JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF LONG TERM BOND FUND

PROFILE | SEPTEMBER 30, 2018

Inception Date	April 30, 2013
NAV per Unit	$8.7436
Quarterly Distribution	$0.067937
Fund Size ($M)	$5.6
Benchmark	FTSE TMX Canada Long Term Bond Index

A Prudent Approach to Yield Optimization

Our Bond portfolios are well diversified and composed of high-quality securities that have been thoroughly analyzed by our in-house research team. Bond management is based on three principles: 1) Capital preservation; 2) Yield optimization; 3) Conservative duration management.

Portfolio yield is optimized by a high concentration of non-cyclical corporate bonds. We take a global economic approach to determine the duration of the portfolio. The inherent risk from interest rate volatility is minimized by trading within a defined, conservative duration range.

PORTFOLIO CONSTRUCTION

- The Fund may be invested up to 100% in corporate issues.
- The Fund will use the same credit rating scale as the benchmark Index.
- The Fund will be invested primarily in bonds with a maturity of ten years or more.
- The average rating of all of the holdings is A or better.
- The maximum aggregate holdings of A or better rated corporate bonds of any one issuer is 10% of the total market value of the Fund.
- The maximum aggregate holdings of BBB rated bonds is 20% of the total market value of the Fund.
- Maximum 20% of the market value can be invested in foreign currency issues of Canadian borrowers.

ANNUALIZED PERFORMANCE (%)

As of September 30, 2018	3 mos.	1 yr	2 yrs	3 yrs	4 yrs	Since Inception (04/13)
JF Long Term Bond Fund	-2.3	3.7	-0.8	3.8	4.2	3.8
FTSE TMX Canada Long Term Bond	-2.4	3.6	-1.3	3.2	4.2	3.6

CALENDAR YEAR PERFORMANCE (%)

To December 31st	2017	2016	2015	2014
JF Long Term Bond Fund	6.8	4.9	2.5	16.0
FTSE TMX Canada Long Term Bond	7.0	2.5	3.8	17.5

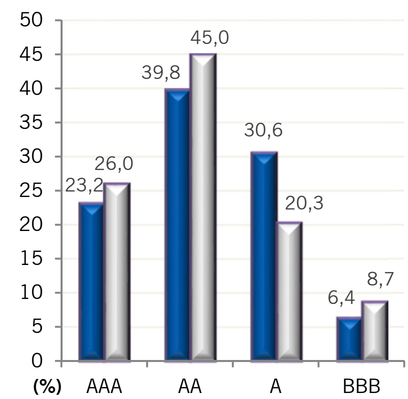
REPRESENTATIVE BOND HOLDINGS

	Coupon/Maturity
Great-West Lifeco	6.67%, 03/21/33
Fortis Alberta	6.22%, 10/31/34
Government of Canada	5.75%, 06/01/29
Province of Ontario	6.50%, 03/08/29
Province of Quebec	6.00%, 10/01/29

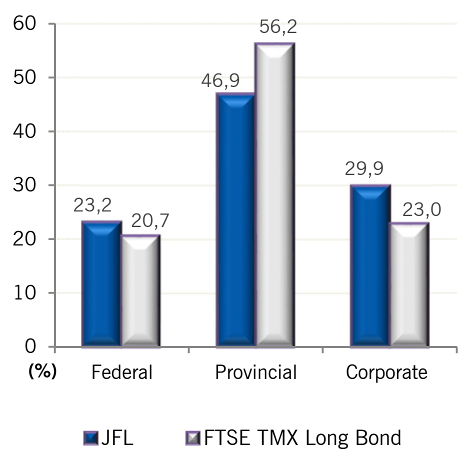
PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	3.2	3.3
Duration (yrs)	14.6	14.6
Term (yrs)	22.0	22.8

CREDIT QUALITY



SECTOR MIX



MARKET & ECONOMIC REVIEW

The Canadian bond market posted one of its weakest quarters in recent years, as global interest rates rose in response to decent economic growth and continued central bank interest rate increases in Canada and the US.

After lagging the US Federal Reserve in its program to normalize interest rates, the Bank of Canada raised its target interest rate by 0.25% to 1.5%, matching the Federal Reserve's 0.25% increase. The European Central Bank (ECB) is likely keen to also move rates higher as it remains stuck in negative territory (-0.4%). It has already announced that it will phase out its asset purchase program by yearend. The Bank of Japan has allowed more flexibility around its yield control target and as a result its ten-year government bond yield rose from 0.02% to 0.12%. All together it is clear that central banks are unwinding the unprecedented liquidity expansion of the past decade.

PORTFOLIO REVIEW

The Fund outperformed the FTSE/TMX Long-Term Bond Index's return of -2.4%. A positive contributor to the performance in the quarter was the shorter duration of the portfolio, reducing its downside resulting from the increase in interest rates experienced during the quarter. Our overweight in corporate credit was a detraction to performance with our higher quality long corporate spreads widening relative to weaker quality BBB corporate bonds in the third quarter. Specifically, higher-quality long corporate spreads struggled to perform given the flatness of the government curve with the 10- to 30-year yield curve approaching zero.

Canadian and U.S. 10-year government yields rose approximately 0.3% in the quarter. Most of the interest rate increase was attributable to the rise in real yields which reflected increased expectations for economic growth rather than rising inflation expectations. Growth expectations for Canada remain subdued due to the extreme leverage in the household sector and the sensitivity to higher interest rates. Corporate bonds recovered some of their underperformance earlier in the year. Their performance was consistent with the improved growth scenario and some late in the quarter stability in the emerging markets. Issuance remains robust with year-to-date levels likely to be close to record highs.

With the technical and fundamental backdrop for Canadian yields lining up following the meaningful sell-off in yields, we reduced the Fund's underweight position in duration to neutral towards the latter portion of the quarter. The Fund continues to maintain a higher credit quality bias and made small adjustments in the quarter towards that endpoint.

INVESTMENT STRATGEY

The Bank of Canada raised rates in July, while the U.S. Federal Reserve waited until near quarter end. Central banks are trying to be reasonably transparent in terms of the pace of rate increases, while the general trend continues upward.

Most of the interest rate increase was attributable to the rise in real yields which reflected increased expectations for economic growth rather than rising inflation expectations. Overall, our growth expectations for Canada remain subdued due to the extreme leverage in the household sector and the concomitant sensitivity to higher interest rates. Markets have priced in some of this divergence in growth expectations with the US as the real yields in Canada are almost 0.3% lower. Our expectation is for a continued rise in short term interest rates globally, but we believe there is a limited amount of room for long term interest rates to rise particularly in Canada.

INVESTMENT TEAM

Jarislowsky Fraser has a team-based approach that anchors a culture of collaborative decision-making. The Investment Strategy Committee (ISC), our central risk and investment oversight body, oversees the entire investment process to ensure that investment decisions adhere to the firm's long-standing philosophy and process.

Source: TD Securities, S&P, Bloomberg and FTSE TMX Global Debt Capital Markets Inc.