

Heward  
Canadian Dividend Growth Fund  
AS OF SEPTEMBER 30, 2018



FUND FACTS

**Inception Date :** June 30, 2009  
**Fund Size (million \$) :** \$58.3

**Portfolio Manager :** Heward Investment Management Inc.

Fund Class	Fund Number	NAV (\$)
Class A	MAJ551	\$10.95
Class F	MAJ552	\$17.59
Class O	MAJ550	\$17.96
Class D	MAJ553	N/A

Distributions	
Q3 Income Distribution (Class O)	\$0.14
YTD Income Distribution (Class O)	\$0.39
Annual Capital Gains Distribution	N/A

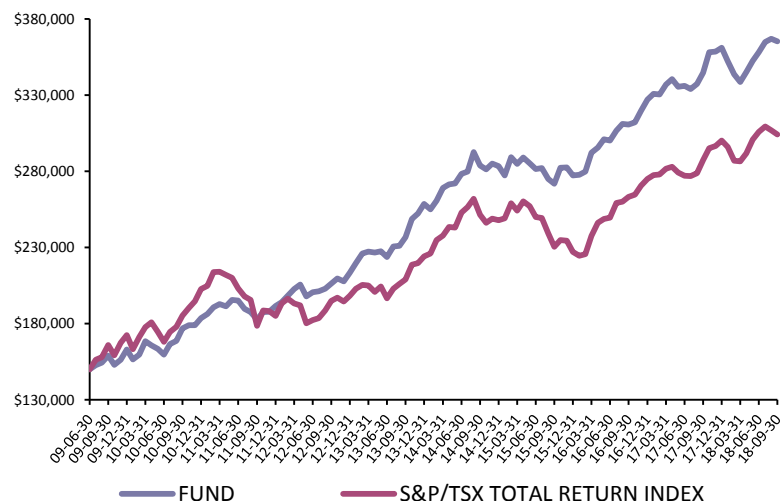
PERFORMANCE - Compounded Annual Returns (%)

	1 mth.	3 mths.	6 mths.	YTD	1 year	2 years	3 years	5 years	Since Inception
<b>Heward Canadian Dividend Growth Fund</b>	<b>-0.43%</b>	<b>+2.03%</b>	<b>+7.88%</b>	<b>+1.19%</b>	<b>+6.01%</b>	<b>+8.46%</b>	<b>+10.37%</b>	<b>+9.07%</b>	<b>+10.10%</b>
S&P/TSX Total Return Index	-0.89%	-0.57%	+6.16%	+1.36%	+5.87%	+7.52%	+9.70%	+7.80%	+7.94%

OBJECTIVES AND STRATEGY

The Heward Canadian Dividend Growth Fund invests in high-quality Canadian equities that have a history of consistently growing their dividends. The fund screens for companies that engage in businesses we understand, sell products based on needs, and demonstrate long-term earnings visibility and predictability. Special attention is paid to proven and seasoned management teams that successfully increase free cash flows and operate lean companies with low levels of financial leverage. Stocks that meet these criteria should have ample cash flows to return to shareholders in the form of dividends and in doing so demonstrate their financial soundness.

**Growth of \$150,000 Invested on June 30, 2009**



WHAT DOES THE FUND INVEST IN?

**Current Asset Mix**

CASH	8.7%
EQUITY	91.3%



**Sector Allocation**

CONSUMER DISCRETIONARY	4.96%
CONSUMER STAPLES	7.18%
ENERGY	12.84%
FINANCIALS	24.73%
INDUSTRIALS	15.28%
INFORMATION TECHNOLOGY	7.35%
REAL ESTATE	4.60%
COMMUNICATION SERVICES	9.21%
UTILITIES	5.11%
CASH	8.74%



**TOP TEN HOLDINGS**

STOCK NAME	% OF PORTFOLIO
BANK OF NOVA SCOTIA COMMON	4.50%
TORONTO DOMINION BK COMMON	3.78%
TELUS CORP COMMON	3.77%
CINEPLEX INC COMMON	3.73%
OPEN TEXT CORP COMMON	3.72%
INTACT FINANCIAL COMMON	3.69%
CANADIAN TIRE CORP CLASS A NON VTG	3.51%
THOMSON REUTERS CORP COMMON	3.45%
FINNING INTL COMMON	3.26%
STANTEC INC COMMON	3.21%

WHO SHOULD INVEST IN THIS FUND?

