phillips 66	1,065,180	1,010,036	0.68
3,800	Reliance Steel & Aluminum Co.	804,694	1,366,114	0.92
9,100	Steel Dynamics Inc.	985,328	1,312,135	0.89
2,500	Synopsys Inc.	1,227,680	1,440,881	0.97
28,300	The Kroger Co.	1,861,292	1,760,653	1.19
11,900	The TJX Cos Inc.	1,022,867	1,335,615	0.90
33,400	Unum Group	1,758,833	2,108,892	1.42
2,800	Vertex Pharmaceuticals Inc.	1,052,921	1,304,305	0.88
7,500	Visa Inc.	2,066,550	2,357,642	1.59
9,500	Williams-Sonoma Inc.	1,799,176	1,573,654	1.06
		64,825,212	71,963,700	48.54
	<b>TOTAL INVESTMENTS OWNED</b>	136,229,258	147,052,512	99.20
	<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>	(94,068)	—	—
	<b>NET INVESTMENTS OWNED</b>	<b>\$ 136,135,190</b>	147,052,512	99.20
	<b>UNREALIZED LOSS, FOREIGN EXCHANGE FORWARD CONTRACTS (SCHEDULE 1)</b>		(77,462)	(0.05)
	<b>OTHER ASSETS, NET</b>		1,281,835	0.85
	<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		<b>\$ 148,256,885</b>	<b>100.00</b>

**SCHEDULE 1**

**Foreign Exchange Forward Contracts**

Settlement Date	Currency Bought/Sold	Currency Bought/Sold	Forward Rates	Contract Value	Fair Value	Foreign Exchange Rate	Unrealized Gain (Loss)
September 22, 2023	AUD	USD	0.681390	\$ 1,304,657	\$ 1,278,093	1.3237	\$ (35,164)
September 22, 2023	CHF	USD	1.126919	678,743	678,690	1.3237	(71)
September 22, 2023	GBP	USD	1.278580	724,188	719,901	1.3237	(5,674)
September 22, 2023	SEK	USD	0.093023	773,395	773,826	1.3237	569

Unrealized gain on foreign exchange contracts \$ (40,340)

June 30, 2023

**SCHEDULE 1 (cont.)**
**Foreign Exchange Forward Contracts**

<b>Settlement Date</b>	<b>Currency Bought/Sold</b>	<b>Currency Bought/Sold</b>	<b>Forward Rates</b>	<b>Contract Value</b>	<b>Fair Value</b>	<b>Foreign Exchange Rate</b>	<b>Unrealized Gain (Loss)</b>
September 22, 2023	EUR	USD	1.094500	\$ (7,276,783)	\$ (7,286,417)	1.3237	\$ (12,752)
September 22, 2023	JPY	USD	0.007161	(270,234)	(264,394)	1.3237	7,731
September 22, 2023	USD	CAD	1.318950	(13,561,700)	(13,593,801)	1.0000	(32,101)
Unrealized loss on foreign exchange contracts							\$ (37,122)
Total unrealized loss on foreign exchange forward contracts							\$ (77,462)

**Statements of Financial Position** (unaudited)

(see note 2 in the generic notes)	June 30 2023	December 31 2022
<b>ASSETS</b>		
Investments at fair value	\$ 147,052,512	\$ 139,530,347
Cash	1,270,353	1,446,815
Subscriptions receivable	8,900	8,750
Dividends receivable, interest accrued and other assets	229,866	149,171
Unrealized gain on foreign exchange contracts	8,300	5,878
<b>TOTAL ASSETS</b>	<b>148,569,931</b>	<b>141,140,961</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	147,784	149,226
Redemptions payable	79,500	–
Unrealized loss on foreign exchange contracts	85,762	349,938
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>313,046</b>	<b>499,164</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>\$ 148,256,885</b>	<b>\$ 140,641,797</b>
<b>NUMBER OF REDEEMABLE UNITS OUTSTANDING</b>		
<b>SERIES A</b>	<b>7,926,566</b>	<b>8,069,107</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 18.70</b>	<b>\$ 17.43</b>

