



# **BRIDGEHOUSE**

*Independent Platform*

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**Brandes Greystone Lazard Sionna Morningstar**

2017 Annual Management Report  
of Fund Performance

Brandes Corporate Focus Bond Fund



## BRANDES CORPORATE FOCUS BOND FUND

*This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. The annual financial statements are in a separate booklet. You may obtain a copy of the annual financial statements at your request, and at no cost, by calling toll-free 1.888.861.9998, by writing to us at Bridgehouse Asset Managers, 33 Yonge Street, Suite 300, Toronto, ON, M5E 1G4, or by visiting our website: [www.bridgehousecanada.com](http://www.bridgehousecanada.com) or the SEDAR website: [www.sedar.com](http://www.sedar.com).*

*You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.*

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Investment Objective and Strategies

Our objective for this Fund is to generate income and capital appreciation for investors over the long-term by investing primarily in U.S. dollar denominated corporate fixed income securities, including investment grade and non-investment grade fixed income securities.

The portfolio sub-advisor in respect of this Fund, Brandes Investment Partners, L.P. ("Brandes LP") uses a Graham & Dodd value approach when selecting the actual securities to go into the Fund. This means that, on behalf of the Fund, they select fixed income securities of companies which, in their estimation, have a higher value (intrinsic value) than is currently reflected in the market.

Brandes LP's intention is to create a portfolio of undervalued fixed income securities available, in their estimation, diversified as described in the simplified prospectus.

The Fund offers both a Hedged and Unhedged Series of units. The Hedged Series is designed for investors who might be uncomfortable with fluctuations in the U.S. dollar. The Unhedged Series is for investors who wish to be exposed to fluctuations in the U.S. dollar.

#### Risk

As an investor in this Fund, you should be prepared for short-term performance fluctuations, and be a patient, long-term holder.

This Fund also carries a currency risk for investors in the Unhedged Series. This impacted the Fund's returns last year as the Canadian dollar traded in a wide range relative to the U.S. dollar.

There were no significant changes to the level or type of risk you would expect from the Fund over the course of the year. It continues to have a low to medium risk level. Refer to the Fund's simplified prospectus for a complete list of all risks.

#### Results of Operations from January 1, 2017 to December 31, 2017

##### **Markets & Effect**

As 2017 has come and gone, bond yields have remained stubbornly low, yield spreads have hovered around historically tight levels, and volatility has been virtually non-existent.

While the year was clearly eventful - volatility in Washington, the Federal Reserve raised short-term rates three times and began its balance-sheet unwind, North Korea launched rockets over Japan, and the United States weathered two major hurricanes - the market scarcely yawned.

In addition to the outperformance of risk-based assets, the other noteworthy theme was the ongoing flattening of the Treasury yield curve. The yield on the two-year U.S. Treasury closed the year the highest since 2008. Meanwhile, the yield on the 30-year U.S. Treasury security remained in the lowest quartile since 2008.

The market appears to have assigned a good deal of certainty to a smoothly executed balance-sheet normalization, particularly in the mortgage backed security (MBS) market. Yield spreads in the MBS market continued to hover near historically low levels.

##### **Performance**

The Unhedged Series A units of the Fund trailed its benchmark, losing 4.2% versus a loss of 3.1% for the Barclays Capital Intermediate U.S. Credit Index. The Hedged Series AH units of the Fund also trailed its benchmark with Series AH units gaining 2.3% versus a gain of 3.0% for the Barclays Capital Intermediate U.S. Credit Index (Hedged).

The Fund returns are after the deduction of fees and expenses while the benchmark returns do not include any costs of investing. See the "Past Performance" section for the returns of the other series, which may vary because of differences in management fees and expenses or timing of series introduction.

### **Asset Mix**

At December 31 2017, the Fund consisted of 25.9% in U.S. government fixed income securities, 70.6% in U.S. corporate fixed income securities, and approximately 3.5% in cash and other net assets.

The securities holdings in the Fund had an average credit rating of A2 by Moody's at December 31, 2017, changed from A3 at December 31, 2016. The Fund's duration increased to 3.49 years at December 31, 2017 from 3.43 years at December 31, 2016.

