

FIXED-INCOME FUND

**ENCASA CANADIAN  
SHORT-TERM BOND FUND***December 31, 2023*

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on February 29, 2024.

**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 on request, and at no cost, by calling 1-888-791-6671, by writing to Encasa Funds c/o Encasa Financial Inc., 20 Dundas St W, Suite 1030, Toronto, Ontario, M5G 2C2, or by visiting the Manager’s website at [www.encasa.ca](http://www.encasa.ca) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).*

*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 obtain a relatively high level of current interest income consistent with preserving capital and maintaining liquidity by investing primarily in Canadian short-term debt instruments using a responsible investment approach. The Fund invests primarily in high-quality debt obligations issued or guaranteed by the Government of Canada, provincial or territorial governments or their agencies, Canadian chartered banks, Canadian loan or trust companies, and Canadian corporations and with a rating not lower than BBB by an approved credit rating agency. The average term to maturity of the Fund's portfolio is typically one to five years.

### 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 increased to \$242.7 million as of December 31, 2023, from \$241.2 million at the end of 2022. The increase in net assets was attributable to an increase from operations of \$10.6 million and net redemptions of \$9.0 million.

Over the past year, the Fund's Series A units gained 4.5%. The benchmark gained 5.0%. 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.

Overnight central bank target interest rates rose by 75 basis points since the start of the year. However, both the Bank of Canada (BoC) and US Federal Reserve (US Fed) held rates steady in the fourth quarter of 2023 as inflation data continued to show signs of moving lower. The BoC target remained at 5.00% while the US Fed held their target range between 5.25 – 5.50%.

The yield curve inverted further in 2023 as short-term rates continued their ascension while mid- and long-term rates decreased compared to last year's level.

From a responsible investment perspective, as at December 31, 2023, 34% of the Fund's portfolio consisted of bonds related to impact investing focus areas; 22.1% of the Fund's portfolio consisted of labeled green bonds; 4.5% of the Fund's portfolio consisted of sustainable bonds; and 1.0% of the Fund's portfolio consisted social bonds. The portfolio was managed in accordance with Encasa's Responsible Investment Policy throughout the year.

### Recent Developments

We expect economic growth to slow in 2024 but to remain positive as domestic demand is supported by a fully employed labour market. In Canada specifically, consumer spending is supported by strong population growth and investment income. We expect unemployment to stay close to cyclical low levels as labour market rebalancing progresses and unit labour costs fall. Against the backdrop of slowing economic growth, and moderating inflation, central banks will now manage policy with a focus on economic growth.

The US Fed has the opportunity for a mid-cycle ease in rates in the first half of 2024, while the BoC faces the risk of further tightening and will likely need to maintain higher rates for most of the year. We expect the yield curve will start to normalize (return to a more normal, upward slope) as short-term rates price in potential rate cuts. We expect continued steady reductions in balance sheet holdings which will reduce liquidity and support for risk assets, and no significant additional fiscal stimulus. Productivity gains in the US may provide some relief to inflation pressures. The US may find itself with a more favourable balance of inflation and economic growth than Canada, which may cause some divergence in monetary policy in the short term. Rates are expected to trade in a tight range in the first quarter of 2024 as the market reacts to a resilient economy and moderating inflation.

### Related-Party Transactions

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

Encasa Financial Inc. ("Encasa") acts as the Manager and the Portfolio Manager of the Fund and earns fees from the Fund for such services. The Manager has appointed Addenda Capital Inc. ("Addenda") as portfolio sub-adviser in respect of the Encasa Canadian Short-Term Bond Fund. National Bank Financial Inc. ("National Bank") through its National Bank Independent Network division has been appointed as registrar and fund accounting agent of the Fund. The Fees paid to Addenda and National Bank are paid by the Manager and not the Fund. Neither Addenda nor National Bank are related to the Manager.

***Distributor***

Worldsource Financial Management Inc. (“Worldsource”) is the principal distributor of the Fund. The fees paid to Worldsource are paid by the Manager and not the Fund. Worldsource is not related to the Manager.