**Statements of Comprehensive Income (Loss)** (unaudited)

For the periods ended June 30 (see note 2 in the generic notes)	2023	2022
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 1,669,421	\$ 1,668,376
Interest for distribution purposes	57,911	51,942
Net realized gain (loss) on investments	1,725,010	675,429
Change in unrealized gain (loss) on investments	7,970,739	(32,478,674)
Net gain (loss) on foreign currencies and other net assets	(62,297)	110,155
<b>TOTAL INCOME (LOSS)</b>	<b>11,360,784</b>	<b>(29,972,772)</b>
<b>EXPENSES</b>		
Management fees	685,046	748,523
Transaction costs	174,847	168,092
Withholding taxes	162,478	138,559
GST/HST	91,659	97,685
IRC fees	8,394	7,935
Filing fees	3,305	6,299
Audit fees	12,314	3,609
Legal fees	9,573	2,284
Bank charges	1,200	6,251
<b>TOTAL EXPENSES</b>	<b>1,148,816</b>	<b>1,179,237</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		
	<b>\$ 10,211,968</b>	<b>\$ (31,152,009)</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 1.27</b>	<b>\$ (3.81)</b>

**Statements of Cash Flows** *(unaudited)*

For the periods ended June 30  
(see note 2 in the generic notes)

	2023	2022
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets		
attributable to holders of redeemable units	\$ 10,211,968	\$ (31,152,009)
<b>Adjustments for non-cash items</b>		
Net realized loss (gain) on investments	(1,725,010)	(675,429)
Change in unrealized loss (gain) on investments	(7,970,739)	32,478,674
<b>Change in non-cash balances</b>		
(Increase) decrease in accrued receivables	(80,695)	(26,292)
Increase (decrease) in accrued payables	(1,442)	(32,376)
Proceeds from sale of investments	114,044,696	114,924,709
Purchase of investments	(112,137,710)	(117,583,260)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>2,341,068</b>	<b>(2,065,983)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1,814,518	7,866,685
Cash paid on redemption of redeemable units	(4,332,048)	(5,597,377)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>FINANCING ACTIVITIES</b>	<b>(2,517,530)</b>	<b>2,269,308</b>
Increase (decrease) in cash during the period	(176,462)	203,325
Cash, beginning of period	1,446,815	1,263,853
<b>CASH, END OF PERIOD</b>	<b>\$ 1,270,353</b>	<b>\$ 1,467,178</b>
<b>SUPPLEMENTAL INFORMATION*</b>		
Interest paid	\$ 1,200	\$ 6,251
Interest received	57,911	51,942
Dividends received, net of withholding taxes	1,426,241	1,503,496

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

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

For the periods ended June 30 (see note 2 in the generic notes)	Series A	
	2023	2022
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, BEGINNING OF PERIOD</b>	<b>\$ 140,641,797</b>	<b>\$ 169,870,533</b>
<b>INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		
Proceeds from redeemable units issued	<b>1,814,668</b>	7,864,226
Reinvestment of distributions to unitholders	–	–
Redemption of redeemable units	<b>(4,411,548)</b>	(5,528,861)
<b>DISTRIBUTIONS TO UNITHOLDERS*</b>	–	–
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS, END OF PERIOD</b>	<b>\$ 148,256,885</b>	<b>\$ 141,053,889</b>

\* For the period ended June 30, 2023, the total distributions from the Fund from net income were \$nil (June 30, 2022 – \$nil) and the total distributions from the Fund from capital gains were \$nil (June 30, 2022 – \$nil). The Fund did not make any distributions from return of capital.

June 30, 2023

## General Information

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

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.

## 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:

Investment mix	June 30 2023	December 31 2022
United States Equities	48.5	47.5
Canadian Equities	29.8	31.0
Overseas Equities	20.9	20.7
Cash/Other	0.8	0.8
<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:

Currency	June 30 2023	December 31 2022
United States dollar	40.1	41.1
Euro	4.9	5.1
Japanese yen	3.9	4.8
Danish krone	3.0	2.3
Pound sterling	2.6	1.6
Swiss franc	1.5	1.7
Swedish krona	1.5	0.6
Australian dollar	0.9	0.9
Norwegian krone	–	1.3
<b>Total</b>	<b>58.2</b>	<b>59.4</b>

As at June 30, 2023, 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 2.9% (December 31, 2022 – 3.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Please see the generic notes at the back of the financial statements.

