



# Genus High Impact Equity Fund

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2023

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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, by writing to us at 860 - 980 Howe Street, Vancouver, British Columbia V6Z 0C8, or by visiting our website at <https://genuscap.com/for-advisors/> or SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). Unitholders may also contact us using one of these methods to request a copy of the fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The fund seeks to make positive social and environmental impacts in addition to generating better financial returns. This mandate focuses on investing in global companies who are leaders in areas of sustainability, such as: renewable energy, energy efficiency, green buildings, low negative impact products, as well as innovative companies in the healthcare, education, and technology sectors.

Companies that appear weak with respect to environmental, social and governance characteristics are excluded as an initial screen. For instance, all companies directly involved in extraction, processing and transportation of oil, gas and coal are excluded. Next, a sustainable thematic approach, which seeks to profit from the long-term trends that are unfolding, is applied. The fund strives to thematically emphasize products and services that offer sustainable solutions to some of the world's biggest challenges.

Under applicable securities laws, the fundamental investment objective of the fund may only be changed with the approval of a majority of unitholders at a meeting called for that purpose. However, subject to certain restrictions under the trust agreement that governs the fund, we may change the investment strategies described below at our discretion.

To achieve the fund's investment objective, the portfolio advisor utilizes the following investing strategies. The fund invests in a globally diversified portfolio of equity securities of companies which may be included in the S&P/TSX Composite and MSCI World Indexes. The fund's portfolio reflects diversification by country and Global Industry Classification Standard (GICS) sector.

The primary investment strategy employed by the fund is one of quantitative security selection whereby the fund seeks to hold securities that are expected to outperform the target indices, net of expenses. The fund employs negative and positive screening to arrive at an eligible universe of investable companies and subsequently applies quantitative security selection on the eligible universe. Negative screening strategies seek to exclude companies that fail to meet pre-defined criteria (as detailed below). In particular, the fund's portfolio is restricted to issuers that conduct their affairs in a manner that meets the portfolio advisor's screening criteria in relation to specific environmental, social and governance ("ESG") factors.

### Risk

This fund is suitable for investors seeking long-term growth with a medium tolerance of risk. Throughout the reporting period, there were no significant changes to the investment objective and strategies impacting the fund's overall risk profile. Consequently, the risks associated with investing in the fund remain as discussed in the Simplified Prospectus. The general risks inherent in investing in this fund, such as the potential reduction in investment value, liquidity risk, interest rate risk, and currency risk, among others, are delineated in the Simplified Prospectus.

### Results of Operations

#### Investment Performance

The fund's net asset value increased to US\$78 million as of December 31, 2023, from US\$63 million at the end of 2022. The increase in net assets was attributable to an increase from operations of US\$11.9 million and net contributions of US\$3.4 million.

Over the past year, the fund's Series O units return was 18.3% versus 24.4% for the MSCI World Index. Unlike the benchmark, the fund's return is net of the deduction of fees and expenses paid by the fund. All performance values provided are in U.S. dollar terms.

After experiencing three consecutive quarters of positive returns, the stock market underwent a correction in the third quarter. The Federal Reserve's hawkish speech in mid-September affected both stock and bond markets, prompting investors to reevaluate their optimism and acknowledge the possibility of a future recession. Consequently, the fund adjusted its portfolio by reducing overall beta. Notably, real estate investment trusts (REITs) and the utilities sector lost favor in the high-yield environment.

Entering the fourth quarter, equity markets saw growth as central banks hinted at reaching peak rates or even potential rate cuts by mid-2024. In Canadian dollar terms, the MSCI World Index rose by 11.1%, the S&P 500 by 11.2%, and the TSX by 10.0%. Globally, the information technology, financial, and real estate sectors led the way, reflecting trends observed in the S&P 500 and TSX, while the health care sector lagged behind.

In 2023, the MSCI World Index and S&P 500 outperformed the TSX, delivering performances of 24.4% and 24.2% in U.S. dollar terms, respectively, compared to 11.1%. This was mainly due to their higher weightings in the Technology and Communication sectors. Gold reached new highs in 2023, rising by 13%, fueled by moderated interest rate expectations in the second half of the year. Conversely, oil faced a 10% decline throughout the year due to a global economic slowdown. Government bond yields remained largely unchanged year-over-year, with US 10-year bond yields closing the year at 3.9% after fluctuating between 3.3% and 5.0%.

