



Genus Government Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

This Annual Management Report of Fund Performance contains financial highlights, but does not contain complete annual financial statements of the Fund. You can get a copy of the 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 increased to \$59.8 million as at December 31, 2018 from \$49.1 million as at December 31, 2017. Over the same period, the Fund's net return was 1.7% versus the 1.5% benchmark. The Fund's net return is after deduction of expenses.

The Fund returned 0.76% during first half of 2018, 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.

Supported by the momentum of economic growth and generally rising inflation, among other factors, interest rates generally remained near their yearly peaks until early in November. However, crude oil, the primary source of inflation, then began a 40% price drop, dragging down interest rates in its wake. The yield to maturity of the 30-year government of Canada bond decreased from a quarterly peak of 2.58% before closing out the year at 2.18%. After bringing the portfolio's duration to 0.45 year lower than that of the index in mid-November, the managers kept pace with falling interest rates and shortened it further to 1.50 years less than that of the index as of December 31. The Bank of Canada raised its overnight rate in October, but left it unchanged in December. Following this hiatus, short-term bond yields posted the sharpest decline, leading to a 12 basis points increase in the spread between 30-year and 2-year bond yields.

Credit: While provincial bond yield spreads were relatively stable early in the quarter, the managers reduced the portfolio's exposure to the sector to purchase U.S. Treasury bonds that had cheapened significantly. Provincial spreads widened substantially in December. As such, the managers took a profit by selling the U.S. Treasuries and increased the portfolio's overweight exposure to provincial at year-end.

Recent Developments

The year ended as it began, with volatility. However, market swings were more pronounced at year-end, spilling over into the start of this year. In fact, after reaching a peak of 2.58% early in the fourth quarter, the yield to maturity of 30-year government of Canada bonds hit a low of 2.12% on December 19, before closing out the year at 2.16%. Meanwhile, during the fourth quarter, the S&P/TSX Index fell 17.9% from its high in July to its low, before rebounding slightly to close out the year 13.5% below its July peak. The drop was more dramatic in the United States where, at its low on December 24, the S&P Index had lost nearly 20% from its peak of September 20, before closing out the year 14.5% below its high. The holiday period was not shaping up to be particularly joyful to stock market investors. So, what will the New Year bring?

Remember that the shock at the start of 2018 was triggered by a re-evaluation of financial assets following confirmation that North American central banks would move towards monetary neutrality by gradually raising their policy rates. The cause of the recent weakness lies instead in the fear that the current rates are already high enough to push the economy into recession. However, an objective look at the data tells us that economic activity, although slowing down, remains strong at this stage in the economic cycle. In fact, in the United States, it remains well above the estimated long-term potential of the economy.

When such market disruptions occur and are difficult to reconcile with the fundamentals, it is useful to recall the words of economist Paul Samuelson, 1970 Nobel Laureate in Economics, who said in 1966 that "The stock market has predicted nine of the past five recessions." However, despite a climate that remains favourable, it appears that the central banks have given in to the complaints of market participants by confirming that monetary policy could adjust to any unfavourable reversal. This comforting view appears to have calmed the apprehensions of market participants. It is like keeping a drug addict in a state of dependency.

Of course, reading a situation from economic data is far from being an exact science, especially when economic conditions are threatened by an unstable geopolitical context. We must therefore expect volatility to continue for as long as issues such as trade (trade tensions between China and the United States) and political disunity (Brexit and European hardship) remain unresolved. In order to better navigate these troubled waters, the managers will continue to scrutinize economic indicators to devise our strategy and effectively manage in an environment expected to be volatile.

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 0.49% (subject to applicable taxes). During the year ended December 31, 2018, the Series F units paid the Manager \$0 in management fees because no Series F units of the Fund have been sold since inception.

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, 2018, the Series F units paid the Manager \$0 in management fees because no Series F units of the Fund have been sold since inception.

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. This information is derived from the Fund's audited annual financial statements. The Fund became a reporting issuer on October 23, 2017.

Series O	2018	2017
<small>*Series O units are only offered by way of private placement</small>	Dec 31	Dec 31
Net asset value, beginning of year	\$ 114.45	\$ 114.78
Increase (decrease) from operations:		
Total revenue	2.97	2.80
Total expenses	(0.30)	(0.31)
Realized gains (losses) for the year	(0.64)	(0.62)
Unrealized gains (losses) for the year	(0.12)	0.21
Total increase (decrease) from operations⁽¹⁾	1.91	2.08
Distributions:		
From income (excluding dividends)	(2.51)	(2.32)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions⁽²⁾	(2.51)	(2.32)
Net asset value, end of year	\$ 113.87	\$ 114.45

Series F (Inception October 23, 2017)	2018	2017
<small>*No Series F units have been sold since inception</small>	Dec 31	Dec 31
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 periods. These tables are not intended to be a reconciliation of the net assets per unit.

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 Dec 31	2017 Dec 31
Total net asset value	\$ 59,757,765	\$49,111,903
Number of units outstanding ⁽¹⁾	524,793	429,094
Management expense ratio ⁽²⁾	0.26%	0.27%
Management expense ratio before waivers or absorptions	0.26%	0.27%
Trading expense ratio ⁽³⁾	n/a	n/a
Portfolio turnover rate ⁽⁴⁾	239.49%	172.26%
Net asset value per unit	\$ 113.87	\$114.45

Series F (Inception October 23, 2017) * No Series F units have been sold since inception	2018 Dec 31	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 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.