The Heward Canadian Dividend Growth Fund caters to risk-averse investors that value income. They seek a growing stream of dividends through exposure to high-quality equities with a history of cash flow growth and competent management teams.

## HOW THE FUND PERFORMED

The third quarter ended before the markets had a chance to digest two major announcements: the new NAFTA/USMCA agreement and the \$40bn LNG. While investors had been anticipating a final investment decision by Shell, the 11<sup>th</sup> hour agreement on a new free trade agreement (and its contents) were well received. Concerns over a failure to reach an agreement and its potential consequences had dogged the market over the latter part of summer, causing the S&P TSX index to decline by -0.57%. Our Heward Dividend Growth Fund, which typically outshines the market through times of concern, posted a return of 2.03%.

Having no gold exposure (a key negative sector for the benchmark) and the takeout of Evercare (top performer) by a private equity, keyed our numbers. Aside from Enercare, Parkland Fuel Corp, Cineplex Inc. and TFI International were all major contributors. The laggard within the fund was Maxar Technologies, which continues to digest their transformational, but highly accretive acquisition of Digital Globe. The market is concerned over increased capex; the capex is slated to provide stable long term revenues with higher margins. Additionally, it seemed timely for Spruce Point Capital Management to issue a "short" report, adding to investor anxiety. After carefully reviewing the report and reviewing the situation with analysts, we concluded that there were many inconsistencies with their thesis. Since the "short" report was issued, the company has signed several key contracts and has successfully launched satellites, which should help to restore investor confidence going forward.

During the quarter we began building a position in Restaurant Brands International (QSR). QSR is one of the largest quick service restaurant franchisors in the world with a network of 23,000 restaurants in over 100 countries. The company operates through three brands: Burger King, Tim Hortons and Popeye's. With a current yield of 3.1%, they have been one of the highest dividend growers in Canada with twelve dividend increases (61% per annum, 115% in 2017) over the last three years. Given the high predictability of their free cash flow, QSR's dividend growth will continue. In addition, the stock is trading below historic and peer valuations.

## QUICK FACTS AND FUND CHARACTERISTICS

- CHARACTERISTICS:**
- Low average beta 0.71
  - 25-35 stocks
  - Minimal cyclical exposure
  - 100% Canadian Equity

**FUND TYPE:** Canadian Dividend Growth Fund

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

**MINIMUM INVESTMENT:** \$150,000 (or investors who meet criteria as "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 Correspondent Network

**TRUSTEE:** TSX Trust Company

**AUDITORS:** KPMG Canada

## LEAD MANAGER

**Renato Anzovino, CFA**

**Vice President, Portfolio Manager**

Renato Anzovino has 20 years of experience in portfolio management. Prior to joining Heward in 2003, Mr. Anzovino was a Vice President at a prominent investment management firm. His previous experience extends to the Royal Trust and the Royal Bank Financial Group, where he was a portfolio manager for their private client division. Renato is an active member of the Montreal Society of Financial Analysts. Mr. Anzovino is also the lead Portfolio Manager of the Heward Equity Fund.

**Co-managers:** Willem Hanskamp & 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 capital growth and preservation of capital

**ASSETS UNDER MANAGEMENT:** Approximately \$765 million

## FOR MORE INFORMATION

**PLEASE CONTACT HEWARD INVESTMENT MANAGEMENT INC.**

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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 items. Pooled Funds are not guaranteed, their value changes frequently and past performance may not be repeated. The S&P/TSX Total Return Index Benchmark has been used since the inception of the Fund June 30, 2009. It reflects the Fund's Investment policy of 100% Canadian equities.



**HEWARD**  
INVESTMENT MANAGEMENT INC.