

### 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 June 30, 2019	3 mos.	1 yr	2 yrs	3 yrs	5 yrs	Since Inception (04/13)
JF Long Term Bond Fund	4.8	11.2	6.5	4.9	6.6	5.5
FTSE Canada Long Term Bond	4.8	11.4	6.5	4.4	6.6	5.4

### CALENDAR YEAR PERFORMANCE (%)

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

### REPRESENTATIVE BOND HOLDINGS

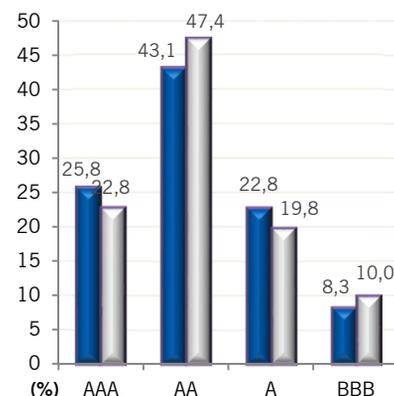
	Coupon/Maturity
Anheuser Busch InBev	4.32%, 05/15/47
Hydro One Inc.	3.91%, 02/23/46
Government of Canada	5.00%, 06/01/37
Province of Ontario	3.45%, 06/02/45
Province of Quebec	5.00%, 12/01/41

Inception Date	April 30, 2013
NAV per Unit	\$9.7387
Quarterly Distribution	\$0.073209
Fund Size (\$M)	\$60.6
Benchmark	FTSE Canada Long Term Bond Index

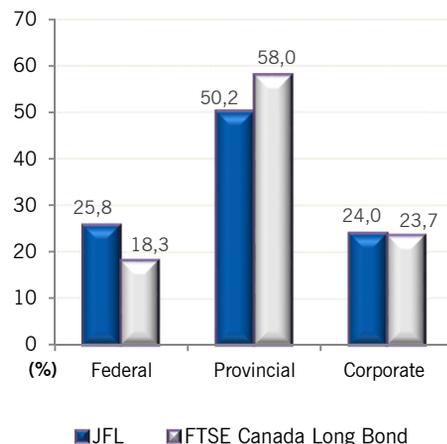
### PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
Yield to Maturity (%)	2.4	2.6
Duration (yrs)	15.3	15.6
Term (yrs)	22.4	23.3

### CREDIT QUALITY



### SECTOR MIX



## MARKET & ECONOMIC REVIEW

The bond market posted strong returns in the second quarter as yields continued their descent in response to evidence of weakness in the global economy and anticipation of central bank interest rate cuts. Within the central banks' data dependency framework, we are not surprised that the Fed has shifted relatively quickly from a tightening to an easing bias. While economic momentum has moved meaningfully lower, driven by weakness in China, the Canadian economy has generally surprised to the upside. The pressure to lower interest rates is not as obvious in Canada when looking at the inflation and growth prospects for the economy, and it is a dubious proposition that households require more incentives for debt-fueled spending.

Corporate bonds outperformed government bonds in the second quarter as the rally continued. As with the first quarter, the driving force was central bankers' shift to a more dovish policy stance, improving the pricing of all financial assets and, in particular, the more credit sensitive ones in the bond market. The yield curve further inverted as the 3-month Treasury bill yield was unchanged at 1.66% while the 10-year Government of Canada bond yield declined 14bps to 1.47%. Some of the inversion was a result of central bank intervention, however, this could still be seen as a signal of weaker economic growth to come.

## PORTFOLIO REVIEW

The portfolio tracked the FTSE Long Bond index in the second quarter and year-to-date. Despite a brief selloff in yields to begin the quarter, Canadian yields ended the quarter lower on a sequential basis. The Fund's shorter duration position relative to the benchmark was a detraction to performance. The portfolio's overweight position in corporate bonds was the key positive contributor to relative quarterly performance. Corporate credit spreads narrowed with the portfolio's select utility holdings providing particularly strong performance in the second quarter.

## INVESTMENT STRATEGY

Central bankers have indicated that they will pour fuel on the glowing embers of the expansion by reducing interest rates in order to keep it going.

There is an increasing potential for a significant shift in policy dynamics that could have a marked impact on the trajectory for inflation. We have viewed the aging demographics, digitization, globalization and increased debt levels as drivers of the subdued inflation environment of recent years. The one credible challenger to these deflationary pressures that has never fully been utilized is consistent fiscal deficit spending. Political winds seem to be changing on this practice, such that there is a real possibility fiscal policy will begin to dominate monetary policy. The ultimate end point will be a more inflationary environment, although there will be both fundamental and political obstacles to reach that point.

## 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 Canada Global Debt Capital Markets Inc.