In line with its "bottom-up" investment philosophy, Brandes LP continues to build the portfolio on a security-by-security basis, as opposed to top-down.

Typically less than 5% of the Fund is allocated to any one security, at the time of purchase. Therefore, the addition or deletion of an individual security will generally not constitute a substantial change to the portfolio.

### **Flows & Fees**

The Fund's Net Asset Value decreased to \$82.5 million at December 31, 2017, from \$86.0 million at December 31, 2016. Of this change, a decrease of \$0.3 million was due to negative performance (net of investment income), and a decrease of \$3.2 million was due to outflows.

For Series A units, the annualized management expense ratio ("MER") at December 31, 2017 is 1.52%, unchanged from December 31, 2016, for the Unhedged series. The annualized MER for the Hedged series is 1.58% at December 31, 2017, compared to 1.57% at December 31, 2016.

### **Recent Developments**

There are no known changes at this time to the strategic positioning of the Fund, the manager, or portfolio sub-advisor.

On July 7, 2017, Bridgehouse re-designated current investors in Series K to Series A, Series M to Series F, Series KH to Series AH, Series MH to Series FH and eliminated Series K, Series M, Series KH & Series MH. In anticipation of the Series re-designations, Series K, Series M, Series KH and Series MH were closed to new purchases as of July 4, 2017.

### **International Financial Reporting Standards**

IFRS 9, "Financial Instruments" ("IFRS 9")—The International Accounting Standards Board (IASB) issued IFRS 9 to replace IAS 39, "Financial Instruments—Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is

held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

The new standard is effective for the Fund's for its fiscal year beginning January 1, 2018. On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements."

### **Related Party Transactions**

#### **Manager and Portfolio Sub-Advisor**

The Fund is managed and advised by Brandes Investment Partners & Co., operating as Bridgehouse Asset Managers ("Bridgehouse") which provides (or arranges for) investment management, distribution, marketing and promotion of the Fund. Bridgehouse receives a monthly management fee based on the daily average net assets of each class of the Fund. In addition, Bridgehouse is entitled to be reimbursed by the Fund for certain operating expenses.

Brandes Investment Partners L.P. ("Brandes LP") continued to be the Manager's portfolio sub-advisor in respect of the Fund. Bridgehouse pays Brandes LP an investment management fee to provide the Fund with investment management services. Bridgehouse and Brandes LP are affiliates.

#### **Forward-Looking Statements**

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may", "will", "should", "could", "expect", "anticipate", "intend", "plan", "believe", or "estimate" or other similar expressions. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. These factors could include, among others, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic

and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's simplified prospectus. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

### **Benchmark Indices**

**Barclays Capital Intermediate U.S. Credit Index:** This index measures the performance of investment grade corporate bonds in the United States with maturities of between one and ten years.

**Barclays Capital Intermediate U.S. Credit Index (Hedged):** This index measures the performance of investment grade corporate bonds in the United States with maturities of between one and ten years. The hedged version minimizes the exposure of currency fluctuations on index performance.

## FINANCIAL HIGHLIGHTS

FOR PERIODS ENDED DECEMBER 31, 2013 TO 2017

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five periods ended December 31 or, if shorter, the period since the inception of the Fund. In the year a fund or series is established, 'period' represents inception to December 31 of that year. In all other cases, 'period' represents year ended December 31.

