

FUND FACTS

Inception Date : November 1, 2016
Fund Size (million \$) : \$64.9

Portfolio Manager : Heward Investment Management Inc.

Fund Class	Fund Number	NAV (\$)
Class A	MAJ651	\$11.79
Class F	MAJ652	\$10.87
Class O	MAJ650	\$12.59
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	Since Inception
Heward Income Fund	+0.57%	+1.48%	+4.08%	+4.08%	+3.58%	+2.95%			+3.39%
Fixed Income Benchmark*	+0.83%	+2.30%	+5.94%	+5.94%	+6.78%	+3.74%			+2.72%

*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	5.3%
■ FIXED INCOME	92.2%
Preferred Shares	11.1%
Federal Government	23.9%
Provincial Government	4.8%
Corporate	52.3%
■ EQUITY	2.5%



TOP TEN HOLDINGS

HOLDING NAME	% OF PORTFOLIO
CANADA GOVT 0.750% Due 09-01-20	7.64%
CANADA GOVT 1.250% Due 02-01-20	6.95%
CANADA GOVT 2.000% Due 06-01-28	4.03%
TD BANK 2.982% Due 09-30-25	3.61%
QUEBEC PROV 2.500% Due 09-01-26	3.21%
HSBC BANK CDA 1.816% Due 07-07-20	3.10%
CANADA GOVT 0.750% Due 08-01-19	3.09%
BELL CANADA 2.700% Due 02-27-24	2.75%
SAPUTO INC MEDIUM TE 2.827% Due 11-21-23	2.65%
MORGUARD CORP 4.013% Due 11-18-20	2.51%

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 a period of relative calm and stability, interest rates dropped again towards the end of the reporting quarter to reach new cycle lows. Further proof of slowing global economic growth and stagnating China/US trade negotiations were the main reason for the fall. Economic conditions are expected to remain frail for the near future, especially in Europe, but we are still giving low odds to the possibility of recession. Central Banks are giving all the right indications as to what they are prepared to do to keep the global economy going and government spending has also increased in many countries. The real culprit in this environment is corporate spending which has largely been absent given the uncertainties on international trade and tariffs. A trade agreement between the US and China would go a long way to put that issue to rest and could unleash an overdue corporate investment boom.

Although there are some fears that we might revisit the 2015 situation with rates at very low levels globally, we do believe that the deflation risk that was at the origin of that move is absent now (maybe with the exception of Europe). Bond markets may already have largely priced in Central Bank actions to come. Hence, we think that bond rates may stabilize at around present levels or go only marginally lower. Against this backdrop, we reduced our position in long term bonds recently (after adding to them early in the quarter) while we have started to bottom fish a bit in preferred shares which remained under pressure. We still have an overweight position in bonds (but are underweight duration), a neutral position in preferred shares and an underweight position in equities and high yield vehicles. Overall, the quarter under review provided a return of 1.48% for the portfolio as a whole, while the year to date return produced a return of 4.08%. All segments of the portfolio contributed to the positive performance. However, given our below average duration in the bond component, despite the positive contribution of some long bond trades, the total return on the portfolio stayed below the unexpectedly high quarterly and year to date performance of the fixed income benchmark.

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 \$699 million

FOR MORE INFORMATION

PLEASE CONTACT HEWARD INVESTMENT MANAGEMENT INC.

2115 rue de la Montagne,
Montreal, QC H3G 1Z8

www.heward.com

Telephone: (514) 985-5757

Toll Free: 1-800-567-5257

Fax: (514) 985-5755

Email: info@heward.com

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.