The "Magnificent 7" (Microsoft, Amazon, Nvidia, Meta, Apple, Alphabet, and Tesla) emerged as the dominant investment news story of 2023, capturing headlines as the year drew to a close. These large-cap technology names, which had made significant investments in AI applications during the first half of 2023, led the market. However, signs of a potential reversal of this trend surfaced in the second half of December, as the S&P 500 equal-weighted index outperformed the overall S&P 500.

#### Environmental, Social and Governance Impact

The fund seeks to invest most of its assets in sustainable and impactful securities. As such, the fund excluded some industries and companies engaged in certain activities, such as those related to thermal coal, oil and gas, power generation, tobacco, weapons, gambling and adult entertainment. The fund has also excluded companies that are involved in indigenous controversies, misaligned with United Nations Sustainable Development Goals (UNSDGs) related to reducing inequalities and gender equality, and severe biodiversity degradation, based on a proprietary ESG rating system, irrespective of industry. In total, the fund excluded approximately 1,200 stocks (out of nearly 1,500 stocks in its investible universe) during the period. Additionally, the fund incorporates positive impact considerations when making investment decisions, scoring firms based on a proprietary net impact score.

### Recent Developments

In 2023, heightened concerns surfaced regarding the US budget deficit, particularly during the appointment of the Speaker of the House in the fourth quarter. The debt-to-GDP figures may not accurately capture the reality of increasing US debt, as inflation artificially inflates nominal GDP. Government spending remained elevated last year and is expected to rise again this year to sustain economic stimulus efforts. Additionally, federal revenue fell short of expectations, exacerbating tensions between fiscal and monetary policies as spending persists while the central bank raises rates and reduces its balance sheet.

Inflation has been trending downward, closely aligning with the Bank of Canada and the US Federal Reserve's 2.0% target, a trend expected to continue into 2024. While concerns linger about persistent inflation leading to a cautious approach by central banks, additional rate hikes are not foreseen. Instead, a strategy of maintaining higher interest rates for an extended period is anticipated.

The global money supply's growth indicates a decline in the manufacturing Purchasing Manager's Index (PMI), a trend likely to continue in 2024. Although the service PMI remains marginally in expansionary territory, a decline is expected in 2024 due to the impact of aggressive rate hikes from the previous year. Unemployment rates in Canada and the US, while historically low, are viewed with skepticism as indicators of economic strength due to factors like the gig economy and people holding multiple part-time jobs.

As we approach 2024, our models strongly favor equities, remain neutral on bonds, and hold a negative outlook on cash. The US is preferred in terms of country allocation, with a positive view on US bonds and expectations for high-yield and corporate bonds to initially rise. Gold remains favorable due to lower rate expectations and a cooling economy, while a neutral stance is maintained on currency.

Within equities, the US stands out, particularly in momentum investing, favoring assets that have recently performed well. Large-cap stocks, though weaker recently, are an exception. Our models lean towards information technology and consumer discretionary sectors, maintaining neutrality between cyclical and defensive holdings, as well as risk-on and risk-off modes.

While markets likely factored in anticipated rate cuts for 2024, the US Federal Reserve's dovish tone in mid-December boosted investor confidence. Interest-sensitive sectors, such as financials and industrials, excelled, while the drop in the 10-year US treasury yield below 4% benefited sectors like REITs and homebuilders. The portfolio was adjusted in response to the regime change, favoring higher betas and increasing small-cap exposures.

Looking ahead, a preference for equities remains with a measured risk approach. Given the pause in the information technology sector, a shift towards value plays, especially in the financial sector, is planned. Interest-sensitive sector bets remain in industrials and consumer discretionary, with health care as an alternative to information technology growth names. Geographically, the US maintains its lead, but Canada is recognized for growth potential.

Despite historical positivity for equities in US presidential election years, ongoing global geopolitical turbulence and economic uncertainty necessitate vigilant market monitoring, with a readiness to reduce portfolio risk if necessary. There are no recent developments to report regarding the strategic positioning of the fund or the manager.

