



# Genus Fossil Free Corporate Bond Fund

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

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This Interim Management Report of Fund Performance contains financial highlights, but does not contain the complete interim financial statements and the complete annual financial statements of the Fund. You can get a copy of these 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](http://www.genuscap.com/Financial-Reports-Prospectus) or SEDAR at [www.sedar.com](http://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 bond management. Overlaying this process, the manager applies a qualitative screen that seeks to eliminate any issuers who are directly involved in extracting, processing and transporting oil, gas or coal, as well as high carbon emitters.

### Risk

During the period, there were no material changes to the portfolio's interest rate risk, as measured by portfolio duration. From a credit risk perspective, there were no material changes as the allocation amongst the different credit ratings remained the same as the previous period.

### Results of Operations

The Fund's net asset value increased to \$52.3 million as at June 30, 2019 from \$43.8 million as at December 31, 2018. Over the past six months, the Fund's return was 7.0% versus the 7.5% benchmark. The Fund's return is after the deduction of expenses. As the relative value of Provincial bonds became less compelling, the managers switched part of their allocation back into corporate credit. In doing so, they further increased their exposure to the Infrastructure, Industrial and Real Estate sectors while taking profit on Financial issuers. Those sectors were among the top-performing sectors in the period, and partially offset the negative impact of the Fund's significant underweight to the Energy sector.

### Recent Developments

A wise man once said, "Everyone is entitled to his own opinion, but not to his own facts." This statement could sum up the difference between the bond market's perception and economic conditions.

The facts on the economy and inflation: In the United States, after a slight slowdown in the last quarter of 2018, strong GDP growth resumed in the first quarter this year. According to the data available so far, growth in the second quarter remained above long-term potential. Admittedly, estimates of business capital expenditures, based on the available data, will dampen output growth, but growth is driven by consumer spending, which accounts for nearly 70% of GDP. In Canada, it is true that GDP barely grew in the last two quarters, held back, among other things, by net exports. But the situation should turn around in the second quarter, according to the international trade numbers for April and May. If we add in the retail sales figures for April, estimated GDP growth in the second quarter is well above long-term potential. Whichever metric we look at, inflation in the United States is below the 2% target set by the Federal Reserve. Productivity gains probably account in part for the low inflation, since they prevent rising wages from pushing prices up by reducing unit labour costs. In Canada, the picture is different. The All-items Consumer Price Index is above the 2% target and so are two of the three measures of core inflation.

The market's opinion on the economy and inflation: Bond yield movements of recent quarters reflect market anxiety about the continuation of the economic cycle, which will soon be the longest in the history of the United States. The cycle will eventually run its course, but the market believes that extending it will require support from monetary policy. That is the market's opinion, but for now, it clashes with the facts. Clearly, the market has concluded this by assuming certain developments, particularly when it comes to free trade between countries, which has been a major growth driver for several decades. The market believes that lower rates could offset the negative impact of permanently raising barriers to international trade. As for inflation, it is true that central banks are concerned about the decline in investors' inflationary expectations.

While we understand the market's anxiety, we prefer to rely on our analysis of economic fundamentals, in accordance with the first step of our investment management process. Based on that analysis, we conclude that despite a slowdown in Canada in late 2018 and early 2019, signs point towards a continuation of the expansion phase of the current economic cycle. We also believe that hobbling international trade would come at too high a price for the economy and that lowering interest rates is not the solution to this problem. When it comes to inflation, our perspective is more nuanced. In the short term, inflationary expectations may be influenced by recent developments, particularly by productivity gains. However, with the economic stimulus generated by expansionary budgetary and monetary policies at a time when resources are hard to find, pressure will eventually filter up to higher prices. We think it would be hasty to conclude that the inflation target cannot be reached in the current environment. Keeping rates low for an extended period could also distort the prices of financial assets.

### 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 period ended June 30, 2019, 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 period ended June 30, 2019, 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.

<b>Series O</b>	<b>2019</b>	<b>2018</b>
<small>*Series O units are only offered by way of private placement</small>	<b>June 30</b>	<b>Dec 31</b>
<b>Net asset value, beginning of period /year</b>	<b>\$ 100.95</b>	<b>\$ 102.92</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	1.74	3.50
Total expenses	(0.09)	(0.30)
Realized gains (losses) for the period/ year	0.08	(1.01)
Unrealized gains (losses) for the period/ year	5.22	(1.06)
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>6.95</b>	<b>1.13</b>
<b>Distributions:</b>		
From income (excluding dividends)	(1.57)	(3.21)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total Annual Distributions<sup>(2)</sup></b>	<b>(1.57)</b>	<b>(3.21)</b>
<b>Net asset value, end of period/ year</b>	<b>\$ 106.43</b>	<b>\$ 100.95</b>

<b>Series F</b> (Inception October 23, 2017)	<b>2019</b>	<b>2018</b>
<small>*No Series F units have been sold since inception</small>	<b>Jun 30</b>	<b>Dec 31</b>
<b>Net asset value, beginning of period/year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	-	-
Total expenses	-	-
Realized gains (losses) for the period/ year	-	-
Unrealized gains (losses) for the period/ 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 period/ year</b>	<b>\$ -</b>	<b>\$ -</b>

<sup>1</sup> 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.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

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

<b>Series O</b> *Series O units are only offered by way of private placement	<b>2019</b> <b>Jun 30</b>	<b>2018</b> <b>Dec 31</b>
Total net asset value	\$ 52,317,328	\$ 43,827,476
Number of units outstanding <sup>(1)</sup>	491,587	434,153
Management expense ratio <sup>(2)</sup>	0.17%	0.30%
Management expense ratio before waivers or absorptions	0.17%	0.30%
Trading expense ratio <sup>(3)</sup>	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	22.00%	57.64%
Net asset value per unit	106.43	100.95

<b>Series F</b> (Inception October 23, 2017) * No Series F units have been sold since inception	<b>2019</b> <b>Jun 30</b>	<b>2018</b> <b>Dec 31</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 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.

