



Genus Short-Term Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2017

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 or SEDAR at www.sedar.com. Security holders 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

The Fund's investment objective is to preserve capital, generate income and create added value through active bond management by investing in a combination of fixed income securities issued by the Federal, Provincial and Municipal governments, as well Corporate bond securities.

Risk

During May of 2017, the Fund's investment universe was expanded to allow for the investment in Federal and Provincial securities. Previously the Fund focused on Corporate bond securities only. The result of this change lowered the overall credit risk of the Fund as the proportion of AAA rated securities increased from approximately 5% of overall exposure to approximately 25%. The introduction of Federal and Provincial bonds also resulted in reducing the overall liquidity risk of the Fund. There were no material changes to the interest rate risk of the Fund as the overall portfolio duration and maturity profile has remained constant.

Results of Operations

The Fund's net asset value increased to \$45.1 million as of December 31, 2017, from \$32.2 million at the end of 2016. For the full year, the Fund's return was +1.1%, which outperformed +0.8% benchmark. The Fund's benchmark is 60% FTSE TMX Canada Short Term Corporate Bond Index, 20% FTSE TMX Canada Short Term Federal Bond Index, 20% FTSE TMX Canada Short Term Provincial Bond Index effective May 8, 2017. Previously, the Fund's benchmark was 100% FTSE TMX Canada Short-Term Corporate Bond Index.

As detailed above, during May of 2017, the Fund's investment universe was expanded to allow for the investment in Federal and Provincial securities. Previously the Fund focused on Corporate bond securities only. During the first part of the year, and prior to the change in investment strategy, the portfolio benefited from security selection within the Financials sector, particularly exposure to bank subordinated debt. During the transition to the new investment strategy, the manager was able to sell their Energy securities at attractive levels given that WTI crude was near the highs of the year when the sales were completed. Following the transition, the portfolio's duration and curve positioning had a positive impact on performance, notably an overweight in 5-year maturities, due to the flattening of the yield curve.

Recent Developments

Global growth is synchronized currently and we expect it to continue to firm with benign inflationary pressures. This is evidenced by broad-based gains in industrial production in most trade-oriented economies, such as Germany, Japan and various emerging markets. The US economy will continue to be driven by consumer spending, but will also get support from public sector spending and tax cuts. The robust Canadian economy will slow to slightly above-trend growth in 2018, supported by consumer and government spending. Monetary policy will continue to gradually tighten in 2018, led by the Fed and BoC. The BoE may change to a tightening trend, and the ECB and BoJ will look to reduce stimulus. The bond market will be challenged by this strong economic forecast and monetary policy tightening, which will put upward pressure on interest rates. While there remain structural headwinds to inflation (globalization, productivity and technology), the economy is operating near full capacity, so increased wage pressure may begin to offset. If inflation fails to develop, the yield curve will flatten as the central banks push up short term rates while longer term yields remain stable. Corporate credit should continue to perform well supported by earnings fundamentals and the demand for yield.

Related Party Transactions

Genus Capital Management Inc. is the manager and main 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 0.49% (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.

As at December 31, 2017, the Genus Balanced Fund owns 19,285 units of the Genus Short Term Bond Fund, a fund under common management. This holding represents approximately 7.5% of this Fund.

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 0.49% (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

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.

Series O	2017	2016
<small>*Series O units are only offered by way of private placement</small>		
Net asset value, beginning of year	\$ 82.74	\$ -
Increase (decrease) from operations:		
Total revenue	2.30	-
Total expenses	(0.18)	-
Realized gains (losses) for the year	(0.54)	-
Unrealized gains (losses) for the year	(0.99)	-
Total increase (decrease) from operations⁽¹⁾	0.59	-
Distributions:		
From income (excluding dividends)	(2.02)	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions⁽²⁾	(2.02)	-
Net asset value, end of year	\$ 81.59	\$ -

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

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 (cont.)**Ratios and Supplemental Data**

Series O	2017	2016
*Series O units are only offered by way of private placement		
Total net asset value	\$ 45,059,009	\$ -
Number of units outstanding ⁽¹⁾	552,252	-
Management expense ratio ⁽²⁾	0.17%	-
Management expense ratio before waivers or absorptions	0.17%	-
Trading expense ratio ⁽³⁾	n/a	-
Portfolio turnover rate ⁽⁴⁾	99.12%	-
Net asset value per unit	81.59	-

Series F (Inception October 23, 2017)	2017	2016
*No Series F units have been distributed as at the date of this document		
Total net asset value	\$ -	\$ -
Number of units outstanding ⁽¹⁾	-	-
Management expense ratio ⁽²⁾	-	-
Management expense ratio before waivers or absorptions	-	-
Trading expense ratio ⁽³⁾	-	-
Portfolio turnover rate ⁽⁴⁾	-	-
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. The trading expense ratio is not applicable to fixed-income transactions.

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

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 Province of Ontario, 1.75%, Oct 09, 2018	10.0
2 Canadian Mortgage Pools, 1.84%, Dec 01, 2022	5.7
3 Province of Quebec, 1.65%, Mar 03, 2022	5.4
4 Canada Housing Trust No.1, 1.95%, Jun 15, 2019	4.8
5 Canada Housing Trust No.1, 2.40%, Dec 15, 2022	4.6
6 Province of British Columbia, 3.70%, Dec 18, 2020	4.1
7 TD Capital Trust III, 7.24%, Dec 31, 2049	3.9
8 The Bank of Nova Scotia, 2.36%, Nov 08, 2022	3.1
9 Manulife Financial Capital Trust II, 7.41%, Dec 31, 2108	2.6
10 Rogers Communications Inc., 5.38%, Nov 04, 2019	2.0
11 Bank of Montreal, 1.61%, Oct 28, 2021	1.9
12 Genesis Trust II, 1.68%, Sep 17, 2018	1.9
13 Loblaw Cos Ltd., 3.75%, Mar 12, 2019	1.9
14 Hydro One Inc., 1.84%, Feb 24, 2021	1.8
15 Royal Bank of Canada, 2.36%, Dec 05, 2022	1.7
16 Canadian Imperial Bank of Commerce, 1.66%, Jan 20, 2020	1.6
17 BP LP, 3.24%, Jan 09, 2020	1.6
18 Province of Ontario, 4.00%, Jun 02, 2021	1.4
19 Industrial Alliance Insurance & Financial Services Inc., 2.80%, May 16, 2024	1.4
20 Canadian Credit Card Trust II, 1.83%, Mar 24, 2020	1.3
21 The Toronto-Dominion Bank, 2.05%, Mar 08, 2021	1.3
22 Bell Canada, 4.70%, Sep 11, 2023	1.2
23 Federation des Caisses Desjardins du Quebec, 2.39%, Aug 25, 2022	1.2
24 The Bank of Nova Scotia, 1.90%, Dec 02, 2021	1.1
25 Canadian Imperial Bank of Commerce, 3.00%, Oct 28, 2024	1.0
	68.5
Total Net Asset Value (000's)	\$45,059

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Corporate Bonds	57.9
Canadian Provincial Bonds	21.0
Canadian Federal Bonds	10.9
Canadian Mortgage-Backed Securities	6.5
Foreign Bonds	2.0
Cash and Cash Equivalents	1.7
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	96.3
U.S. Fixed Income	2.0
Cash and Cash Equivalents	1.7
	100.0

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.