



Genus Government Bond Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

This Interim Management Report of Fund Performance contains financial highlights, but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the interim financial statements and annual financial statements at your request, and at no cost, by calling 1-800-668-7366 or 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 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 duration and yield curve management by investing in a variety of bonds issued by Canadian Federal, Provincial and Municipal governments, as well as securities issued by the US Federal government.

Risk

During the period, the Fund's duration risk was actively traded. The Fund started the year with a duration approximately 1-year shorter than the benchmark, which subsequently decreased further to 1.5 years shorter than the benchmark at the end of the first half of the period. Following the increase in bond yields triggered by the US Federal Reserve policy rate increase in March, the Manager increased the portfolio's duration. The duration gap with the benchmark was reduced from -1.0 year to -0.10 year in the middle of May. Shortly thereafter, the first trade skirmishes spooked markets and bond yields returned to their starting point. The Managers then lowered the duration of the portfolio to 1.0 year less than that of the index. With respect to credit risk, the Manager lowered their allocation to Provincial bonds during the period, particularly to Ontario bonds as the Provincial election loomed. Some of the proceeds from the sale of Ontario bonds was used to increase the exposure to Saskatchewan, Alberta and Quebec.

Results of Operations

The Fund's net asset value decreased to \$48.2 million as at June 30, 2018 from \$49.1 million as at December 31, 2017. Over the past six months, the Fund's net return was 0.64% versus 0.59% benchmark. The Fund's net return is after deduction of expenses.

The Fund returned 0.76% during the period, and outperformed its comparable benchmark by 17 basis points. The Fund benefited from the Manager's active duration and yield curve positioning during an environment in which saw short-term market interest rates rise and the yield curve flatten. The Fund's overweight to Provincial bonds at the expense of Government of Canada's further added value during the period, as Provincials were one of the best performing areas of the bond market. Of note during the period was the Fund's investment in "Green Bonds" issued by the Province of Quebec and the CPP Investment Board.

Recent Developments

There was a time when central bank actions triggered major reactions along the yield curve. Announced some time ago, and confirmed by the achievement of inflation targets, central bank intentions to shift to a neutral monetary policy have been clearly expressed. Nevertheless, despite a typical range of fluctuations, bond yields were little changed at the end of the second quarter. In Canada, only shorter term yields (2 years and 5 years) rose in step with policy rate expectations, while longer term yields hardly rose (10 years) or even declined (30 years). In fact, net of inflation, bond yields are either negative or zero across the maturity spectrum in Canada and are positive only for 30-year issues in the United States. This seems inconsistent with a much improved economic environment compared to the one that prevailed when central banks feared the spread of deflation and began to engage in financial repression.

The inflation rate has now exceeded the 2% target in Canada and the United States for several months now. In accordance with prescribed monetary policy, the Bank of Canada and the U.S. Federal Reserve should not even hesitate to tighten credit conditions, especially since economic indicators remain positive. It is therefore not for economic reasons that monetary authorities are hesitant, but rather for geopolitical ones. The global political order was shaken by the election of several populist-leaning governments, obscuring guideposts for market participants. The policies they are putting in place, including protectionism, are designed as a response to the dissatisfaction of those who believe they are victims of globalization, either because of wealth inequality or because they are unable to adapt to the requirements of a global economy. These inward-looking policies create uncertainty and unsettle financial markets. In addition, they could ultimately wipe out the progress achieved through years of global economic integration, including a widespread increased standard of living and a global decline in poverty. Even though central banks have started to gradually release the valve on financial repression, populist policies such as protectionism are frightening investors, who are seeking refuge in the bond market, regardless of the price. We believe that over time, investors will find their traditional guideposts again and that yields will provide a more accurate picture of underlying risks.

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 period ended June 30, 2018, 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.

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 period ended June 30, 2018, 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 <small>*Series O units are only offered by way of private placement</small> | 2018 Jun 30 | 2017 Dec 31 |
|--|------------------------------|------------------------------|
| Net asset value, beginning of period/year | \$ 114.45 | \$ 114.78 |
| Increase (decrease) from operations: | | |
| Total revenue | 1.46 | 2.80 |
| Total expenses | (0.15) | (0.31) |
| Realized gains (losses) for the period/year | (0.52) | (0.62) |
| Unrealized gains (losses) for the period/year | (0.12) | 0.21 |
| Total increase (decrease) from operations⁽¹⁾ | 0.67 | 2.08 |
| Distributions: | | |
| From income (excluding dividends) | (1.29) | (2.32) |
| From dividends | - | - |
| From capital gains | - | - |
| Return of capital | - | - |
| Total Annual Distributions⁽²⁾ | (1.29) | (2.32) |
| Net asset value, end of period/year | \$ 113.89 | \$ 114.45 |

