JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF LONG TERM BOND FUND

PROFILE | DECEMBER 31, 2019

Inception Date	April 30, 2013
NAV per Unit	$9.4445
Quarterly Distribution	$0.077436
Fund Size ($M)	$71.5
Benchmark	FTSE 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 December 31, 2019	3 mos.	1 yr	2 yrs	3 yrs	5 yrs	Since Inception (04/13)
JF Long Term Bond Fund	-1.9	12.9	6.3	6.5	5.3	5.2
FTSE Canada Long Term Bond	-1.9	12.7	6.3	6.6	5.2	5.1

CALENDAR YEAR PERFORMANCE (%)

To December 31st	2019	2018	2017	2016	2015	2014
JF Long Term Bond Fund	12.9	0.0	6.8	4.9	2.5	16.0
FTSE Canada Long Term Bond	12.7	0.3	7.0	2.5	3.8	17.5

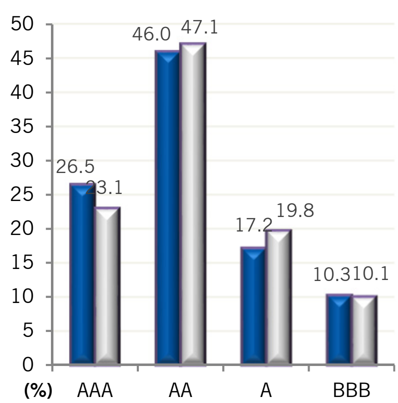
REPRESENTATIVE BOND HOLDINGS

	Coupon/Maturity
Anheuser Busch InBev	4.32%, 05/15/47
Hydro One Inc.	3.91%, 02/23/46
Government of Canada	2.75%, 12/01/48
Province of Ontario	4.70%, 06/02/37
Province of Quebec	5.00%, 12/01/41

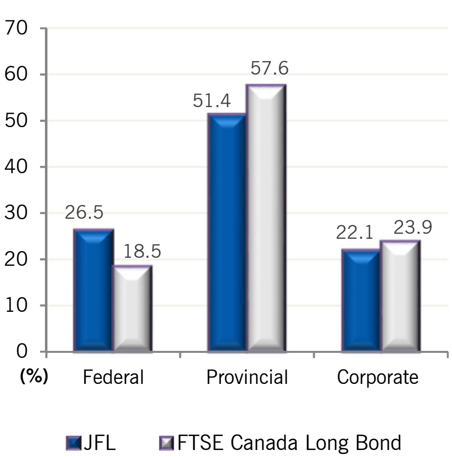
PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	2.5	2.6
Duration (yrs)	15.3	15.5
Term (yrs)	22.1	23.1

CREDIT QUALITY



SECTOR MIX



MARKET & ECONOMIC REVIEW

Bond markets posted slight declines on the back of improving prospects for the global economy. Within the context of the strong gains this year, the pullback was minor. It was driven by the rise in yields in the fourth quarter as a result of fading expectations for economic weakness due to oncoming signs of recovery and another interest rate cut by the U.S. Federal Reserve Bank. The improved economic outlook fed directly into the outperformance of corporate and provincial bonds. In addition, foreign demand for North American corporate bonds remains strong as yields are attractive relative to Japanese and European levels. Underlying fundamentals for corporate bonds continue to deteriorate as leverage increases. On its own, increased leverage is not necessarily negative as long as the increased debt is used to fund productive investments. However, the numbers suggest that much of the debt is being used to fund the buyback of stock, which is more of a financial engineering exercise than an investment in future production.

The latest rise in yields naturally brings into question how high they can go. We expect some further increases, but absent a significant rise in inflation, the increase should be relatively limited. Economic growth, while recovering, is not expected to be strong and North American yields are unlikely to deviate too far from much lower European and Japanese levels. In addition, the elevated debt levels of corporations and Canadian households limits the room for interest rates to increase as the pain from the higher rates will be felt much sooner than within an economy that is less indebted.

PORTFOLIO REVIEW

The Long-Term Bond portfolio's performance was comparable to the FTSE Long Universe benchmark for the quarter, and slightly outperformed it for the year. Canadian corporate bonds outperformed federal bonds in the fourth quarter; and consequently the portfolio's overweight position in corporate bonds generated notable allocation performance. The portfolio's strong relative performance in the fourth quarter was enhanced by corporate bond selection in the infrastructure and industrial sectors, as well as real-return bonds. With the rise in yields in the fourth quarter, the portfolio's short duration position benefitted its relative performance. Similar to the fourth quarter, the portfolio's yearly positive relative performance was generated from its overweight allocation to corporate bonds, as well as security selection in infrastructure, energy, and industrials space, while neutral corporate weighting hurt from an allocation perspective. The primary detraction to yearly performance was the portfolio's underweight duration position.

INVESTMENT STRATEGY

The performance of markets in 2019 epitomizes that of the past decade, where central banks were a dominant influence. The recent year would not have seen such strong returns had central banks not shifted from restrictive to stimulative stances.

It is unlikely that we will experience the same level of support from central banks in 2020, as economic momentum continues to recover and inflation pressures build in the short term. The U.S. Federal Reserve also seems more willing to let economic reflation persist for longer in order to make up for past misses in their inflation targets, effectively raising the bar for future interest rate hikes.

In the longer term, our expectations continue to be limited by secular headwinds. The trend rate of economic growth will continue to be modest even without the added uncertainty from protracted trade wars and Brexit negotiations. Central bank intervention will continue to be needed in the absence of truly significant fiscal policy stimulus.

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 Canada Global Debt Capital Markets Inc.