



# Genus Fossil Free High Impact Equity Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2017

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This Annual Management Report of Fund Performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-668-7366, by writing to us at 860 - 980 Howe Street Vancouver, British Columbia V6Z 0C8, or by visiting our website at [www.genuscap.com/Financial-Reports-Prospectus](http://www.genuscap.com/Financial-Reports-Prospectus) or SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

This Fund follows a sustainable thematic approach and invests in common shares of small, medium and large-cap global companies. The Fund integrates broad Environmental, Social and Governance (ESG) criteria, and excludes all issuers directly involved in the extraction, processing and transportation of fossil fuels.

This Fund is unique in that it aims to support both financial and sustainable returns. With respect to financial results, it strives to outperform global stock markets. The pooled fund also seeks to help improve the world by investing in companies offering leading environmental and social solutions.

Genus Capital Management Inc. (the Fund's Manager) begins by identifying the world's 150 most sustainable companies based on products, services and programs that support the following themes: renewable energy, energy efficiency, water and waste management, access to education, health care, financial services and technology and sustainable agriculture. Next, the manager selects a portfolio of the top 20 to 40 companies through a quantitative multi-style discipline that evaluates opportunities based on value, growth, expectation, momentum, quality and sustainability.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting year and the risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

### Results of Operations

The Fund's net asset value increased to \$25.4 million as of December 31, 2017, from \$17.8 million at the end of 2016. Over the past year, the Fund's return was +26.9%, which over performed +23.1% MSCI World Index.

Global equities racked up solid gains in the first quarter of 2017 led by U.S., and stocks significantly outperformed bonds. U.S. bond yields were range-bound, caught between rate hikes and rising uncertainty over the magnitude and timing of fiscal stimulus. Canada was lagging behind after Bank of Canada (BoC)'s dovish views on future economic growth. Early in March, Premier Li lowered China's GDP growth target to 6.5% and trimmed money supply growth to 12%, sending a clear message that Chinese officials will shift their focus from short-term support to long-term structural reform. Europe has underperformed United States since 2009 as the American economy has lead global recovery, but going forward, we might see Europe catching up given recently improved unemployment and inflation data. In U.S. dollar terms, Genus Fossil Free High Impact Equity Fund's return 8.0% against the benchmark return of 6.5% for the quarter. The portfolio's relative outperformance of 1.5% can be attributed to both skillful sector allocation and stock selection. Our overweight positions in Information Technology and Industrials and exclusion of the Energy sector helped the portfolio's performance. In the first quarter, the Energy sector was down 4.8% as oil prices dropped 5.8% (in USD terms). The best performers in the portfolio were Vestas Wind Systems (Industrials) and Rockwell Automation Inc. (Industrials). Two of the worst performers during the quarter were Akamai Technologies (Information Technology) and Umicore (Materials).

For the second quarter, global equities continued their march higher in Canadian dollar terms, but the real action took place in bonds, foreign exchange and commodities. The end of the second quarter marked the beginning of the end for the low-interest rate environment as the rest of the world indicated it would follow the United States in raising interest rates. U.S. equities continued their ascent during the quarter, with the S&P 500 hitting new all-time highs as the headwind of rising rates there subsided. Canada's performance is disappointing with Energy and Financial sector leading the drop, S&P/TSX Composite Index ended the quarter at -2.35%. Europe is finally turning a corner, as evidenced by more robust economic indicators, the upward move in European bond yields, and the euro's burgeoning strength. Political risks that plagued Europe earlier in the year have somewhat abated. In U.S. dollar terms, Genus Fossil Free High Impact Equity Fund's return 6.4% against its benchmark return of 4.2% for the quarter. The portfolio's relative outperformance of 2.2% can be attributed to both sector allocation and stock selection. Our decision to hold overweight positions in the Materials and Industrials sectors and exclude the Energy sector helped the portfolio's performance. In the second quarter, the Energy sector was down 4.8% as oil prices dropped 9.0% (in USD terms). The best performers in the portfolio were Umicore SA (Materials) and Panasonic Corp (Consumer Discretionary). Two of the worst performers during the quarter were from Information Technology sector: Citrix Systems and VMware.