***Trustee and Custodian***

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

## 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. 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, 2023</b>	<b>9.38</b>	<b>0.30</b>	<b>(0.07)</b>	<b>(0.22)</b>	<b>0.41</b>	<b>0.42</b>	<b>(0.23)</b>	—	—	—	<b>(0.23)</b>	<b>9.57</b>
Dec. 31, 2022	10.10	0.28	(0.08)	(0.32)	(0.39)	(0.51)	(0.21)	—	—	—	(0.21)	9.38
Dec. 31, 2021	10.45	0.25	(0.08)	(0.05)	(0.31)	(0.19)	(0.16)	—	—	—	(0.16)	10.10
Dec. 31, 2020	10.11	0.25	(0.08)	0.19	0.14	0.50	(0.16)	—	—	—	(0.16)	10.45
Dec. 31, 2019	10.00	0.26	(0.08)	0.12	(0.01)	0.29	(0.19)	—	—	—	(0.19)	10.11

<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, 2023</b>	<b>9.57</b>	<b>242,726</b>	<b>25,363</b>	<b>0.79</b>	<b>0.79</b>	<b>87.97</b>	—
Dec. 31, 2022	9.38	241,228	25,708	0.79	0.79	148.25	—
Dec. 31, 2021	10.10	258,584	25,606	0.79	0.79	108.57	—
Dec. 31, 2020	10.45	263,411	25,202	0.80	0.80	149.84	—
Dec. 31, 2019	10.11	248,337	24,572	0.78	0.78	196.44	—

<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	0.80%	8%	92%

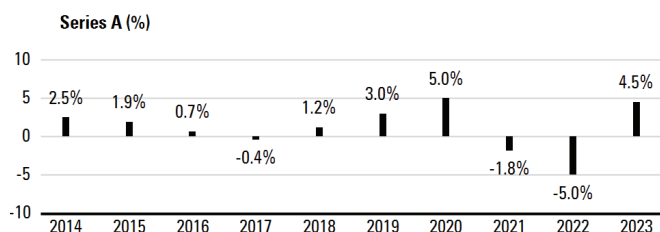
\* Includes all costs related to management, portfolio management, registrar, general administration and profit.

### 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, 2023, compared with the following benchmark:

#### FTSE TMX Canada Short-Term Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years
Series A	4.5	(0.9)	1.1	1.1
Benchmark	5.0	(0.1)	1.6	1.7

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

### INDEX DESCRIPTION

**FTSE TMX Canada Short-Term Bond Index** This index is a measure of the performance of Canadian bonds with terms to maturity of one to five years and is a good proxy for a short-term fixed-income investment.

### SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2023

#### Investment Mix

	% of Net Asset Value
Corporate Bonds	39.2
Federal Bonds	35.9
Provincial/Municipal Bonds	19.8
Supranationals	3.5
Mortgage-Backed Securities	0.5
Cash/Other	1.1

**SUMMARY OF INVESTMENT PORTFOLIO (cont.)**
*(after consideration of derivative products, if any)*
*As at December 31, 2023*
**Top 25 Holdings**

	% of Net Asset Value
Canadian Government Bond 2.75% 01SEP27	21.8
Province of Ontario Canada 2.65% 05FEB25	10.4
Canadian Government Bond 3.50% 01MAR28	7.1
Royal Bank of Canada 2.74% 25JUL29	3.0
Province of Quebec Canada 1.85% 13FEB27	2.3
Canadian Government Bond 2.25% 01DEC29	2.3
Federation des Caisses Desjardins du Quebec 2.856% 26MAY30	2.0
Province of Quebec Canada 8.50% 01APR26	1.9
Manulife Financial Corp. 5.409% 10MAR33	1.7
The Toronto-Dominion Bank 5.491% 08SEP28	1.4
Canadian Treasury Bill 0% 14MAR24	1.4
Province of Quebec Canada 2.60% 06JUL25	1.4
Canadian Treasury Bill 0% 29FEB24	1.4
Federation des Caisses Desjardins du Quebec 5.20% 01OCT25	1.3
The Toronto-Dominion Bank 4.477% 18JAN28	1.2
RioCan Real Estate Investment Trust 1.974% 15JUN26	1.2
Province of Ontario Canada 1.55% 01NOV29	1.1
Province of Ontario Canada 1.85% 01FEB27	1.1
Canada Housing Trust No 1 2.90% 15JUN24	1.0
National Bank of Canada 1.534% 15JUN26	1.0
Province of Ontario Canada 2.90% 02JUN28	1.0
Inter-American Development Bank 4.60% 01MAR29	1.0
European Investment Bank 1.90% 22JAN25	0.9
The Empire Life Insurance Co. 2.024% 24SEP31	0.9
Rogers Communications Inc. 5.70% 21SEP28	0.9
<b>Top 25 Holdings</b>	<b>70.7</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., 20 Dundas St W, Suite 1030, Toronto, Ontario M5G 2C2, or by visiting the Manager's website at [www.encasa.ca](http://www.encasa.ca) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).