### The Fund's Net Assets per Unit (\$) (note 1)

|           |      | Increase (decrease) from operations  |                    |                     |   |   |  | Distributions                                       |                     |                         |                        | Net assets, end of period (\$) |  |
|-----------|------|--------------------------------------|--------------------|---------------------|---|---|--|---|---------------------|-------------------------|------------------------|--------------------------------|--|
|           |      | Net assets, beginning of period (\$) | Total revenue (\$) | Total expenses (\$) | Realized gains (losses) for the period (\$) | Unrealized gains (losses) for the period (\$) | Total increase (decrease) from operations (\$)<br>(note 2) | From net investment income excluding dividends (\$) | From dividends (\$) | From capital gains (\$) | Return of capital (\$) |                                | Total annual distribution (\$)<br>(note 3) |
| Series A  | 2017 | 10.10                                | 0.42               | (0.16)              | 0.13  | (0.78)  | (0.39)   | (0.27)  | -                   | -                       | -                      | (0.27)                         | 9.41                                       |
|           | 2016 | 9.87                                 | 0.47               | (0.16)              | 0.74  | (0.56)  | 0.49   | (0.31)  | -                   | -                       | -                      | (0.31)                         | 10.10                                      |
|           | 2015 | 8.89                                 | 0.45               | (0.16)              | 0.53  | 0.48  | 1.30   | (0.28)  | -                   | -                       | -                      | (0.28)                         | 9.87                                       |
|           | 2014 | 8.12                                 | 0.38               | (0.13)              | 0.24  | 0.52  | 1.01   | (0.26)  | -                   | -                       | -                      | (0.26)                         | 8.89                                       |
|           | 2013 | 7.79                                 | 0.36               | (0.13)              | 0.02  | 0.30  | 0.55   | (0.23)  | -                   | -                       | -                      | (0.23)                         | 8.12                                       |
| Series F  | 2017 | 10.07                                | 0.42               | (0.10)              | 0.14  | (0.76)  | (0.30)   | (0.32)  | -                   | -                       | -                      | (0.32)                         | 9.38                                       |
|           | 2016 | 9.85                                 | 0.47               | (0.10)              | 0.80  | (0.75)  | 0.42   | (0.38)  | -                   | -                       | -                      | (0.38)                         | 10.07                                      |
|           | 2015 | 8.87                                 | 0.44               | (0.10)              | 0.53  | 0.40  | 1.27   | (0.33)  | -                   | -                       | -                      | (0.33)                         | 9.85                                       |
|           | 2014 | 8.10                                 | 0.40               | (0.09)              | 0.22  | 0.52  | 1.05   | (0.30)  | -                   | -                       | -                      | (0.30)                         | 8.87                                       |
|           | 2013 | 7.76                                 | 0.36               | (0.08)              | 0.02  | 0.29  | 0.59   | (0.27)  | -                   | -                       | -                      | (0.27)                         | 8.10                                       |
| Series I  | 2017 | 9.23                                 | 0.39               | (0.01)              | 0.12  | (0.75)  | (0.25)   | (0.36)  | -                   | -                       | -                      | (0.36)                         | 8.62                                       |
|           | 2016 | 9.02                                 | 0.43               | (0.01)              | 0.73  | (0.82)  | 0.33   | (0.42)  | -                   | -                       | -                      | (0.42)                         | 9.23                                       |
|           | 2015 | 8.12                                 | 0.41               | (0.01)              | 0.48  | 0.41  | 1.29   | (0.39)  | -                   | -                       | -                      | (0.39)                         | 9.02                                       |
|           | 2014 | 8.06                                 | 0.38               | -                   | 0.26  | 0.37  | 1.01   | (1.09)  | -                   | -                       | -                      | (1.09)                         | 8.12                                       |
