JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF BOND FUND

PROFILE | DECEMBER 31, 2018

Inception Date	April 1, 1997
NAV per Unit	$10.1812
Quarterly Distribution	$0.079141
Fund Size ($M)	$384.4
Benchmark	FTSE TMX Canada Universe Bond

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 average credit 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.

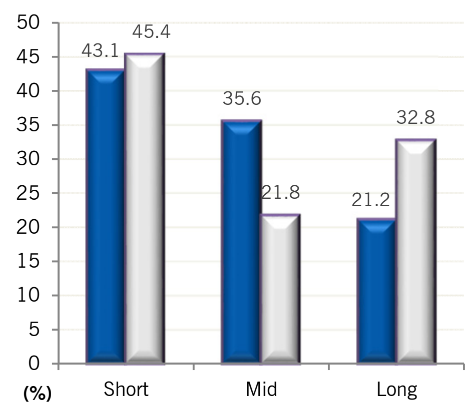
PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	2.9	2.7
Duration (yrs)	7.3	7.5
Term (yrs)	9.6	10.3

ANNUALIZED PERFORMANCE (%)

As of December 31, 2018	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF Bond Fund	1.4	1.2	2.2	3.5	3.4	4.9	4.8
FTSE TMX Canada Universe Bond	1.8	1.4	1.9	3.5	2.9	4.2	4.6

TERM STRUCTURE



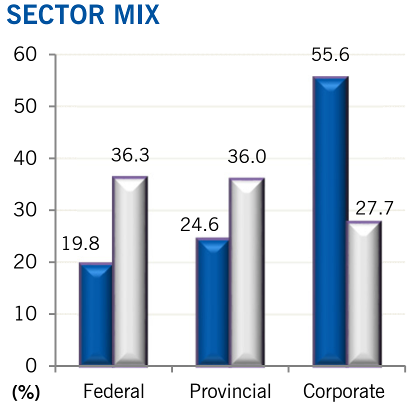
CALENDAR YEAR PERFORMANCE (%)

To December 31st	2018	2017	2016	2015	2014	2013	2012
JF Bond Fund	1.2	2.4	2.9	3.0	8.2	0.1	6.2
FTSE TMX Canada Universe Bond	1.4	2.5	1.7	3.5	8.8	-1.2	3.6

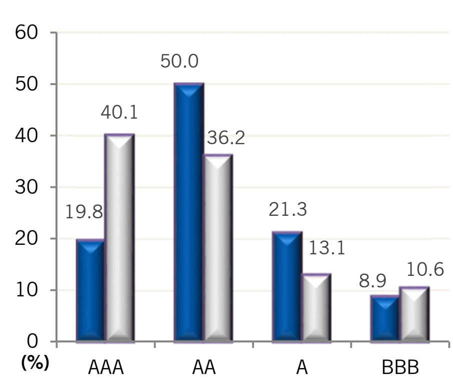
REPRESENTATIVE BOND HOLDINGS

	Coupon	Maturity
Royal Bank of Canada	2.0%	03/15/2021
CIBC	2.3%	07/11/2022
Canada Housing Trust	1.8%	06/15/2022
Government of Canada	1.0%	06/01/2027
Province of Ontario	2.4%	06/02/2026

SECTOR MIX



CREDIT QUALITY



MARKET & ECONOMIC REVIEW

Bond markets rebounded strongly from the negative third quarter, posting a return of 1.8% in Canada and 7.4% in the United States (both denominated in CAD). The U.S. Federal Reserve (Fed) and the Bank of Canada continued to raise the overnight rate to 2.5% and 1.75%, respectively. The impact of their interest rate hikes was overshadowed by the weaker financial market environment and the obvious change to the tone of the central bankers' communications. The European Central Bank announced the previously telegraphed end to their asset purchase program but maintained the dovish tone by keeping the overnight rate at -0.4%.

The 10-year Canadian government yield declined by approximately 0.46% in the quarter while the 2-year equivalent yield was only 0.35% lower, flattening the yield curve as equity markets sold off. Corporate bonds significantly underperformed federal government bonds globally as investor confidence was shaken by non-economic factors such as talk of trade wars, yield curve inversions, central bank policy missteps, oil price declines, and Chinese debt bubbles. The material government agency bond's underperformance was at least partly due to the illiquidity in the corporate bond market. As bond funds tried to satisfy the high volume of redeeming requests, market bids backed away which exacerbated the downturn and forced some selling of the more liquid bonds and more specifically the government agency and provincial bonds.

PORTFOLIO REVIEW

The Fund underperformed the FTSE/TMX Universe Bond in the fourth quarter primarily as a result of two factors. The overweight position in corporate bonds negatively impacted relative performance driven by the material widening in Canadian corporate spreads. The Fund's holdings in inflation-linked bonds also negatively contributed to its total return as Canadian inflation expectations declined markedly in the fourth quarter. The underweight position in provincial bonds relative to FTSE/TMX Universe benchmark positively contributed to the top-line return given the underperformance of provincial bonds relative to federal government bonds.

INVESTMENT STRATEGY

There is no doubt that the stakes have risen for central banks and, consequently, financial markets as we enter the latter stages of the business cycle. Central banks have enjoyed the hard fought benefits of having anchored inflation expectations over the past four decades. Those expectations are likely to now be tested as the U.S. unemployment rate drives further below its estimated non-inflationary level and the U.S. politicians talk of more fiscal largesse. The environment is also unusually politically charged, as the U.S. administration prioritizes the growth part of the FED's mandate over inflation.

We are encouraged that the Fed has reduced its path for future interest rate increases in recognition of tighter financial conditions. Nonetheless, bond markets will be challenged as markets are still pricing in even less interest rate increases and are therefore vulnerable to even modest improvements in the economic momentum. The corporate bond market is starting to reprice itself to more reasonable valuations.

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.

The Bank of Nova Scotia (BNS) is the parent company of Jarislowsky, Fraser Limited. BNS securities held in the portfolio are related securities.
Returns for the JF Pooled Funds have been calculated using the net asset value (NAV), are gross of management fees and in Canadian dollars. Complete Investment Policy guidelines are available upon request.
JF Pooled Funds are only available to Canadian investors. Past performance is not a guide to future performance. Future returns are not guaranteed. Investment return and principal value of an investment in the fund will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. This document is prepared by Jarislowsky, Fraser Limited (JFL) and is provided for information purposes only, it is not intended to convey investment, legal, tax or individually tailored investment advice. All opinions and estimates contained in this report constitute JFL's judgment as of the time of writing and are provided in good faith. All data, facts and opinions presented in this document may change without notification. No use of the Jarislowsky, Fraser Limited name or any information contained in this report may be copied or redistributed without the prior written approval of JFL.
Source: TD Securities, S&P, Bloomberg and FTSE TMX Global Debt Capital Markets Inc.