#### **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 0.65% (subject to applicable taxes). During the year ended December 31, 2023, the Series F units paid the manager \$0 in management fees because no Series F units of the fund were issued during that period.

Financial Highlights

The Fund's Net Assets 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 was previously a reporting issuer from October 23, 2017 to September 6, 2019, and became a reporting issuer again on January 19, 2024. <sup>(1)</sup>

Series F <sup>(1)</sup>	2023 Dec 31	2022 Dec 31	2021 Dec 31	2020 Dec 31	2019 Dec 31
<b>Net asset value, beginning of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Increase (decrease) from operations:</b>					
Total revenue	-	-	-	-	-
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	-	-	-	-	-
Unrealized gains (losses) for the year	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	-	-	-	-	-
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total Annual Distributions<sup>(3)</sup></b>	-	-	-	-	-
<b>Net asset value, end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -

Series O *	2023 Dec 31	2022 Dec 31	2021 Dec 31	2020 Dec 31	2019 Dec 31
* Series O units are only offered by way of private placement					
<b>Net asset value, beginning of year</b>	\$116.77	\$130.01	\$127.71	\$108.34	\$88.65
<b>Increase (decrease) from operations:</b>					
Total revenue	2.41	2.54	2.91	1.75	2.09
Total expenses	(1.30)	(0.89)	(1.16)	(0.70)	(0.99)
Realized gains (losses) for the year	7.68	(4.92)	21.45	10.10	3.94
Unrealized gains (losses) for the year	12.59	(8.14)	(5.32)	16.71	16.90
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	21.38	(11.41)	17.88	27.86	21.94
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	(2.57)	(1.92)	(2.06)	(1.28)	(1.95)
From capital gains	(6.53)	-	(13.42)	(8.86)	-
Return of capital	-	-	-	-	-
<b>Total Annual Distributions<sup>(3)</sup></b>	(9.10)	(1.92)	(15.48)	(10.14)	(1.95)
<b>Net asset value, end of year</b>	\$129.05	\$116.77	\$130.01	\$127.71	\$108.34

<sup>(1)</sup> Information in respect of Series F units is not available because no units of this series of the fund have been issued between the inception date and December 31, 2023. The fund was established on May 15, 2014. Prior to October 23, 2017, the fund existed as a non-public mutual fund. From October 23, 2017 to September 6, 2019, the fund offered Series F units publicly. The fund ceased to offer Series F units to the public on September 6, 2019, and the fund had existed as a non-public mutual fund since that date. As of January 19, 2024, the fund became a public mutual fund again and since then has offered Series F units publicly.

<sup>(2)</sup> Net assets attributable to holders of 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 [as set out in the fund's financial statements?].

<sup>(3)</sup> Distributions are reinvested in additional units of the fund or paid in cash.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series F <sup>(1)</sup>	2023 Dec 31	2022 Dec 31	2021 Dec 31	2020 Dec 31	2019 Dec 31
Total net asset value <sup>(2)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Number of units outstanding <sup>(2)</sup>	-	-	-	-	-
Management expense ratio <sup>(3)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions	-	-	-	-	-
Trading expense ratio <sup>(4)</sup>	-	-	-	-	-
Portfolio turnover rate <sup>(5)</sup>	-	-	-	-	-
Net asset value per unit	-	-	-	-	-

Series O*	2023 Dec 31	2022 Dec 31	2021 Dec 31	2020 Dec 31	2019 Dec 31
* Series O units are only offered by way of private placement					
Total net asset value <sup>(2)</sup>	\$78,309,264	\$63,132,147	\$71,546,065	\$52,396,131	\$29,828,619
Number of units outstanding <sup>(2)</sup>	606,802	540,676	550,326	410,259	275,314
Management expense ratio <sup>(3)</sup>	0.25%	0.22%	0.20%	0.35%	0.50%
Management expense ratio before waivers or absorptions	0.25%	0.22%	0.20%	0.35%	0.50%
Trading expense ratio <sup>(4)</sup>	0.24%	0.26%	0.36%	0.25%	0.29%
Portfolio turnover rate <sup>(5)</sup>	122.58%	119.28%	124.26%	111.60%	102.62%
Net asset value per unit	\$129.05	\$116.77	\$130.01	\$127.71	\$108.34

