

EQUITY FUND

ENCASA EQUITY 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 or SEDAR+ at 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 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.

The Fund generally invests in growing companies that demonstrate positive attributes in value, earnings growth, price momentum, analyst expectations; and balance sheet quality. The Fund invests primarily in securities of companies that conduct themselves in a responsible manner.

Risk

There were no significant changes that affected the Fund's overall level of risk during the reporting 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 \$155.8 million as of December 31, 2023, from \$140.6 million at the end of 2022. The increase in net assets was attributable to an increase from operations of \$18.9 million and net redemptions of \$3.6 million.

Over the past year, the Fund's Series A units gained 13.6%. The benchmark gained 17.8%. 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.

After rising for nearly three consecutive quarters in 2023, major stock markets experienced a correction at the end of the third quarter. The catalyst for the decline was the US Federal Reserve's hawkish speech in mid-September, which suggested that interest rates might remain “higher for longer” than markets were expecting.

In the fourth quarter, equity markets rose as central banks hinted at easing monetary policy in response to lower inflation. In Canadian dollar terms, the MSCI World Index rose by 8.8%, the

S&P 500 by 8.9%, and the TSX by 8.1%. Globally, the Information Technology (IT), Financial, and Real Estate sectors led the way, mirroring trends observed in the S&P 500 and TSX, while the Health Care sector lagged.

For full year 2023, the MSCI World Index and S&P 500 outperformed the TSX, delivering 21.1% and 22.9% in Canadian dollar terms, respectively, compared to 11.8%. This was primarily attributed to the US and World indices' higher weightings in the Technology and Communication sectors. The so-called “Magnificent 7” (Microsoft, Amazon, Nvidia, Meta, Apple, Alphabet, and Tesla) led the US and world markets as investors viewed them as well-positioned to capitalize on a potential boom in Artificial Intelligence. On the other hand, oil faced a decline of 10% throughout the year due to softer-than-expected demand. Government bond yields remained largely unchanged on a year-over-year basis, with US 10-year bond yields closing the year at 3.9% after fluctuating between 3.3% and 5.0%.

Recent Developments

We expect the downward trend of inflation to persist in 2024, due to slowing economic growth and the winding down of pandemic-era stimulus. The US Federal Reserve may have the opportunity to lower rates in the first half of 2024, while the Bank of Canada faces the risk of further raising its rates and will likely need to keep them high for most of the year, unless slower growth brings inflation and wage growth expectations down. We expect the yield curve to return to a more “normal” or upward slope, as short-term rates decline to reflect the potential rate cuts, while long-term rates remain stable or rise slightly. We expect central banks to continue reducing their balance sheet holdings, which will reduce liquidity and support for risk assets.

We expect economic growth to slow in 2024 in both Canada and the US but do not see indications of a pronounced downturn at this point. In Canada, growth is supported by a fully-employed labour market, strong population growth, and investment income. The US ended 2023 with strong overall growth numbers, but these may come down as higher rates continue to squeeze spending and investment, and remaining excess consumer savings from the pandemic period are used up.

The US remains the most attractive geography for equities in our view, with IT and Consumer Discretionary sectors continuing to lead the market. We are maintaining neutrality between cyclical and defensive holdings. Given the late-2023 pause in the IT sector, a shift towards value plays, especially in the Financials sector, is planned. Interest-sensitive sector bets remain in Industrials and Consumer Discretionary, with Health Care as a balance to IT growth names.

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 Genus Capital Management Inc. (“Genus Capital”) as portfolio sub-adviser in respect of the Encasa Equity 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 Genus Capital and National Bank are paid by the Manager and not the Fund. Neither Genus Capital 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 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, 2023	17.43	0.42	(0.24)	0.47	1.72	2.37	—	(0.15)	—	—	(0.15)	19.65
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

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, 2023	19.65	155,807	7,930	1.12	1.12	147.02	0.23
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

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%

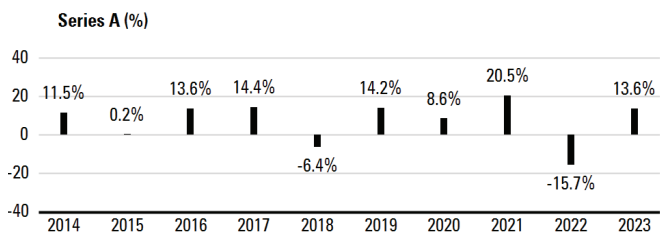
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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, 2023, 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	13.6	4.9	7.4	6.9
Blended benchmark	17.8	9.3	11.7	8.8
S&P/TSX Composite Index	11.8	9.6	11.3	7.6
MSCI World Index (CAD)	21.1	9.0	12.6	11.6

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, 2023

Investment Mix

	% of Net Asset Value
United States Equities	49.6
Canadian Equities	32.1
Overseas Equities	17.3
Cash/Other	1.0

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

	% of Net Asset Value
Microsoft Corp.	3.8
Broadcom Inc.	2.9
Moody's Corp.	2.6
Kinross Gold Corp.	2.5
Novo Nordisk A/S	2.5
Shopify Inc.	2.4
Merck & Co Inc.	2.4
National Bank of Canada	2.4
Magna International Inc.	2.3
Quebecor Inc.	2.2
Dollarama Inc.	2.2
NVIDIA Corp.	2.2
PACCAR Inc.	2.2
Visa Inc.	2.2
The Toronto-Dominion Bank	2.0
SBI Holdings Inc/Japan	1.9
Parkland Corp.	1.9
Adobe Inc.	1.8
Informa PLC	1.8
Kimberly-Clark Corp.	1.8
Intuitive Surgical Inc.	1.7
Constellation Software Inc.	1.7
Gibson Energy Inc.	1.7
Erste Group Bank AG	1.7
Sysco Corp.	1.6
Top 25 Holdings	54.5

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 or SEDAR+ at www.sedarplus.ca.