| Series F (Inception October 23, 2017) <small>*No Series F units have been distributed as at the date of this document</small> | 2018 Jun 30 | 2017 Dec 31 |
|---|------------------------------|------------------------------|
| Net asset value, beginning of period/year | \$ - | \$ - |
| Increase (decrease) from operations: | | |
| Total revenue | - | - |
| Total expenses | - | - |
| Realized gains (losses) for the period/year | - | - |
| Unrealized gains (losses) for the period/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 period/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 *Series O units are only offered by way of private placement | 2018 Jun 30 | 2017 Dec 31 |
|---|------------------------------|------------------------------|
| Total net asset value | \$ 48,182,193 | \$49,111,903 |
| Number of units outstanding ⁽¹⁾ | 423,059 | 429,094 |
| Management expense ratio ⁽²⁾ | 0.27% | 0.27% |
| Management expense ratio before waivers or absorptions | 0.27% | 0.27% |
| Trading expense ratio ⁽³⁾ | n/a | n/a |
| Portfolio turnover rate ⁽⁴⁾ | 134.12% | 172.26% |
| Net asset value per unit | 113.89 | 114.45 |

| Series F (Inception October 23, 2017) *No Series F units have been distributed as at the date of this document | 2018 Jun 30 | 2017 Dec 31 |
|--|------------------------------|------------------------------|
| 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 June 30 and 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 June 30, 2018

Top 25 Investments

| Holdings | Percentage of Net Asset Value of the Fund (%) |
|---|---|
| 1 Government of Canada, 1.25%, Feb 01, 2020 | 11.0 |
| 2 Province of Ontario, 3.15%, Jun 02, 2022 | 6.8 |
| 3 Province of Ontario, 2.85%, Jun 02, 2023 | 6.2 |
| 4 Canada Housing Trust No.1, 2.35%, Jun 15, 2023 | 4.9 |
| 5 Province of Ontario, 4.00%, Jun 02, 2021 | 3.3 |
| 6 Canadian Mortgage Pools, 1.40%, May 01, 2021 | 3.3 |
| 7 Canadian Mortgage Pools, 1.39%, Sep 01, 2020 | 3.2 |
| 8 Province of Ontario, 2.40%, Jun 02, 2026 | 2.9 |
| 9 Province of Quebec, 6.25%, Jun 01, 2032 | 2.9 |
| 10 Province of Quebec, 6.00%, Oct 01, 2029 | 2.8 |
| 11 Province of Ontario, 2.60%, Jun 02, 2027 | 2.6 |
| 12 Province of Quebec, 2.75%, Sep 01, 2028 | 2.5 |
| 13 Canada Housing Trust No.1, 1.15%, Dec 15, 2021 | 2.4 |
| 14 Canada Housing Trust No.1, 1.90%, Sep 15, 2026 | 2.4 |
| 15 Province of Alberta, 2.90%, Dec 01, 2028 | 2.1 |
| 16 Province of Ontario, 2.75%, Sep 01, 2025 | 2.1 |
| 17 Province of Quebec, 3.50%, Dec 01, 2048 | 2.1 |
| 18 Province of Ontario, 2.90%, Jun 02, 2028 | 1.9 |
| 19 Province of Ontario, 3.50%, Jun 02, 2024 | 1.7 |
| 20 Government of Canada, 2.00%, Jun 01, 2028 | 1.7 |
| 21 Province of British Columbia, 6.35%, Jun 18, 2031 | 1.6 |
| 22 Municipal Finance Authority of British Columbia, 2.95%, Oct 14, 2024 | 1.5 |
| 23 Province of Ontario, 2.65%, Feb 05, 2025 | 1.5 |
| 24 Province of Quebec, 5.75%, Dec 01, 2036 | 1.4 |
| 25 Government of Canada, 1.75%, Mar 01, 2023 | 1.4 |
| | 76.2 |
| Total Net Asset Value (000's) | \$48,182 |

Sector Allocation

| | Percentage of Net Asset Value of the Fund (%) |
|-------------------------------------|---|
| Canadian Provincial Bonds | 57.3 |
| Canadian Federal Bonds | 27.0 |
| Canadian Mortgage-Backed Securities | 8.4 |
| Canadian Municipal Bonds | 4.7 |
| Canadian Corporate Bonds | 1.5 |
| Cash and Cash Equivalents | 1.1 |
| | 100.0 |

Asset Mix

| | Percentage of Net Asset Value of the Fund (%) |
|---------------------------|---|
| Canadian Fixed Income | 98.9 |
| Cash and Cash Equivalents | 1.1 |
| | 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.