<sup>(1)</sup> The information in respect of Series F units is not available because no units of this series of the fund have been sold between the inception date and December 31, 2023. The fund was established on May 15, 2014. Prior to October 23, 2017, the fund existed as a non-public mutual fund. From October 23, 2017 to September 6, 2019, the fund offered Series F units publicly. The fund ceased to offer Series F units to the public on September 6, 2019, and the fund had existed as a non-public mutual fund since that date. As of January 19, 2024, the fund became a public mutual fund again and since then has offered Series F units publicly.

<sup>(2)</sup> This information is provided as at December 31 of the year shown.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> The fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all 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.

## Management Fees

Management fees of Series F units of the fund are payable to Genus Capital Management Inc. and calculated at 0.65% of the net asset value of Series F units of the fund on each valuation day (plus applicable taxes) and are paid on a quarterly basis. During the year ended December 31, 2023, the Series F units paid the manager \$0 in management fees because no Series F units of the fund were issued during that period.

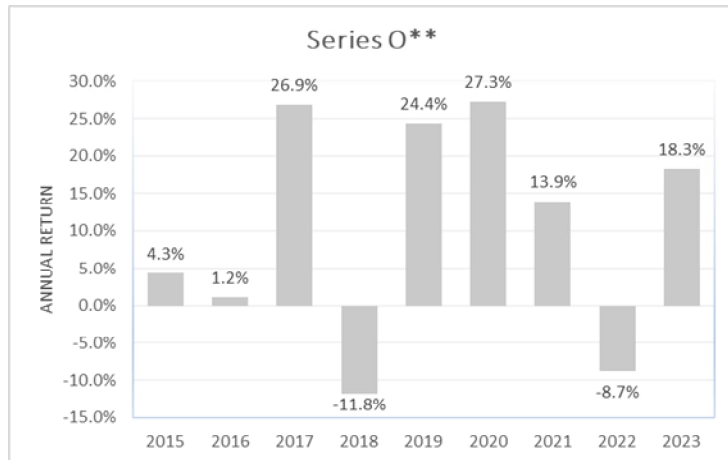
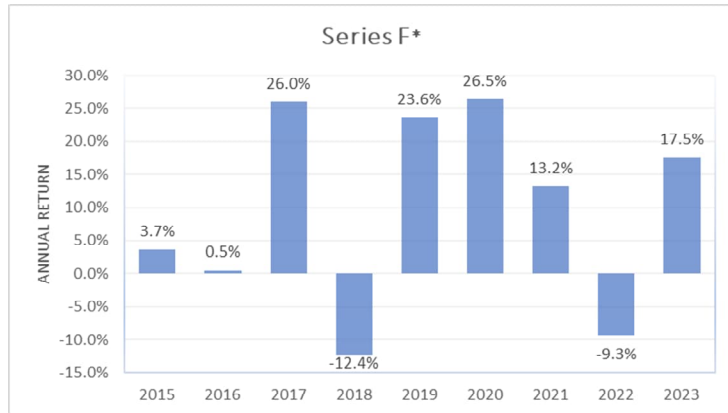
In respect of Series O units, no management fees are paid by the fund. The unitholder of Series O pays the manager a negotiated management fee outside of the fund.

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, distribution 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 F and Series O units, for each completed financial year which the fund was a reporting issuer. 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 last day of each financial year.



Annual Compound Returns

The following table shows the annual compound returns of the fund for the year ended on December 31, 2023, compared with MSCI World Index benchmark.