|           | 2013 | 7.78                                 | 0.35               | -                   | 0.02  | 0.36  | 0.73   | (0.40)  | -                   | -                       | -                      | (0.40)                         | 8.06                                       |
| Series AH | 2017 | 8.13                                 | 0.36               | (0.14)              | 0.40  | (0.45)  | 0.17   | (0.22)  | -                   | -                       | -                      | (0.22)                         | 8.09                                       |
|           | 2016 | 7.74                                 | 0.38               | (0.13)              | 0.28  | 0.17  | 0.70   | (0.25)  | -                   | -                       | -                      | (0.25)                         | 8.13                                       |
|           | 2015 | 8.28                                 | 0.38               | (0.14)              | (0.87)                                      | 0.39  | (0.24)   | (0.24)  | -                   | -                       | -                      | (0.24)                         | 7.74                                       |
|           | 2014 | 8.22                                 | 0.40               | (0.14)              | (0.37)                                      | 0.49  | 0.38   | (0.26)  | -                   | -                       | -                      | (0.26)                         | 8.28                                       |
|           | 2013 | 8.34                                 | 0.38               | (0.13)              | (0.45)                                      | 0.27  | 0.07   | (0.23)  | -                   | -                       | -                      | (0.23)                         | 8.22                                       |
| Series FH | 2017 | 8.04                                 | 0.35               | (0.09)              | 0.44  | (0.49)  | 0.21   | (0.26)  | -                   | -                       | -                      | (0.26)                         | 8.01                                       |
|           | 2016 | 7.65                                 | 0.38               | (0.09)              | 0.79  | (0.32)  | 0.76   | (0.29)  | -                   | -                       | -                      | (0.29)                         | 8.04                                       |
|           | 2015 | 8.19                                 | 0.38               | (0.09)              | (0.86)                                      | 0.39  | (0.18)   | (0.29)  | -                   | -                       | -                      | (0.29)                         | 7.65                                       |
|           | 2014 | 8.12                                 | 0.39               | (0.09)              | (0.38)                                      | 0.43  | 0.35   | (0.30)  | -                   | -                       | -                      | (0.30)                         | 8.19                                       |
|           | 2013 | 8.25                                 | 0.38               | (0.09)              | (0.39)                                      | 0.26  | 0.16   | (0.28)  | -                   | -                       | -                      | (0.28)                         | 8.12                                       |
| Series IH | 2017 | 8.24                                 | 0.35               | (0.01)              | 0.47  | (0.48)  | 0.33   | (0.35)  | -                   | -                       | -                      | (0.35)                         | 8.20                                       |
|           | 2016 | 7.84                                 | 0.39               | (0.01)              | 0.29  | 0.12  | 0.79   | (0.38)  | -                   | -                       | -                      | (0.38)                         | 8.24                                       |
|           | 2015 | 8.39                                 | 0.38               | (0.01)              | (0.81)                                      | 0.28  | (0.16)   | (0.37)  | -                   | -                       | -                      | (0.37)                         | 7.84                                       |
|           | 2014 | 8.32                                 | 0.39               | -                   | (0.36)                                      | 0.42  | 0.45   | (0.38)  | -                   | -                       | -                      | (0.38)                         | 8.39                                       |
|           | 2013 | 8.45                                 | 0.37               | -                   | (0.44)                                      | 0.31  | 0.24   | (0.37)  | -                   | -                       | -                      | (0.37)                         | 8.32                                       |