## 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:

	June 30 2023	December 31 2022
S&P/TSX Composite Total Return Index	+ or - 0.8	+ or - 0.9
MSCI World Index (CAD)	+ or - 0.8	+ or - 1.0

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 June 30, 2023 and December 31, 2022.

June 30, 2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	147,052,512	–	–	147,052,512
Forward contracts	–	8,300	–	8,300
	<b>147,052,512</b>	<b>8,300</b>	<b>–</b>	<b>147,060,812</b>

## Liabilities

Forward contracts	–	85,762	–	85,762
	<b>–</b>	<b>85,762</b>	<b>–</b>	<b>85,762</b>

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	139,530,347	–	–	139,530,347
Forward contracts	–	5,878	–	5,878
	<b>139,530,347</b>	<b>5,878</b>	<b>–</b>	<b>139,536,225</b>

## Liabilities

Forward contracts	–	349,938	–	349,938
	<b>–</b>	<b>349,938</b>	<b>–</b>	<b>349,938</b>

For the periods ended June 30, 2023 and December 31, 2022, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



June 30, 2023

## 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 June 30, 2023, management fees of \$113,282 (December 31, 2022 – \$130,224), included within accounts payable and accrued expenses, 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:

	June 30 2023	December 31 2022
<b>Units held</b>		
Series A	93,635	93,615
<b>Value of all units</b>	<b>1,750,933</b>	1,631,707

## Taxes (\$)

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

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2022	
Capital losses	6,886,340
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 June 30 (see note 2 in the generic notes)		
	2023	2022
<b>Series A</b>		
Redeemable units, beginning of period	8,069,107	8,138,645
Redeemable units issued	100,276	405,084
Redemption of redeemable units	(242,817)	(289,421)
Reinvestments of units	–	–
<b>Redeemable units, end of period</b>	<b>7,926,566</b>	8,254,308

## Transaction Costs

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

	June 30 2023		June 30 2022	
	\$	%	\$	%
Total transaction costs	174,847	100	168,092	100
Commission arrangements*	106,262	61	94,777	56

\* 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 August 23, 2023.

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 is as at June 30, 2023 and December 31, 2022, or for the periods ended June 30, 2023 and 2022, as applicable.

## 3. Summary of Significant Accounting Policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including International Accounting Standard (IAS) 34, Interim Financial Reporting. 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.

*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, including notes and money market instruments, are valued at fair value, which is approximated at cost plus accrued interest.

*Forward Contracts* – Forward contracts are valued as the gain or loss that would result from closing the position on that 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 (Loss). 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 (Loss). 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 (Loss). 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 (Loss).

## **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 (Loss) 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 (Loss).

**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 (Loss).

**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 proportionate 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 (Loss) 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

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 or the potential of issuers within the same category, 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.

**Geopolitical Risk**

Terrorism, war, military confrontations and related geopolitical events (and their aftermath) can lead to increased short-term market volatility and may have adverse long-term effects on the Canadian, U.S., and world economies and markets generally. Likewise, natural and environmental disasters, such as, for example, earthquakes, fires, floods, hurricanes, tsunamis and weather-related phenomena generally, as well as wide-spread disease and virus epidemics, can be highly disruptive to economies and markets into the medium term, adversely affecting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors impacting the value of the Fund's investments.

**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. acts as the Manager and 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., through its National Bank Independent Network division has been appointed as 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. Neither Addenda, Genus nor National Bank are related to the Manager.

### ***Principal 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. Worldsource is not related to the Manager.

### ***Trustee and Custodian***

Natcan Trust Company is the trustee and custodian of the Funds. Natcan Trust Company holds legal title to the property (the cash and securities) of the Funds on behalf of the Funds. The fees paid to Natcan Trust Company are paid by the Manager and not the Funds. Natcan Trust Company is not related to the Manager.

### ***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.