We entered this quarter with mixed economic data and hints that central banks might increase rates. Global economic growth continued higher with strong momentum. U.S. equities continued their gains this quarter, hitting new all-time highs in U.S. dollar terms as the market was not convinced by Federal Reserve Chairwoman Janet Yellen's speech about the future of the federal funds rate. Canada's economy saw a substantial improvement for the second consecutive quarter, resulting in two rate hikes by Governor Poloz—first in July and again in September. The S&P/TSX ended the quarter up 3.71%, with significant gains in Financials and Energy leading the way. In Europe, Euro Stoxx was the best-performing market in Canadian dollar terms and our favourable choice for the quarter. In U.S. dollar terms, the Genus Fossil Free High Impact Equity Fund's returned 6.61% (gross of fees) versus the benchmark return of 4.96% for the quarter. The portfolio's relative outperformance of 1.65% was due to both sector allocation and security selection. Our underweight position in Consumer Staples and overweight position in Information Technology worked to our advantage in sector allocation. In terms of stock selection, Consumer Discretionary and Health Care sector choices offered the biggest boosts. Energy performed unexpectedly well, dampening the portfolio's active return somewhat. The best performers in the portfolio were VMware (Information Technology) and Abbvie (Health Care), while the worst performers were Siemens Gamesa (Industrials) and Hochtief (Industrials).

The bull continues to run harder in the last quarter of 2017, with unemployment rates in many developed countries at its lowest in the past decade. Global banks' efforts to spur economic growth continued to take the wind out of bonds' sails. Believe it or not, the U.S. Federal Reserve has started selling off some of the \$4.5 trillion portfolio it acquired to keep interest rates down after the 2008 financial crisis. If that isn't enough, we have got more fuel to burn from the change in fiscal policy when U.S. President Donald Trump approved a sweeping overhaul of tax code, news of which drove equities to all-time highs. The Canadian economy took a little breather from its booming pace in the first half of 2017, but GDP is still on track to expand at 3.0% this year, giving Canada the distinction of having the fastest growth rate in the G7. In Europe, those discussions that spurred from Brexit has finally moved passed Phase 1 and onwards to Phase 2. Although it will not be focusing on future trade agreements, the market is generally optimistic about the EU and UK making process.

## Management Discussion of Fund Performance (cont.)

In broad strokes, the Information Technology sector and Financials sector were the big winners, while Real Estate, Telecommunication, and Utilities picks lagged somewhat. In U.S. dollar terms, the Genus Fossil Free High Impact Equity Fund's return 3.9% (gross of fees) versus the benchmark return of 5.6% for the quarter. The portfolio's relative underperformance of 1.7% was due to security selection: winning picks in the IT sector couldn't make up for some disappointing choices in Financials, due in part to the limited number of financial companies in the high-impact universe. In terms of sector allocation, our overweight position in IT contributed to the fund's performance, while our underweight position in Consumer Discretionary detracted. The best performers in the portfolio were First Solar (Information Technology) and Arista Networks (Information Technology), while the worst were Gilead Sciences (Health Care) and Kion Group (Industrials).

A series of positive signals—such as U.S. tax reform, negative interest rates in Europe, and strong job growth in Canada—are fuelling the equity markets. Sector-wise, last quarter we favoured cyclicals (such as Financials, IT and Health Care) over defensives (such as Consumer Staples and Utilities), but our view now is more balanced. Among cyclicals, we expect the best results from the Consumer Discretionary and Materials sectors. Our top picks for defensive sectors are Consumer Staples and Telecommunications. Due to the strong economy and high odds of further interest rate hikes, we expect the other Cyclical sectors to maintain solid performances next quarter.

### Recent Developments

In early February, equity markets had a sharp decrease and have been gradually climbing since. The MSCI World index is close to prices at the beginning of the year. However, the Canadian market has not been rebounded at the same rate.

### Related Party Transactions

Genus Capital Management Inc. is the manager and portfolio advisor of the Fund and is responsible for the Fund's day-to-day operations. Genus Capital Management Inc. is considered a related party of the Fund. The Fund pays the Manager a management fee as compensation for its services in respect of Series F units. The annualized management fee for the Series F units is 0.65% (subject to applicable taxes). During the year ended December 31, 2017, the Fund paid the Manager \$0 in management fees because no Series F units have been distributed as at the date of this document.

### Management Fees

The Fund pays an annual management fee to the Manager to provide or arrange to provide management and administrative services in respect of Series F units. The fees are calculated based on a percentage of the net asset value of Series F units of the Fund on each valuation day and are paid on a monthly basis. The annualized management fee for the Series F units of the Fund is 0.65% (subject to applicable taxes). During the year ended December 31, 2017, the Series F units paid the Manager \$0 in management fees because no Series F units have been distributed as at the date of this document.

In respect of Series O units, no management fees are paid by the Fund. The unitholder of Series O pays the Manager a negotiated management fee outside of the Fund.

**Financial Highlights (in USD)**

**The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit**

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 applicable periods indicated. The Fund became a reporting issuer on October 23, 2017.

