



Genus Government Bond Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

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 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

We lowered the duration of the portfolio to 0.9 year less than that of the index at the start of the year as we were implementing the parameters of the new strategy. As interest rates were rising in January, we reduced the gap with the benchmark by half. We then reduced duration following the decline in bond yields in February, which accelerated further in March. By the end of the first quarter, the portfolio's duration was lower than that of the benchmark by one year. At the start of the second quarter, bond yields fluctuated within a rather narrow range. The Bank of Canada was not moved by weak economic growth, which it deemed transitory. Then, starting on May 22, as the trade war rhetoric was intensifying; shorter-term bond yields declined precipitously bringing down longer term yields in their wake. Short-term bond yields then increased slightly as the quarter was ending. The slope of the yield curve (30-year - 2-year), which had increased from 35 basis points to 48 points at its peak, ended the quarter at 21 points. From a duration of almost 3.3 years shorter than that of the benchmark at the start of the quarter, we reduced the gap at the end of April. As bond yields were falling, we brought the portfolio's duration back down to 3.6 years shorter than that of the benchmark at quarter-end.

Results of Operations

The Fund's net asset value increased to \$142.0 million as at June 30, 2019 from \$59.8 million as at December 31, 2018. Over the past six months, the Fund's return was 4.7% versus the 6.4% benchmark. The Fund's return is after deduction of expenses. The Fund underperformed the benchmark over the period primarily, as a result of its shorter-than-benchmark duration in an environment which saw market yields decline. The managers expect rates to rise modestly in the second half, as they believe the market had fallen too far pricing in cuts by the Bank of Canada. With a significantly defensive position with respect to interest rates, they will quickly add value if and when rates rise.

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 consumer spending, which accounts for nearly 70% of GDP, drives growth. In Canada, it is true that GDP barely grew in the last two quarters, held back, among other things, by net exports. However, 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 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.

Series O	2019	2018
<small>*Series O units are only offered by way of private placement</small>	Jun 30	Dec 31
Net asset value, beginning of period/ year	\$ 113.87	\$ 114.45
Increase (decrease) from operations:		
Total revenue	1.43	2.97
Total expenses	(0.06)	(0.30)
Realized gains (losses) for the period/ year	0.74	(0.64)
Unrealized gains (losses) for the period/ year	3.28	(0.12)
Total increase (decrease) from operations⁽¹⁾	5.39	1.91
Distributions:		
From income (excluding dividends)	(1.14)	(2.51)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions⁽²⁾	(1.14)	(2.51)
Net asset value, end of period/ year	\$ 118.09	\$ 113.87

Series F (Inception October 23, 2017)	2019	2018
<small>*No Series F units have been sold since inception</small>	Jun 30	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 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	2019	2018
*Series O units are only offered by way of private placement	Jun 30	Dec 31
Total net asset value	\$ 142,045,049	\$ 59,757,765
Number of units outstanding ⁽¹⁾	1,202,840	524,793
Management expense ratio ⁽²⁾	0.11%	0.26%
Management expense ratio before waivers or absorptions	0.11%	0.26%
Trading expense ratio ⁽³⁾	n/a	n/a
Portfolio turnover rate ⁽⁴⁾	59.43%	239.49%
Net asset value per unit	118.09	113.87

Series F (Inception October 23, 2017)	2019	2018
* No Series F units have been sold since inception	Jun 30	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.

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 Government of Canada, 1.25%, Feb 01, 2020	17.7
2 Province of Ontario, 4.20%, Jun 02, 2020	7.7
3 Canada Housing Trust No.1, 1.45%, Jun 15, 2020	6.6
4 Province of Ontario, 2.60%, Jun 02, 2027	4.9
5 Province of Ontario, 3.15%, Jun 02, 2022	4.4
6 Government of Canada, 1.75%, May 01, 2020	4.0
7 Province of Ontario, 3.50%, Jun 02, 2024	3.4
8 Canada Housing Trust No.1, 1.20%, Jun 15, 2020	2.9
9 Province of Ontario, 2.60%, Jun 02, 2025	2.9
10 Province of Quebec, 6.25%, Jun 01, 2032	2.8
11 Canada Housing Trust No.1, 2.35%, Sep 15, 2023	2.8
12 Province of Ontario, 2.85%, Jun 02, 2023	2.6
13 Province of Alberta, 2.90%, Dec 01, 2028	2.0
14 Province of Ontario, 1.75%, Sep 25, 2019	1.8
15 Province of Ontario, 2.70%, Jun 02, 2029	1.7
16 Province of Ontario, 2.90%, Jun 02, 2049	1.6
17 Province of British Columbia, 6.35%, Jun 18, 2031	1.5
18 Province of Alberta, 3.10%, Jun 01, 2050	1.4
19 Province of Quebec, 2.30%, Sep 01, 2029	1.4
20 Province of Ontario, 5.85%, Mar 08, 2033	1.1
21 Province of Ontario, 2.65%, Dec 02, 2050	1.1
22 Province of Quebec, 5.00%, Dec 01, 2041	1.1
23 Province of Ontario, 2.90%, Jun 02, 2028	1.0
24 Province of British Columbia, 5.70%, Jun 18, 2029	1.0
25 Province of Ontario, 1.75%, Aug 28, 2019	1.0
	80.4
Total Net Asset Value (000's)	\$142,045

Sector Allocation

	Percentage of Net Asset Value of the Fund (%)
Canadian Provincial Bonds	53.0
Canadian Federal Bonds	34.9
Cash and Cash Equivalents	6.3
Canadian Mortgage-Backed Securities	3.3
Canadian Municipal Bonds	1.7
Canadian Corporate Bonds	0.8
	100.0

Asset Mix

	Percentage of Net Asset Value of the Fund (%)
Canadian Fixed Income	93.7
Cash and Cash Equivalents	6.3
	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.