For the Year ended December 31, 2023	Past 1 Year	Past 3 Years	Past 5 Years	Since Inception
Series F*	17.55%	6.46%	13.53%	7.65%
Series O**	18.31%	7.16%	14.27%	8.36%
MSCI World Index	24.42%	7.79%	13.37%	9.09%

\* The fund became a reporting issuer again on January 19, 2024 and commenced the offering of Series F units to the public on that date. In reviewing the fund's past performance information, you should consider that: (i) the fund was not a reporting issuer over the entirety of the periods shown; (ii) the expenses of the fund would have been higher during such periods had the fund been subject to the additional requirements applicable to reporting issuers; (iii) during the time it was not a reporting issuer, the fund was not subject to the investment restrictions and practices in National Instrument 81-102 *Investment Funds*; and (iv) Genus Capital Management Inc. has obtained exemptive relief on behalf of the fund to permit the disclosure of the performance data for the fund for the time period prior to it becoming a reporting issuer. In addition, the exemptive relief allows the fund to disclose performance data in this document and in sales communications relating to Series F units that shows how the Series O units of the fund have performed during periods in which the fund was not a reporting issuer. Series O units of the fund have only been offered on a private placement basis.

\*\* On May 15, 2014, the fund was launched offering Series O units. The table above shows each completed financial year which the fund was a reporting issuer.

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 Performance**

The MSCI World Index, which is part of The Modern Index Strategy, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World Index does not offer exposure to emerging markets.

**Summary of Investment Portfolio**

As at December 31, 2023

**Summary of investment portfolio**

<b>Top 25 Holdings</b>	<b>Percentage of Net Asset Value (%)</b>
Intel Corp.	5.5
Microsoft Corp.	5.0
Acuity Brands Inc.	4.9
Edwards Lifesciences Corp.	4.6
Pearson PLC	4.5
Sysco Corp.	4.3
Dexcom Inc.	4.3
Merck & Co., Inc.	4.3
NVIDIA Corp.	4.0
Azbil Corp.	3.9
Colgate-Palmolive Co.	3.8
Kimberly-Clark Corp.	3.8
Cisco Systems Inc.	3.5
Signify NV	3.1
Boston Properties Inc.	3.0
Svenska Cellulosa AB SCA	3.0
Fuji Electric Co., Ltd.	2.9
Novo Nordisk A/S	2.9
Splunk Inc.	2.8
Solaria Energia y Medio Ambiente SA	2.7
Gilead Sciences Inc.	2.5
TOTO Ltd.	2.3
BorgWarner Inc.	1.8
CapitaLand Integrated Commercial Trust	1.7
Open House Group Co., Ltd.	1.7
	86.8
<b>Total Net Asset Value</b>	<b>\$78,309,264</b>

**Portfolio by Category**

<b>Sector</b>	<b>Percentage of Net Asset Value (%)</b>
Information Technology	26.9
Health Care	18.7
Industrials	15.9
Consumer Staples	13.1
Real Estate	7.2
Communication Services	4.5
Materials	3.7
Consumer Discretionary	3.4
Utilities	2.7
Derivatives - Long	0.2
Derivatives - Short	(0.4)
Cash	1.1
<b>Other Assets (Liabilities)</b>	<b>3.0</b>
	<b>100.0</b>

<b>Geographical Allocation</b>	<b>Percentage of Net Asset Value (%)</b>
United States	58.9
Japan	13.5
United Kingdom	6.0
Netherlands	3.1
Sweden	3.0
Denmark	2.9
Spain	2.7
Singapore	1.7
Germany	1.2
Austria	1.1
Australia	1.1
France	0.9
Derivatives - Long	0.2
Derivatives - Short	(0.4)
Cash	1.1
<b>Other Assets (Liabilities)</b>	<b>3.0</b>
	<b>100.0</b>

The summary of investment portfolio may have changed since December 31, 2023 due to ongoing portfolio transactions of the fund. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the fund. Quarterly updates are available within 60 days of each quarter end where an annual or interim report is not published at <https://genuscap.com/for-advisors/>.

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## Other Material Information

The fund has received exemptive relief from applicable Canadian securities regulatory authorities that permits the fund to include in its sales communications, Fund Facts and annual and interim management reports of fund performance data relating to Series F units for periods prior to the fund becoming a reporting issuer. In addition, the exemptive relief permits the fund to disclose performance data in sales communications and the Fund Facts for Series F units that shows how Series O units of the fund have performed during periods in which the fund was not a reporting issuer. Series O units have only been offered on a private placement basis. The relief is subject to certain conditions, including that the fund provide investors with certain disclosure regarding the inclusion of performance data for periods prior to the fund becoming a reporting issuer.

*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.*