JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF BOND FUND

PROFILE | MARCH 31, 2019

Inception Date	**April 1, 1997**
NAV per Unit	**$10.5286**
Quarterly Distribution	**$0.076845**
Fund Size ($M)	**$367.7**
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.

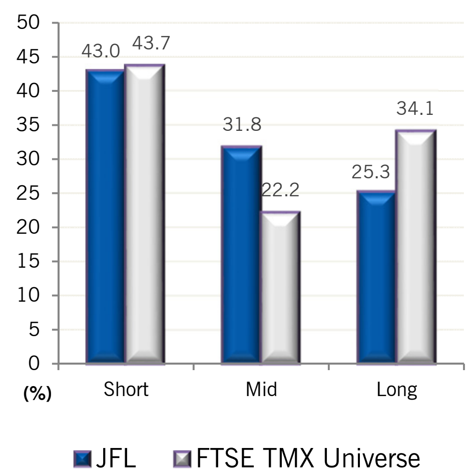
PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	2.5	2.3
Duration (yrs)	7.4	7.7
Term (yrs)	9.7	10.6

ANNUALIZED PERFORMANCE (%)

As of March 31, 2019	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF Bond Fund	4.2	5.2	3.0	3.8	3.8	5.0	4.8
FTSE TMX Canada Universe Bond	3.9	5.3	2.7	3.8	3.5	4.4	4.7

TERM STRUCTURE



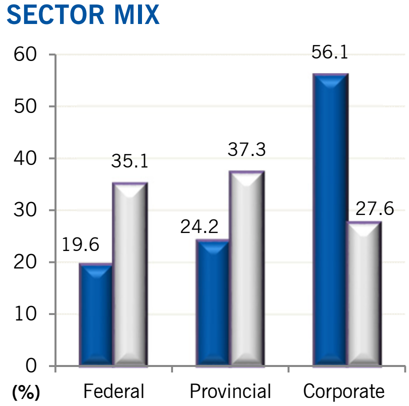
CALENDAR YEAR PERFORMANCE (%)

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

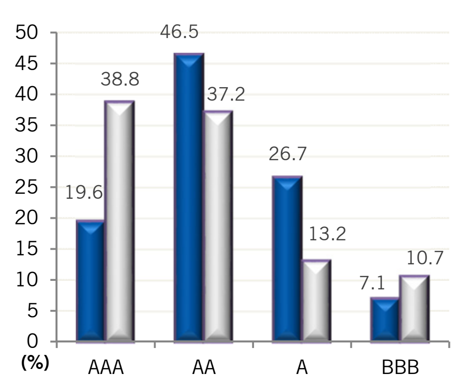
REPRESENTATIVE BOND HOLDINGS

	Coupon	Maturity
Royal Bank of Canada	2.03%	03/15/2021
CIBC	2.30%	07/11/2022
Canada Housing Trust	1.75%	06/15/2022
Canada Housing Trust	2.65%	12/15/2028
Province of Ontario	2.90%	06/02/2028

SECTOR MIX



CREDIT QUALITY



MARKET & ECONOMIC REVIEW

Bond markets rebounded strongly in the first quarter as interest rates continued to decline. The main influence for the continuation of the rally in yields was the pivot to a more dovish stance by most central banks in response to continued weakness in global growth. The Bank of Canada and the Fed had previously stated, in their justification for interest rate increases last year, that they had become more data dependent. The impact on the bond market from the relatively abrupt shift from stronger to weaker economic data has been amplified by the central banks' data dependency policy framework. We now have the potential for central banks to abruptly shift policy direction and thereby accentuate asset price volatility. Implicit in the shift by the Fed is a prioritization of economic growth over inflation in terms of policy goals. The European Central Bank backed away from previous intentions to normalize policy and even took a step further, extending their bank loan facility for another two years.

With central banks signaling their intention to keep short-term interest rates lower, investors moved into longer maturities and corporate bonds, grabbing whatever yield they could. This included foreign investors scouring the globe for high quality, positive yielding, and liquid bonds. During the quarter, the 10-year government yield declined by 0.35%, while BBB-rated 10-year bonds declined even more and thereby outperformed government bonds. Provincial bonds also outperformed government bonds. The yield curve inverted during the quarter which, if maintained for three months, historically would suggest a recession in 12 to 18 months. The track record as a leading recession indicator is more robust in the U.S. than Canada. Our analysis has caused us to somewhat downplay the importance of the indicator in this business cycle due to the distortion in longer term yields caused by central bank bond purchases over the last ten years.

PORTFOLIO REVIEW

The portfolio outperformed the FTSE/TMX Universe Bond Index in the first quarter. The main contributors to the outperformance was the overweight in corporate bonds and the more bulleted structure of the portfolio as mid-term bonds outperformed an equal weighted short and long bond structure. Within the portfolio's corporate bond holdings, Canadian bank senior notes were particularly strong performers in the quarter. Provincial bonds outperformed federal bonds and thus our underweight was a detractor from performance as our slightly shorter term structure given the notable decline in yields.

INVESTMENT STRATEGY

The central banks' shift back to a market-friendly policy stance was the technical driver that explained the concurrent rally in stock and bonds. The central banks have essentially extended the business cycle at the risk of a longer-term inflation overshoot. They have already tipped their hand, showing that they will be in no rush to resume policy tightening should growth pick up. Whereas they were previously seen as preempting a future rise in inflation, now they are suggesting that they will need to see the "whites" of inflation's eyes before tightening policy. In effect they have traded in short-term gain for possible long-term pain, as historically the inflation cycle lagged the growth cycle. However, we do not believe that they can extend easier financial conditions for long. The environment is becoming more volatile and expectations for future returns should be adjusted accordingly. Our strength in identifying and selecting top-quality business at attractive valuations should help our clients withstand the short-term uncertainties, protect portfolios on the downside, and add value over the long-term.

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.