1. The financial information presented in the Net Assets per Unit table is derived from the Fund's audited annual financial statements. The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. The 2013 numbers have been restated for comparative purposes to comply with IFRS 13, which came into effect January 1, 2014.

2. Net Assets and distributions are per Unit of a series are based on the actual number of units outstanding for that series at the relevant time. The Increase (Decrease) from Operations per Unit of a series is based on the weighted average number of units outstanding for that series during the financial period.

3. Distributions per Unit of a series are based on the number of units outstanding for the series on the record dates for the distributions. Distributions were paid in cash/reinvested in additional units of the Fund or both.

## Ratios and Supplemental Data

|           |      | Total net asset value (\$000) (note 4) | Number of units outstanding (000) (note 4) | Management expense ratio (MER) (%) (note 5) | MER before waivers or absorption (%) (note 5) | Portfolio turnover rate (%) (note 6) | Trading expense ratio (%) | Net asset value per unit (\$) |
|-----------|------|--|--|---|---|--------------------------------------|---------------------------|-------------------------------|
| Series A  | 2017 | 22,808                                 | 2,424                                      | 1.52  | 1.56  | 34.72                                | -                         | 9.41                          |
|           | 2016 | 18,724                                 | 1,854                                      | 1.52  | 1.63  | 51.98                                | -                         | 10.10                         |
|           | 2015 | 21,933                                 | 2,223                                      | 1.54  | 1.62  | 23.40                                | -                         | 9.87                          |
|           | 2014 | 21,260                                 | 2,392                                      | 1.53  | 1.62  | 23.12                                | -                         | 8.89                          |
|           | 2013 | 20,306                                 | 2,499                                      | 1.53  | 1.60  | 28.75                                | -                         | 8.12                          |
| Series F  | 2017 | 19,347                                 | 2,063                                      | 0.96  | 1.01  | -                                    | -                         | 9.38                          |
|           | 2016 | 8,194                                  | 814  | 0.96  | 1.07  | -                                    | -                         | 10.07                         |
|           | 2015 | 18,942                                 | 1,924                                      | 0.97  | 1.06  | -                                    | -                         | 9.85                          |
|           | 2014 | 16,216                                 | 1,829                                      | 0.97  | 1.07  | -                                    | -                         | 8.87                          |
|           | 2013 | 10,264                                 | 1,267                                      | 0.97  | 1.05  | -                                    | -                         | 8.10                          |
| Series I  | 2017 | 230                                    | 27   | 0.00  | 0.00  | -                                    | -                         | 8.62                          |
|           | 2016 | 237                                    | 26   | 0.00  | 0.00  | -                                    | -                         | 9.23                          |
|           | 2015 | 5                                      | 1  | 0.00  | 0.00  | -                                    | -                         | 9.02                          |
|           | 2014 | 3                                      | -  | 0.00  | 0.00  | -                                    | -                         | 8.12                          |
|           | 2013 | 69                                     | 9  | 0.00  | 0.00  | -                                    | -                         | 8.06                          |
| Series AH | 2017 | 9,031                                  | 1,116                                      | 1.58  | 1.62  | -                                    | -                         | 8.09                          |
|           | 2016 | 4,873                                  | 600  | 1.57  | 1.70  | -                                    | -                         | 8.13                          |
|           | 2015 | 5,889                                  | 761  | 1.57  | 1.69  | -                                    | -                         | 7.74                          |
|           | 2014 | 8,612                                  | 1,040                                      | 1.58  | 1.69  | -                                    | -                         | 8.28                          |
|           | 2013 | 13,629                                 | 1,659                                      | 1.58  | 1.66  | -                                    | -                         | 8.22                          |
| Series FH | 2017 | 18,884                                 | 2,358                                      | 1.01  | 1.06  | -                                    | -                         | 8.01                          |
|           | 2016 | 11,110                                 | 1,382                                      | 1.02  | 1.14  | -                                    | -                         | 8.04                          |
|           | 2015 | 3,970                                  | 519  | 1.00  | 1.11  | -                                    | -                         | 7.65                          |
|           | 2014 | 8,392                                  | 1,025                                      | 1.00  | 1.11  | -                                    | -                         | 8.19                          |
|           | 2013 | 8,686                                  | 1,069                                      | 1.01  | 1.09  | -                                    | -                         | 8.12                          |
| Series IH | 2017 | 12,175                                 | 1,484                                      | 0.00  | 0.00  | -                                    | -                         | 8.20                          |
|           | 2016 | 14,421                                 | 1,750                                      | 0.00  | 0.00  | -                                    | -                         | 8.24                          |
|           | 2015 | 14,594                                 | 1,861                                      | 0.00  | 0.00  | -                                    | -                         | 7.84                          |
|           | 2014 | 18,049                                 | 2,151                                      | 0.00  | 0.00  | -                                    | -                         | 8.39                          |
|           | 2013 | 16,062                                 | 1,931                                      | 0.00  | 0.00  | -                                    | -                         | 8.32                          |

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the previous years shown.
- The management expense ratio ("MER") is calculated as the total management fees and operating expenses paid by each series of the Fund, including GST/HST and interest and excluding commissions and other portfolio transaction costs, and is expressed as a percentage of the average daily Net Asset Value of each series of the Fund on an annualized basis. Any management fee distributions paid by a series of the fund that effectively reduced management fees payable by some unitholders are not deducted from expenses to determine the overall MER of that series. The Manager, at its sole discretion, waives management fees or absorbs expenses. Such waivers and absorptions can be terminated at any time. The MERs of the Fund are shown both with and without the waiver and absorptions.
- Portfolio turnover rate is calculated at the Fund level based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short term notes and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## MANAGEMENT FEES

Bridgehouse Asset Managers, the Manager, provides or arranges for investment management, distribution, marketing and promotion of the Fund. In consideration for the services provided, Bridgehouse Asset Managers receives a monthly management fee based on the daily average Net Asset Value of Series A, Series F, Series AH and Series FH. Management fees for Series I and Series IH are negotiated and paid directly by the unitholders of Series I and Series IH, not by the Fund.