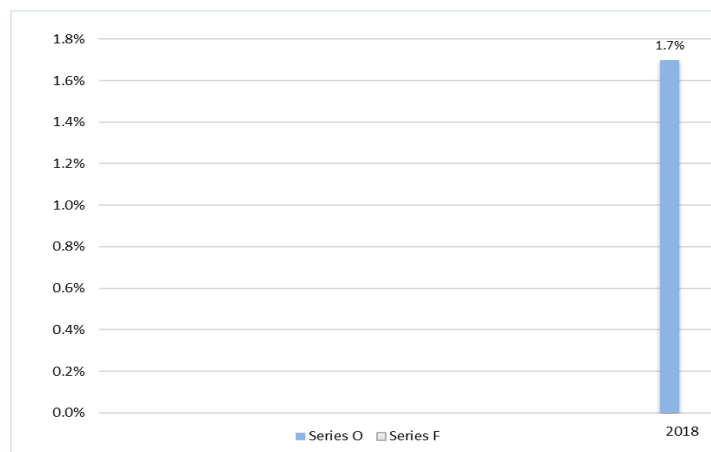
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio 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

The following charts show how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions and would be lower if an investor did not reinvest distributions. They do not include deduction of sales, switch, redemption, or other optional charges (which dealers may charge) or income taxes payable, and these returns would be lower if they did. The Fund's past performance does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's return of Series O units only, for one completed financial year the Fund was a reporting issuer. Investment performance in respect of Series F units is not available because no units of this series of the Fund have been sold since inception.



Annual Compound Returns

The following table shows the annual compound returns of the Fund for year ended on December 31, 2018, compared with FTSE TMX Canada All Government Bond Index. FTSE TMX Canada Universe Bond Index and its sub-indices are designed to track the performance of the bonds denominated in Canadian dollars. The FTSE TMX Canada indices are the most widely used measure of performance of marketable government and corporate bonds in the Canadian market. FTSE TMX Canada Universe Bond Index is the most widely used measure of performance of marketable government and corporate bonds in the Canadian market.

For the Year ended December 31, 2018	1 Year
Series O*	1.7%
Benchmark	1.5%
Series F**	n/a
Benchmark	n/a

* On May 1, 1989, the Fund was launched offering Series O. The table above shows the one completed financial year the investment fund was a reporting issuer.

**Series F units were created on October 23, 2017. Investment performance in respect of Series F units is not available because no units of this series of the Fund have been sold since inception.

A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.

Index Description

FTSE TMX Canada All Government Bond Index is designed to be a broad measure of the Government bond market that includes issues from the Government of Canada, Provincial governments, and Municipal governments. It includes securities with all maturity types and credit ratings ranging from AAA to BBB.

Summary of Investment Portfolio

As at December 31, 2018

Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 Government of Canada, 1.75%, May 01, 2020	10.2
2 Province of Ontario, 2.60%, Jun 02, 2027	7.4
3 Province of Ontario, 3.15%, Jun 02, 2022	7.4
4 Canada Housing Trust No.1, 1.15%, Dec 15, 2021	7.2
5 Province of Ontario, 4.20%, Jun 02, 2020	5.2
6 Province of Ontario, 4.00%, Jun 02, 2021	4.3
7 Province of Ontario, 2.90%, Jun 02, 2049	3.6
8 Province of Quebec, 2.75%, Sep 01, 2028	3.0
9 Government of Canada, 1.25%, Feb 01, 2020	2.8
10 Province of Ontario, 2.85%, Jun 02, 2023	2.7
11 Government of Canada, 0.75%, May 01, 2019	2.6
12 Canada Housing Trust No.1, 2.35%, Jun 15, 2023	2.5
13 Canadian Mortgage Pools, 1.40%, May 01, 2021	2.4
14 Province of Ontario, 2.75%, Sep 01, 2025	2.4
15 Province of Quebec, 6.25%, Jun 01, 2032	2.3
16 Province of Quebec, 6.00%, Oct 01, 2029	2.2
17 Province of Alberta, 2.90%, Dec 01, 2028	1.7
18 Province of Ontario, 3.50%, Jun 02, 2024	1.4
19 Province of Alberta, 3.10%, Jun 01, 2050	1.3
20 Province of British Columbia, 6.35%, Jun 18, 2031	1.3
21 Province of Quebec, 3.50%, Dec 01, 2048	1.3
22 Province of Saskatchewan, 3.05%, Dec 02, 2028	1.3
23 Province of Quebec, 5.00%, Dec 01, 2041	1.3
24 Municipal Finance Authority of British Columbia, 2.95%, Oct 14, 2024	1.2
25 Cash	1.2
	80.2
Total Net Asset Value (000's)	\$59,758

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Provincial Bonds	58.4
Canadian Federal Bonds	25.9
Canadian Mortgage-Backed Securities	6.3
Canadian Municipal Bonds	6.1
Canadian Corporate Bonds	1.8
Cash and Cash Equivalents	1.5
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	98.5
Cash and Cash Equivalents	1.5
	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.