

FIXED-INCOME FUND

ENCASA CANADIAN BOND FUND*December 31, 2024*

The Board of Directors of Encasa Financial Inc. approved this annual management report of fund performance on March 26, 2025.

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 generate a relatively high level of total investment return by investing primarily in bonds of Canadian governments and companies using a responsible investment approach. The Fund invests primarily in bonds of Canadian governments and companies which do not mature for at least one year and with a rating not lower than BBB by an approved credit rating agency. The Fund may also invest in bonds or other debt instruments which are issued by foreign issuers. The average term to maturity of the Fund's portfolio is typically five to twelve 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 \$146.8 million as of December 31, 2024, from \$137.3 million at the end of 2023. The increase in net assets was attributable to an increase from operations of \$5.2 million and net purchases of \$4.2 million.

Over the past year, the Fund's Series A units gained 3.9%. The benchmark gained 4.2%. 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 year, the Bank of Canada (BOC) cut its overnight rate earlier and more aggressively than the US Federal Reserve (Fed). The target rate was cut by 175 basis points in Canada and by just 100 basis points in the US, bringing it to 3.25% and 4.50% respectively by the end of the year.

During the period, we increased the portfolio's exposure to Corporate bonds and Provincial/Municipal bonds, while the exposure to Federal bonds decreased significantly and stayed underweight.

At the end of the period, from a Responsible Investment perspective, 48.8% of the portfolio was allocated to impact investing focus areas, 25.5% of the portfolio was allocated to Green Bonds, 3.4% to Sustainable or Sustainability-Linked Bonds and 0.4% was allocated to Social Bonds.

Recent Developments

The year 2024 saw inflation decline in most developed economies, allowing central banks to cut short-term interest rates. However, the fourth quarter brought two developments that led central banks to take a more cautious approach. First, the pace of inflation declines slowed, as prices in certain areas, most notably housing and services, continued to rise faster than the 2% that both the Fed and BoC view as the ideal level of inflation. Second, the election of Donald Trump to the US presidency brought the US federal deficit and trade policy to the forefront, making it harder for central banks to forecast the path of key economic variables, and to anticipate how their policies might affect the economy and markets.

Bond markets may face unpredictable pressures as the new US administration works to bring the federal deficit under control while extending and expanding the tax cuts of the first Trump administration. The direction of trade policy under the new US administration is difficult to predict as its goals and specifics remain unclear. As of the time of writing, the new administration has begun imposing tariffs on both close trading partners and geopolitical rivals, but the effects on economic growth, company earnings and markets are difficult to anticipate without more details of the tariffs themselves.

Our baseline economic assumptions are for continued slow economic growth in Canada, and faster growth in the US, driven by a combination of resilient consumer demand and government spending. However, the introduction of tariffs and unexpected changes to government programs and spending could put economic and labour force growth at risk, and we are revising our assumptions as the tariff picture becomes clearer.

Coming into 2025, inflation in Canada has been lower than in the US. However, this could reverse as currency weakness and poor labour force productivity could push Canadian prices higher. Tariffs could contribute to higher inflation as well by raising the price of imported goods.

Ultimately, much of what happens in markets in 2025 will depend on the actions of the new US administration and the responses of other countries.

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. The Manager has appointed Addenda Capital Inc. (“Addenda”) as portfolio sub-adviser in respect of the Encasa Canadian Bond Fund. National Bank Financial Inc. (“National Bank”) through its National Bank Independent Network division has been appointed as registrar, transfer 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 (\$)

							Annual Distributions ²					Net Assets End of Year/Period
							From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
For the Year/ Period Ended	Net Assets Beginning of Year/Period	Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total						
Series A												
Dec. 31, 2024	9.43	0.33	(0.09)	(0.03)	0.14	0.36	(0.24)	—	—	—	(0.24)	9.55
Dec. 31, 2023	9.11	0.31	(0.08)	(0.26)	0.58	0.55	(0.23)	—	—	—	(0.23)	9.43
Dec. 31, 2022	10.71	0.31	(0.09)	(0.64)	(0.97)	(1.39)	(0.22)	—	—	—	(0.22)	9.11
Dec. 31, 2021	11.32	0.30	(0.10)	(0.22)	(0.38)	(0.40)	(0.20)	—	—	—	(0.20)	10.71
Dec. 31, 2020	10.80	0.31	(0.10)	0.36	0.35	0.92	(0.28)	—	(0.12)	—	(0.40)	11.32