For the year ended December 31, 2017, the Fund paid Bridgehouse Asset Managers management fees of \$684,601. Bridgehouse uses these management fees to pay for commission payments to registered brokers and dealers and general investment management expenses. The breakdown (commission payments / investment management, administration and other) as a proportion of the management fee for each Series are:

- Series A, AH (41% / 59%)
- Series F, FH (0% / 100%)
- Series I, IH (0% / 100%)

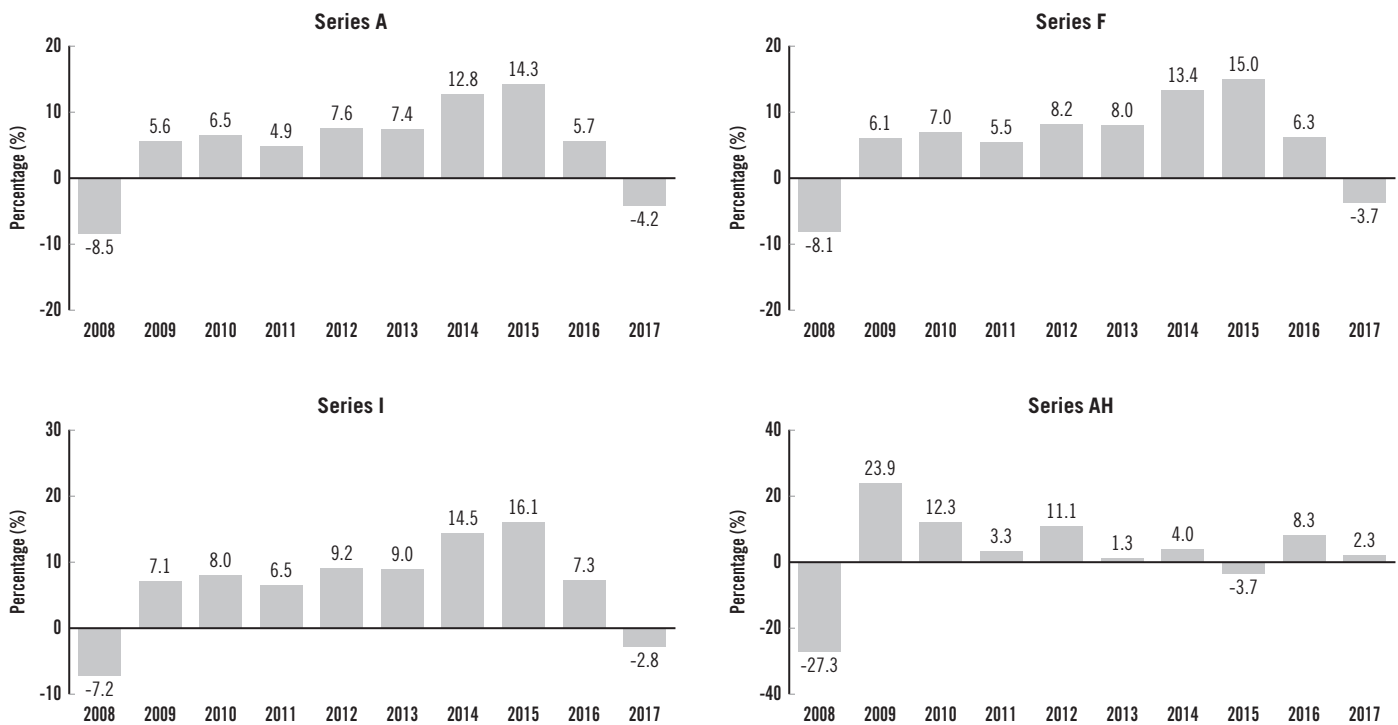
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset Managers during the period. For new Funds or Series the amount presented may not be indicative of longer term operating periods.