<b>Series O</b>	<b>2017</b>	<b>2016</b>
<small>*Series O units are only offered by way of private placement</small>		
<b>Net asset value, beginning of year</b>	<b>\$ 90.42</b>	<b>\$ -</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	2.16	-
Total expenses	(1.27)	-
Realized gains (losses) for the year	11.37	-
Unrealized gains (losses) for the year	11.85	-
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>24.11</b>	<b>-</b>
<b>Distributions:</b>		
From income (excluding dividends)	(1.85)	-
From dividends	(0.14)	-
From capital gains	(2.84)	-
Return of capital	-	-
<b>Total Annual Distributions<sup>(2)</sup></b>	<b>(4.83)</b>	<b>-</b>
<b>Net asset value, end of year</b>	<b>\$ 110.86</b>	<b>\$ -</b>

<b>Series F</b> (Inception October 23, 2017)	<b>2017</b>	<b>2016</b>
<small>*No Series F units have been distributed as at the date of this document</small>		
<b>Net asset value, beginning of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	-	-
Total expenses	-	-
Realized gains (losses) for the year	-	-
Unrealized gains (losses) for the year	-	-
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total Annual Distributions<sup>(2)</sup></b>	<b>-</b>	<b>-</b>
<b>Net asset value, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

1 Net assets attributable to holders of redeemable units 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 are reinvested in additional units of the Fund or paid in cash.

**Financial Highlights (in USD) (cont.)**

**Ratios and Supplemental Data**

<b>Series O</b> <small>*Series O units are only offered by way of private placement</small>	<b>2017</b>	<b>2016</b>
Total net asset value	\$ 25,436,897	\$ -
Number of units outstanding <sup>(1)</sup>	229,449	-
Management expense ratio <sup>(2)</sup>	0.49%	-
Management expense ratio before waivers or absorptions	0.49%	-
Trading expense ratio <sup>(3)</sup>	0.44%	-
Portfolio turnover rate <sup>(4)</sup>	108.86%	-
Net asset value per unit	110.86	-

<b>Series F</b> (Inception October 23, 2017) <small>*No Series F units have been distributed as at the date of this document</small>	<b>2017</b>	<b>2016</b>
Total net asset value	\$ -	\$ -
Number of units outstanding <sup>(1)</sup>	-	-
Management expense ratio <sup>(2)</sup>	-	-
Management expense ratio before waivers or absorptions	-	-
Trading expense ratio <sup>(3)</sup>	-	-
Portfolio turnover rate <sup>(4)</sup>	-	-
Net asset value per unit	-	-

1 This information is provided as at December 31 of the year shown; unless noted otherwise.

2 Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

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.

4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. 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 a 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 a high turnover rate and the performance of a fund.

**PAST PERFORMANCE (in USD)**

As the Fund has been a reporting issuer for less than a year, past performance data is not available.

**Summary of Investment Portfolio**

As at December 31, 2017

**Top 25 Investments**

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Citrix Systems Inc.	4.6
2 Arista Networks Inc.	4.5
3 Intesa Sanpaolo SpA	4.5
4 Berkeley Group Holdings PLC	4.5
5 Cadence Design Systems Inc.	4.4
6 DS Smith PLC	4.2
7 Umicore SA	4.1
8 Sekisui House Ltd.	3.5
9 Abbvie Inc.	3.3
10 Cash	3.1
11 Valeo SA	3.0
12 Rockwell Automation Inc.	3.0
13 Kurita Water Industries Ltd.	3.0
14 CapitaLand Commercial Trust	3.0
15 Schneider Electric SE	2.7
16 City Developments Ltd.	2.5
17 The Clorox Co.	2.5
18 Kimberly-Clark Corp.	2.5
19 ServiceNow Inc.	2.5
20 Xylem Inc.	2.5
21 Eli Lilly & Co.	2.5
22 Swire Properties Ltd.	2.4
23 First Solar Inc.	2.4
24 Herman Miller Inc.	2.2
25 Benesse Holdings Inc.	2.2
	<b>79.6</b>

**Total Net Asset Value (000's) \$25,437**

**Sector Allocation**

	Percentage of Net Asset Value of the Fund (%)
Information Technology	24.5
Industrials	16.4
Consumer Discretionary	14.1
Real Estate	11.8
Health Care	9.7
Materials	8.3
Consumer Staples	7.0
Financials	4.5
Cash and Cash Equivalents	3.7
	<b>100.0</b>

**Asset Mix**

	Percentage of Net Asset Value of the Fund (%)
International Equities	53.4
U.S. Equities	42.9
Cash and Cash Equivalents	3.7
	<b>100.0</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at <https://genuscap.com/Financial-Reports-Prospectus>

This Management Report of Fund Performance may contain forward-looking statements relating to anticipated results or expectations. Forward-looking statements require us to make assumptions, and are subject to inherent risks and uncertainties. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on this report, as a number of factors could cause actual future results, or events to differ materially from expectations and estimates expressed or implied in any forward-looking statements. Actual results may differ from management expectations for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments. The above-mentioned list of factors is not exhaustive. You should carefully consider these factors and the inherent uncertainty of forward-looking statements before making any investment decisions. Further, you should be aware that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.