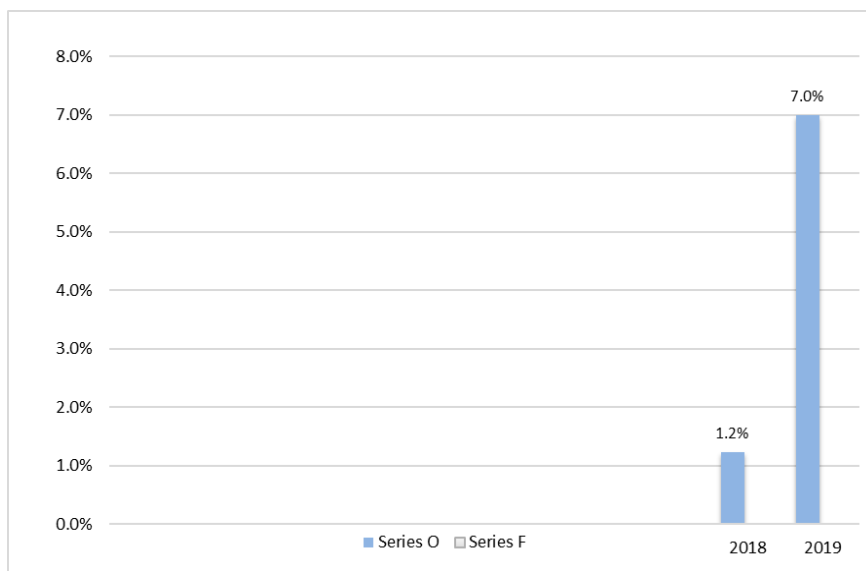
4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio 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 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 or interim period. The following bar chart shows the Fund's return of Series O units only. 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.



## Summary of Investment Portfolio

As at June 30, 2019

## Top 25 Investments

Holdings	Percentage of Net Asset Value of the Fund (%)
1 The Bank of Nova Scotia, 2.62%, Dec 02, 2026	3.7
2 Choice Properties Real Estate Investment Trust, 4.06%, Nov 24, 2025	3.5
3 Toronto Hydro Corp., 2.52%, Aug 25, 2026	3.4
4 TELUS Corp., 3.75%, Mar 10, 2026	3.3
5 Metro Inc., 3.39%, Dec 06, 2027	2.9
6 Saputo Inc., 2.83%, Nov 21, 2023	2.8
7 Royal Bank of Canada, 3.30%, Sep 26, 2023	2.6
8 Reliance LP, 3.84%, Mar 15, 2025	2.5
9 Loblaw Cos. Ltd., 4.49%, Dec 11, 2028	2.4
10 Rogers Communications Inc., 4.00%, Mar 13, 2024	2.3
11 Bell Canada, 3.80%, Aug 21, 2028	2.3
12 CT Real Estate Investment Trust, 3.29%, Jun 01, 2026	2.1
13 Manulife Financial Corp., 3.05%, Aug 20, 2029	2.0
14 Bank of Montreal, 2.70%, Sep 11, 2024	2.0
15 Shaw Communications Inc., 4.40%, Nov 02, 2028	1.8
16 The Toronto-Dominion Bank, 3.22%, Jul 25, 2029	1.8
17 Sun Life Financial Inc., 3.05%, Sep 19, 2028	1.7
18 Lower Mattagami Energy LP, 2.31%, Oct 21, 2026	1.6
19 Province of Ontario, 2.70%, Jun 02, 2029	1.6
20 Alectra Inc., 2.49%, May 17, 2027	1.6
21 CCL Industries Inc., 3.86%, Apr 13, 2028	1.6
22 Canadian Imperial Bank of Commerce, 3.30%, May 26, 2025	1.5
23 bcIMC Realty Corp., 2.84%, Jun 03, 2025	1.4
24 Bank of Montreal, 2.70%, Dec 09, 2026	1.4
25 First Capital Realty Inc., 3.60%, May 06, 2026	1.4
	<b>55.2</b>
<b>Total Net Asset Value (000's)</b>	<b>\$52,317</b>

## Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Corporate Bonds	90.9
Canadian Provincial Bonds	3.2
Foreign Bonds	2.1
Cash and Cash Equivalents	1.9
Canadian Mortgage-Backed Securities	1.3
Canadian Federal Bonds	0.6
	<b>100.0</b>

## Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	96.0
Cash and Cash Equivalents	1.9
International Fixed Income	1.6
U.S. Fixed Income	0.5
	<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.