## PAST PERFORMANCE

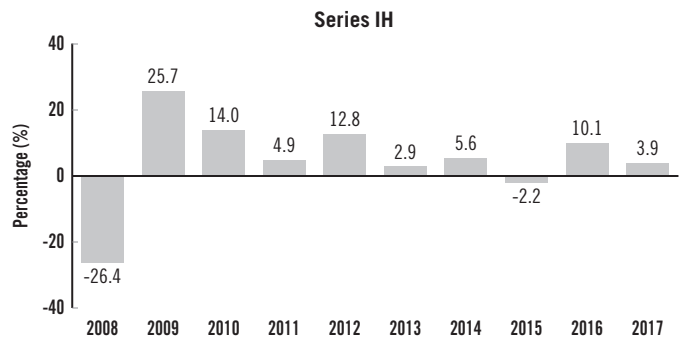
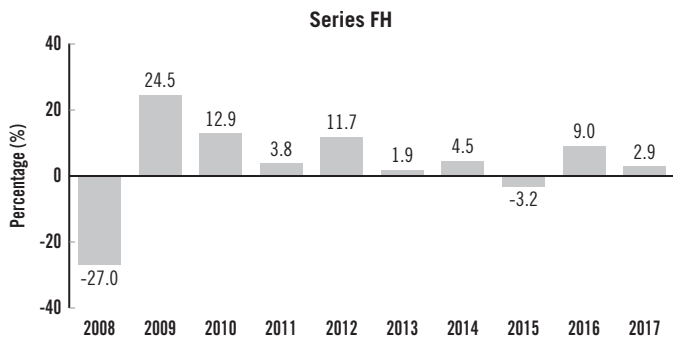
This section shows the historical performance for each series of the Fund for the periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I and Series IH units where the management fee is calculated outside of the Fund. Historical performance does not take into account the potential impact on returns of purchases, redemptions, distribution fees or other optional charges or income taxes payable by an investor. Keep in mind that past performance does not necessarily indicate how the Fund will perform in the future.

### Year-by-Year Returns (%)

The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the inception dates, would have grown or decreased by the last day of each financial year.







## Annual Compound Returns (%)

The table shows the historical annual compound total return for each series of the Fund as compared to the benchmarks listed below. The returns are for periods ended December 31, 2017. For a discussion of the relative performance of the Fund as compared to the index, please refer to the “Results of Operations” section in the “Management Discussion of Fund Performance”.

|  | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|--|--------|---------|---------|----------|-----------------|
| Series A   | (4.23) | 4.99    | 6.98    | 4.98     | 3.05            |
| Series F   | (3.69) | 5.58    | 7.58    | 5.56     | 3.62            |
| Series I   | (2.77) | 6.59    | 8.62    | 6.55     | 4.59            |
| Barclays Capital Intermediate Credit Index <sup>1</sup>        | (3.14) | 5.47    | 7.25    | 7.07     | 5.37            |
| Series AH  | 2.27   | 2.16    | 2.34    | 2.67     | 2.44            |
| Series FH  | 2.85   | 2.78    | 2.93    | 3.23     | 2.99            |
| Series IH  | 3.89   | 3.81    | 3.97    | 4.25     | 4.01            |
| Barclays Capital Intermediate Credit Index Hedged <sup>1</sup> | 2.99   | 2.51    | 2.60    | 4.72     | 4.73            |

<sup>1</sup>“Since inception” corresponds to inception date for Series A, AH, F, FH, I and IH of January 19, 2007

## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2017

### Top 25 Positions

The portfolio does not contain any short positions. The investment portfolio may change due to ongoing portfolio transactions of the investment fund. An updated listing is available on a quarterly basis.

