

FUND FACTS

Inception Date : November 1, 2016
Fund Size (million \$) : \$68.0

Portfolio Manager : Heward Investment Management Inc.

| Fund Class | Fund Number | NAV (\$) |
|------------|-------------|----------|
| Class A | MAJ651 | \$11.68 |
| Class F | MAJ652 | \$10.90 |
| Class O | MAJ650 | \$12.64 |
| Class D | MAJ653 | N/A |

| Distributions | |
|-----------------------------------|--------|
| Q2 Income Distribution (Class O) | \$0.08 |
| YTD Income Distribution (Class O) | \$0.16 |
| Annual Capital Gains Distribution | N/A |

PERFORMANCE - Compounded Annual Returns (%)

| | 1 mth. | 3 mths. | 6 mths. | YTD | 1 year | 2 years | 3 years | 5 years | 10 years | Since Inception |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|----------|-----------------|
| Heward Income Fund | +1.06% | +4.05% | +1.48% | +1.48% | +3.07% | +3.32% | +2.99% | | | +3.30% |
| Fixed Income Benchmark* | +1.52% | +5.29% | +6.85% | +6.85% | +7.25% | +7.02% | +4.90% | | | +3.94% |

*10% FTSE TMX Canada 91 Day TBill Index, 90% FTSE-TMX Canada Universe Bond Index

OBJECTIVES AND STRATEGY

The Heward Income Fund seeks to generate long term capital appreciation and investment income to provide an attractive total investment return. The fund invests in a diversified basket of debt securities, preferred shares, income trusts, real estate investment trusts, hybrid products and common shares.

WHAT DOES THE FUND INVEST IN?

Current Asset Mix

| | |
|---|-------|
| ■ CASH | 6.9% |
| ■ FIXED INCOME | 87.2% |
| Preferred Shares | 6.6% |
| Federal Government | 20.4% |
| Provincial Government | 4.8% |
| Corporate | 55.5% |
| ■ EQUITY | 5.9% |



TOP TEN HOLDINGS

| HOLDING NAME | % OF PORTFOLIO |
|--|----------------|
| CANADA GOVT 0.750% Due 09-01-20 | 9.59% |
| CANADA GOVT 0.750% Due 03-01-21 | 6.66% |
| CANADA GOVT 2.000% Due 06-01-28 | 4.13% |
| TD BANK 2.982% Due 09-30-25 | 3.42% |
| QUEBEC PROV 2.500% Due 09-01-26 | 3.24% |
| HSBC BANK CDA 1.816% Due 07-07-20 | 2.97% |
| BELL CANADA 2.700% Due 02-27-24 | 2.70% |
| SAPUTO INC MEDIUM TE 2.827% Due 11-21-23 | 2.61% |
| MORGUARD CORP 4.013% Due 11-18-20 | 2.37% |
| PEMBINA PIPELINE 2.560% Due 06-01-23 | 2.26% |

WHO SHOULD INVEST IN THIS FUND?

The Heward Income Fund caters to risk-averse investors. They seek a steady stream of income through exposure to fixed income securities.

HOW THE FUND PERFORMED

After the unprecedented cuts in money market rates by the Federal Reserve and the Bank of Canada in March, bond rates collapsed to historic lows during the quarter under review. Even the longest Government of Canada bonds now yield just about 1%. Although this resulted in substantial price gains (especially for long term government bonds) for the quarter, overall bond returns were limited by widening corporate credit spreads. Given the historic low levels of interest rates, it is hard to see how bonds can continue to show the kind of performance that fixed income investors have seen over the past few years. Although the economic environment is still uncertain and Central Banks will keep their rates low, we do not expect money market and bond rates to fall into negative territory as they have done in Europe and Japan. For that reason we will continue to underweight duration in our fixed income holdings and aim to add value by investing in higher yielding solid corporate bonds, convertible debentures and preferred shares. Although potentially more volatile, in the long run this strategy is expected to benefit the (fixed) income returns as has been the case during the past quarter.

During the quarter under review the Income Fund gained 4.1% in value, which was a nice recovery after the challenging first quarter. All asset classes contributed to the positive performance, with especially high contributions from equities (+ 8.3%) and preferred shares (+ 12.3%). Although the bond performance was also positive (+4.2%), the lower than benchmark duration of our bond component detracted from the overall performance as bond rates declined much more than we expected. This was the main reason for the underperformance of the income fund relative to the benchmark, which is heavily levered towards long bonds.

QUICK FACTS AND FUND CHARACTERISTICS

CHARACTERISTICS:

- Fixed Income portfolio of primarily Canadian holdings
- 35-45 holdings
- Low to moderate risk
- Steady income and moderate growth

FUND TYPE: Fixed Income

REGISTERED ACCOUNT ELIGIBILITY: RRSP, RESP, RRIF, IPP, TFSA

MINIMUM INVESTMENT: \$150,000 (or investors who meet criterias "accredited investor")

DISTRIBUTION FREQUENCY: Income: Quarterly/Capital Gains: Annually

PROVINCES OF DISTRIBUTION: QC, ON, AB, NB, BC

FUND MANAGER: Majestic Asset Management LLC

FUND ADMINISTRATOR: SGGG Fund Services Inc.

CUSTODIAN: National Bank Independent Network

TRUSTEE: TSX Trust Company

AUDITORS: KPMG Canada

LEAD MANAGER

Willem Hanskamp

Senior Vice President, Portfolio Manager

Willem Hanskamp started his career as an Analyst with the Amsterdam-Rotterdam Bank in 1972. Later, Mr. Hanskamp joined Credit Lyonnais Netherlands and Paribas Netherlands, where he specialized in global research and portfolio management. Willem moved to Canada and joined Heward in 1990. Today, Willem Hanskamp's areas of concentration are Canadian, overseas (EAFE) and fixed-income securities.

Co-managers: Renato Anzovino, CFA & Maurice Conti



ABOUT THE FIRM

HEAD OFFICE: Montreal, Quebec

FOUNDED: In 1981 and remains independently owned by the principals of the firm, thus ensuring its continued independence

STAFF: 20

PORTFOLIO MANAGERS: Stable and experienced investment management team of 6 with almost 200 years of combined experience

INVESTMENT STYLE: Growth at a Reasonable Price (GARP) with value basis.

INVESTMENT PROCESS: Top-down/Bottom-up

INVESTMENT OBJECTIVE: To provide long term growth and preservation of capital

ASSETS UNDER MANAGEMENT: Approximately \$636 million

FOR MORE INFORMATION

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Performance is calculated after brokerage costs, but before management fees. Management fees and administrative expenses all may be associated with pooled fund investments. Please read the offering memorandum before investing. The indicated rates are the historical compound total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Pooled funds are not guaranteed, their value changes frequently and past performance may not be repeated. The Income Benchmark has been used since the inception of the Heward Income Fund on November 1st, 2016. It reflects the Fund's investment policy of 90% fixed income, 10% cash (+/- 20%).



HEWARD
INVESTMENT MANAGEMENT INC.