

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 March 31, 2019	3 mos.	1 yr	2 yrs	3 yrs	5 yrs	Since Inception (04/13)
JF Long Term Bond Fund	7.1	6.9	6.0	5.2	6.3	4.9
FTSE TMX Canada Long Term Bond	6.9	7.3	6.2	4.7	6.4	4.8

CALENDAR YEAR PERFORMANCE (%)

To December 31 st	2018	2017	2016	2015	2014
JF Long Term Bond Fund	0.0	6.8	4.9	2.5	16.0
FTSE TMX Canada Long Term Bond	0.3	7.0	2.5	3.8	17.5

REPRESENTATIVE BOND HOLDINGS

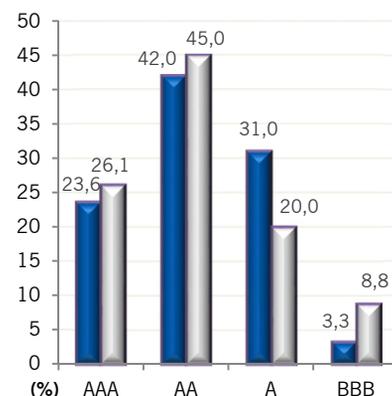
	Coupon/Maturity
Altlink L.P.	4.09%, 06/30/45
Anheuser Busch InBev	4.32%, 05/15/47
Government of Canada	5.75%, 06/01/29
Province of Ontario	4.70%, 06/02/37
Province of Ontario	3.45%, 06/02/45

Inception Date	April 30, 2013
NAV per Unit	\$9.3583
Quarterly Distribution	\$0.076667
Fund Size (\$M)	\$49.2
Benchmark	FTSE TMX Canada Long Term Bond Index

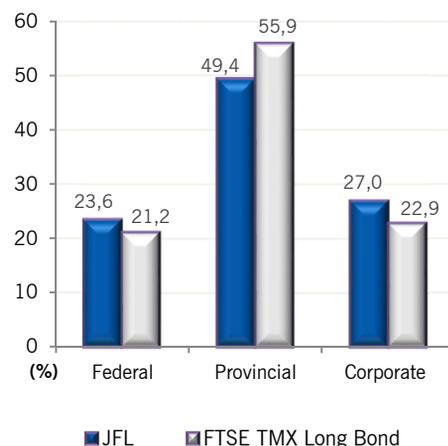
PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	2.8	2.8
Duration (yrs)	14.8	15.0
Term (yrs)	21.9	22.7

CREDIT QUALITY



SECTOR MIX



MARKET & ECONOMIC REVIEW

Long-term bonds rebounded strongly in the first quarter, posting a return of 6.9%, 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, longer 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 liquid bonds. During the quarter the Canadian 30-year government yield declined notably by 0.3% while BBB-rated 30-year bonds declined even more and thereby leading to the outperformance of corporate bonds relative to government bonds. Provincial bonds also outperformed federal 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 Fund outperformed the FTSE/TMX Long Bond index in the first quarter. The main contributors to the outperformance was our overweight in corporate bonds as corporate spreads tightened notably leading to the outperformance of corporate bonds in Q1. Provincial bonds also outperformed federal bonds; therefore, our underweight in provincial bonds was a detractor from performance as was 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. The central banks 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.

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 residents. 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.