| Security   | Fund (%)    |
|--|-------------|
| 1. United States Treasury Bond 2.38% Aug 15/24   | 8.2         |
| 2. United States Treasury Notes 2.00% Nov 15/21  | 6.8         |
| 3. United States Treasury Notes 2.00% Feb 15/23  | 6.3         |
| 4. United States Treasury Bond 2.25% Feb 15/27   | 4.6         |
| 5. JPMorgan Chase & Co. 7.90% Dec 29/49  | 4.0         |
| 6. USB Capital IX 3.50% Oct 29/49  | 3.9         |
| 7. Chesapeake Energy Corporation 6.13% Feb 15/21                                       | 3.6         |
| 8. ADT Corp. 3.50% Jul 15/22   | 2.5         |
| 9. Bank of America Corporation 6.88% Nov 15/18   | 2.3         |
| 10. Citibank, NA 2.10% Jun 12/20   | 2.3         |
| 11. AT&T Inc. 3.00% Jun 30/22  | 2.2         |
| 12. Tenet Healthcare Corporation 6.00% Oct 01/20                                       | 2.2         |
| 13. Avon Products, Inc. 6.50% Mar 01/19  | 2.1         |
| 14. Cash & Cash Equivalents  | 2.1         |
| 15. Israel Electric Corporation Ltd. 7.25% Jan 15/19                                   | 2.0         |
| 16. SLM Private Credit Student Loan Trust 1.90% Dec 15/38                              | 2.0         |
| 17. American International Group, Inc. 6.40% Dec 15/20                                 | 2.0         |
| 18. Range Resources Corporation 5.00% Mar 15/23  | 1.9         |
| 19. FirstEnergy Corp. 7.38% Nov 15/31  | 1.8         |
| 20. Sprint Communications, Inc. 9.00% Nov 15/18  | 1.8         |
| 21. SLM Private Credit Student Loan Trust 1.88% Jun 15/39                              | 1.7         |
| 22. The Goldman Sachs Group, Inc. 7.50% Feb 15/19                                      | 1.6         |
| 23. Arizona Public Services Company 8.75% Mar 01/19                                    | 1.6         |
| 24. Cloud Peak Energy Resources LLC / Cloud Peak Energy Finance Corp. 12.00% Nov 01/21 | 1.6         |
| 25. Wells Fargo & Company 7.98% Mar 29/49  | 1.6         |
| <b>% of Fund</b>   | <b>72.7</b> |
| <b>Total Number of Fixed Income Securities</b>   | <b>52</b>   |
| <b>Total Net Asset Value (\$MM)</b>  | <b>\$82</b> |

### Asset Mix

| Asset Class               | Fund (%)     |
|---------------------------|--------------|
| Fixed Income – Corporate  | 70.6         |
| Fixed Income – Government | 25.9         |
| Cash & Cash Equivalent    | 2.1          |
| Other Net Assets          | 1.4          |
| <b>% of Total</b>         | <b>100.0</b> |

### Industry Exposure

| Industry                          | Fund (%)     |
|-----------------------------------|--------------|
| <b>Fixed Income</b>               |              |
| Corporate                         | 70.6         |
| Government                        | 25.9         |
| Cash & Cash Equivalent            | 2.1          |
| Other Net Assets                  | 1.4          |
| <b>% of Total</b>                 | <b>100.0</b> |
| <b>Total Number of Industries</b> | <b>3</b>     |

### Country Exposure

| Country                          | Fund (%)     |
|----------------------------------|--------------|
| United States                    | 86.9         |
| United Kingdom                   | 4.2          |
| Canada                           | 2.3          |
| Israel                           | 2.0          |
| Spain                            | 0.6          |
| Italy                            | 0.5          |
| Cash & Cash Equivalent           | 2.1          |
| Other Net Assets                 | 1.4          |
| <b>% of Total</b>                | <b>100.0</b> |
| <b>Total Number of Countries</b> | <b>7</b>     |

### Debt Securities by Credit Rating\*

| Credit Rating | Total Debt Instruments (%) |
|---------------|----------------------------|
| AAA/Aaa       | 7.4                        |
| AA/Aa         | 33.0                       |
| A/A           | 11.9                       |
| BBB/Baa       | 23.3                       |
| BB/Ba         | 10.5                       |
| B/B           | 5.4                        |
| CCC/Caa       | 6.9                        |
| Not Rated     | 1.6                        |
| <b>Total</b>  | <b>100.0</b>               |

\*Excludes cash and cash equivalents.

Credit ratings are obtained from Standard & Poor's, Moody's and Fitch.

Note: Rounding to one decimal place may result in individual figures totalling more or less than 100%



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