

Performance Review

- For the fourth quarter of 2018, Canadian equities decreased 10.1%. Given the extent of the pullback, the Canadian equity market underwent a meaningful correction since reaching its all-time high on July 12, 2018, declining 15.7% to its recent low on December 24, 2018. Notwithstanding this correction, the S&P/TSX Composite TRI remains in a bull market that is now nine and three-quarter years old and resides 152.7% above the previous bear market low on March 9, 2009.
- Canadian fixed income largely fulfilled its role as a stabilizing counterpoint to equity market volatility with the FTSE Canada Universe Bond Index returning 1.8% during the quarter. For the full year of 2018, the Universe Index returned 1.4%, highlighting the full-year impact of higher rates in the front end of the yield curve and wider corporate bond spreads, especially in the longer maturity bucket. For the quarter, the long-term segment of the FTSE Canada Bond Universe underperformed the mid-term segment but outpaced the short-term segment. Within credit markets, corporate spreads widened substantially. At current level, corporate spreads are now close to historic averages.
- For the quarter, the fund's Series F shares returned -8.59%, and its benchmark, the Custom Franklin Bissett Canadian All Cap Balanced Benchmark, returned -6.05%.

QUARTERLY KEY PERFORMANCE DRIVERS

HELPED	In the fixed income component, the fund benefitted from yield curve and duration positioning.

HURT	Canadian equity performance was mainly impacted by lagging performance in the small cap space.
	In the fixed income component, below-market exposure to federal bonds detracted from relative performance.

- The fund remained active in the quarter, completing purchases of positions in ATCO, Saputo, and Manulife Financial. Notable sales during the period included Crew Energy, Nuvista Energy and Black Diamond. Shares in Trinidad Drilling and Blackpearl Resources were disposed of in respective cash and share transactions.
- The fund's fixed income positioning relative to the FTSE Canada Universe Bond Index reflected an overweighting in credit securities and a slightly below benchmark duration positioning, with an overweight to the mid-term area of the yield curve.
- In terms of asset mix, the equity allocation increased by 3.4%, the fixed income allocation decreased by 1.3% and the cash position decreased by 2.1%. As of December 31, 2018, the fund's asset positioning stood at 69.7% Canadian equity, 30.9% fixed income and a residual allocation of 0.7% in cash.

Outlook & Strategy

- With the S&P/TSX Composite TRI having retraced from its all-time high achieved in the third quarter of 2018, we are now firmly in correction territory. The current bull market began in 2009 and has now experienced corrections in 2011, 2014, 2016 and 2018. As was the case going into this most recent correction, we believe now is an important time to be increasingly discerning. With our long-term perspective and fundamental approach, we will capitalize on equity market dislocations as they present themselves.
- Fixed income allocation remains slightly defensive with regard to duration. Credit valuations have improved significantly but we are not yet ready to call the "bottom" in terms of the widening we have seen. Nonetheless, we believe it is still prudent to overweight corporate credit, which offers less duration and, thanks to its extra spread, more cushion against interest rate volatility. We continue to prefer higher quality assets at this late stage in the economic cycle.

Fund Details

Inception Date	01/12/2009
Benchmark	Custom Franklin Bissett Canadian All Cap Balanced Benchmark, Custom Franklin Bissett Canadian All Cap Balanced Benchmark (non-time-linked), S&P/TSX Composite Index, FTSE Canada Universe Bond Index

Fund Description

This Fund seeks a balance of current income and long-term capital appreciation by investing primarily in a diversified portfolio of Canadian equity and fixed income securities, and to a lesser degree, in fixed income securities issued around the world. Under normal market conditions, the Fund's baseline allocation between the broad asset classes will be 65% equities and 35% fixed income.

Performance Data

Performance (%) as of 12/31/2018

	1 Month	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Series A	-3.45	-8.83	-11.89	-11.89	3.46	1.40	-	5.96
Series F	-3.37	-8.59	-10.90	-10.90	4.60	2.51	-	7.14
Custom Franklin Bissett Canadian All Cap Balanced Benchmark	-3.06	-6.05	-5.30	-5.30	4.85	3.96	6.44	6.62
Custom Franklin Bissett Canadian All Cap Balanced Benchmark (non-time- linked)	-3.06	-6.06	-5.27	-5.27	4.86	3.97	6.75	6.91
S&P/TSX Composite Index	-5.40	-10.11	-8.89	-8.89	6.37	4.06	7.92	8.17
FTSE Canada Universe Bond Index ¹	1.36	1.76	1.41	1.41	1.86	3.55	4.16	4.15

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

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