

Heward  
Income Fund  
AS OF DECEMBER 31, 2018



## FUND FACTS

**Inception Date :** November 1, 2016  
**Fund Size (million \$) :** \$63.2

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

| Fund Class | Fund Number | NAV (\$) |
|------------|-------------|----------|
| Class A    | MAJ651      | \$11.32  |
| Class F    | MAJ652      | \$10.60  |
| Class O    | MAJ650      | \$12.25  |
| Class D    | MAJ653      | N/A      |

| Distributions                     |        |
|-----------------------------------|--------|
| Q4 Income Distribution (Class O)  | \$0.09 |
| YTD Income Distribution (Class O) | \$0.33 |
| 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 Income Fund</b> | <b>-0.13%</b> | <b>-1.06%</b> | <b>-0.48%</b> | <b>+0.13%</b> | <b>+0.13%</b> | <b>+2.45%</b> |         |         | <b>+2.28%</b>   |
| Fixed Income Benchmark*   | +1.24%        | +1.63%        | +0.79%        | +1.41%        | +1.41%        | +1.87%        |         |         | +0.64%          |

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

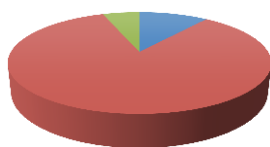
## OBJECTIVES AND STRATEGY

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

|   |       |
|---|-------|
| <span style="color: blue;">■</span> CASH        | 10.5% |
| <span style="color: red;">■</span> FIXED INCOME | 83.9% |
| Preferred Shares                                | 11.8% |
| Federal Government                              | 22.8% |
| Provincial Government                           | 4.8%  |
| Corporate                                       | 44.2% |
| Other   | 0.4%  |
| <span style="color: green;">■</span> EQUITY     | 5.6%  |



### TOP TEN HOLDINGS

| HOLDING NAME                             | % OF PORTFOLIO |
|--|----------------|
| CANADA GOVT 0.750% Due 09-01-20          | 6.23%          |
| CANADA GOVT 1.250% Due 02-01-20          | 5.53%          |
| CANADA GOVT 0.750% Due 08-01-19          | 5.52%          |
| CANADA GOVT 2.000% Due 06-01-28          | 3.98%          |
| TD BANK 2.982% Due 09-30-25              | 3.67%          |
| QUEBEC PROV 2.500% Due 09-01-26          | 3.15%          |
| HSBC BANK CDA 1.816% Due 07-07-20        | 3.15%          |
| BELL CANADA 2.700% Due 02-27-24          | 2.69%          |
| SAPUTO INC MEDIUM TE 2.827% Due 11-21-23 | 2.62%          |
| MORGUARD CORP 4.013% Due 11-18-20        | 2.55%          |

## 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 initially moving to new highs for this cycle in November, interest rates took a nosedive at the same time equity markets weakened on fears of significantly slower economic growth ahead. As a result, bond returns took a turn for the better after yielding negative returns for most of the year. Unfortunately, the fear of an imminent recession, whether justified or not, caused weakness in equities and also left its trace in the form of widening credit spreads on anything else than government bonds. Both the equity component and the preferred share component put a significant drag on the overall performance for the final quarter and the full year. The latter group suffered especially from the lack of liquidity in the market and the selling pressure caused by fairly massive selling by ETFs.

Despite a late December turnaround and the positive contribution from some Government of Canada long term bond trades, the overall performance of the income Fund was flat for the calendar year after having been ahead of the benchmark for the past several years. As always, fear based sell-offs do usually offer interesting opportunities. Even though the world is not in as great a condition as at the beginning of last year, we are nowhere near a recession environment. We also think that somewhat slower economic growth will reduce the fears of substantially rising interest rates, one of the main reasons for weaker market performances in the first place. We expect maybe one more rate hike in the US and very likely no rate hike in Canada at all. This means that bond rates may also be less volatile in the coming year. With their very high dividend yield levels we think that preferred shares will make a gradual further comeback in the new year, while equities and convertible bonds will also be able to provide a better than benchmark return.

## 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 Correspondent 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 \$657 million

## FOR MORE INFORMATION

### PLEASE CONTACT HEWARD INVESTMENT MANAGEMENT INC.

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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.