

Heward
Income Fund
AS OF DECEMBER 31, 2019



FUND FACTS

Inception Date : November 1, 2016
Fund Size (million \$) : \$67.0

Portfolio Manager : Heward Investment Management Inc.

Fund Class	Fund Number	NAV (\$)
Class A	MAJ651	\$11.65
Class F	MAJ652	\$10.89
Class O	MAJ650	\$12.62
Class D	MAJ653	N/A

Distributions	
M12 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	10 years	Since Inception
Heward Income Fund	-0.06%	+0.57%	+1.56%	+5.70%	+5.70%	+2.88%	+3.52%			+3.35%
Fixed Income Benchmark*	-1.06%	-0.72%	+0.38%	+6.34%	+6.34%	+3.85%	+3.34%			+2.41%

*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	5.8%
■ FIXED INCOME	86.5%
Preferred Shares	8.4%
Federal Government	23.4%
Provincial Government	4.6%
Corporate	50.0%
■ EQUITY	7.7%



TOP TEN HOLDINGS

HOLDING NAME	% OF PORTFOLIO
CANADA GOVT 0.750% Due 09-01-20	9.66%
CANADA GOVT 1.250% Due 02-01-20	6.75%
CANADA GOVT 2.000% Due 06-01-28	3.82%
TD BANK 2.982% Due 09-30-25	3.48%
CANADA GOVT 2.000% Due 12-01-51	3.17%
QUEBEC PROV 2.500% Due 09-01-26	3.08%
HSBC BANK CDA 1.816% Due 07-07-20	3.01%
BELL CANADA 2.700% Due 02-27-24	2.65%
SAPUTO INC MEDIUM TE 2.827% Due 11-21-23	2.56%
MORGUARD CORP 4.013% Due 11-18-20	2.43%

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

Signs of a possible trade agreement between China and the US, an orderly outcome for Brexit and bottoming economic indicators in most developed and emerging economies caused interest rates in the US and Canada to rise from the cycle low levels reached in August/September. Although global economic growth is expected to reaccelerate next year, the magnitude is likely to remain moderate and it may not be synchronized. As well, none of the aforementioned issues are completely resolved, so they may perk up again at some time. Against this background, Central Banks are expected to stand pat. With the exception of Canada, yield curves in most countries have normalized after having been inverted earlier on. Short term growth concerns here keep putting some downside pressure on bond rates. When global growth turns around we believe that that will eventually spill over into Canada as well, especially with a supportive federal fiscal policy in place. As a result bond rates in Canada may have to rise a bit more over the next few quarters. We do not think that the move will be dramatic and generally we do not expect global interest rates to increase to levels where they will start to choke off global economic growth. However, bond returns will be modest at best after a very strong performance during 2019.

For the full year the fund provided a return of 5.70%, a little bit shy of the benchmark return of 6.34% (one of the best years in recent years). As we were running a below average duration in our bond allocation, bond returns were a bit below benchmark. On the other hand, preferred share and especially equities made a higher than benchmark contribution to the overall portfolio performance.

Given our top down view and interest rate outlook, we will continue to underweight duration, while concentrating on slightly higher yielding corporate bonds and convertible bonds. We will use market opportunities to add to equity positions, while also looking for opportunities in the preferred share market.

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 \$707 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%).



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INVESTMENT MANAGEMENT INC.