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, 2024	9.55	146,785	15,368	0.93	0.93	129.10	—
Dec. 31, 2023	9.43	137,332	14,558	0.92	0.92	98.59	—
Dec. 31, 2022	9.11	135,015	14,817	0.90	0.90	131.61	—
Dec. 31, 2021	10.71	158,237	14,768	0.91	0.91	119.88	—
Dec. 31, 2020	11.32	167,634	14,809	0.91	0.91	163.05	—

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:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	0.85%	9%	91%

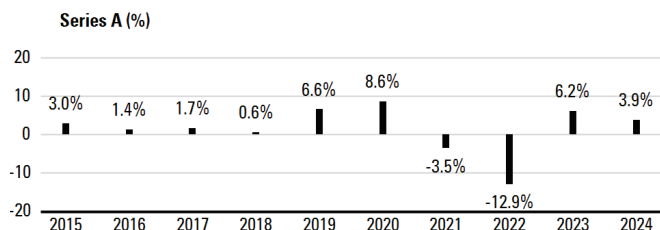
* Includes all costs related to management, portfolio management, registrar, general administration and profit.

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, 2024, compared with the following benchmark:

FTSE TMX Canada Universe Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years
Series A	3.9	(1.3)	0.1	1.4
Benchmark	4.2	(0.6)	0.8	2.0

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 Universe Bond Index This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)
As at December 31, 2024

Investment Mix

	% of Net Asset Value
Corporate Bonds	36.2
Provincial/Municipal Bonds	35.3
Federal Bonds	24.1
Supranationals	3.2
Mortgage-Backed Securities	0.7
Asset-Backed Securities	0.3
Cash/Other	0.2

SUMMARY OF INVESTMENT PORTFOLIO (cont.)
(after consideration of derivative products, if any)
As at December 31, 2024
Top 25 Holdings

	% of Net Asset Value
Canadian Government Bond 3.50% 01MAR34	8.04
Canada Housing Trust No 1 3.55% 15SEP32	5.36
Province of Ontario Canada 1.55% 01NOV29	3.59
Province of Ontario Canada 2.90% 02DEC46	3.52
Canadian Government Bond 2% 01JUN32	3.43
Hydro-Quebec 4% 15FEB55	2.98
Hydro-Quebec 6% 15FEB40	2.88
Province of Ontario Canada 4.10% 07OCT54	2.43
Province of Ontario Canada 4.10% 04MAR33	2.35
Province of Quebec Canada 4.40% 01DEC55	2.28
Canada Housing Trust No 1 2.55% 15MAR25	2.25
Province of Ontario Canada 1.85% 01FEB27	2.06
The Toronto-Dominion Bank 3.105% 22APR30	1.88
Inter-American Development Bank 4.60% 01MAR29	1.44
The 55 Ontario School Board Trust 5.90% 02JUN33	1.36
iA Financial Corp Inc. 2.40% 21FEB30	1.32
Province of British Columbia Canada 2.80% 18JUN48	1.17
Canadian Government Bond 2.75% 01DEC55	1.12
Canadian Treasury Bill 0% 22MAY25	1.01
Keyera Corp. 3.959% 29MAY30	0.97
OMERS Realty Corp. 4.96% 10FEB31	0.92
TCHC Issuer Trust 4.877% 11MAY37	0.90
Fair Hydro Trust 3.357% 15MAY33	0.85
Hydro-Quebec 6.50% 15FEB35	0.83
International Bank for Reconstruction & Development 1.20% 22JUL26	0.80
Top 25 Holdings	55.74

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.