



# **BRIDGEHOUSE**

*Independent Platform*

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**Brandes Greystone Lazard Sionna Morningstar**

2018 Interim Management Report  
of Fund Performance

Greystone Canadian Bond Fund





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## GREYSTONE CANADIAN BOND FUND

*This interim management report of fund performance contains financial highlights but does not contain the complete interim or annual financial statements of the Fund. The interim or annual financial statements are in a separate booklet. You may obtain a copy of the interim or 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

#### Results of Operations from January 1, 2018 to June 30, 2018

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

Core fixed income returns were in line with prevailing yields for the period. In expectation of continued rate hikes from the Bank of Canada, interest rates were modestly higher for short and intermediate Government of Canada ("GoC") bonds. Longer-term interest rates were anchored as investors absorbed risks surrounding global trade. New issuance in the corporate bond market continued to be strong, particularly as the Big Six banks returned to the Canadian market with a greater number of deals compared to 2017. Provincial bonds, particularly from smaller provinces, outperformed GoC and corporate sectors. Prior to the 2018 Ontario election, the portfolio took the opportunity to trim provincial exposure and tactically deploy into corporate bonds. Portfolio returns were in line with the benchmark in the second quarter. Below-benchmark duration was beneficial. An overweight to GoC agency debt also added value. Overall, credit risk remains close to the benchmark as spreads appear fully valued. The portfolio is overweight agency debt in the federal sector and underweight non-agency Canada bonds. Interest rate exposures are modestly below the benchmark as Greystone assesses fair values to be approximately 50 basis points above yield levels at the end of second quarter.

##### **Performance**

The Fund's Series A Units trailed its benchmark, producing 0.0% versus a gain of 0.6% for the FTSE TMX Canada Universe Bond Index (the "Index").

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 June 30, 2018, the Fund consisted of 62.4% in Canadian government fixed income securities, 36.9% in Canadian corporate fixed income securities, and approximately 0.7% in cash and other net assets.

##### **Flows & Fees**

The Fund's Net Asset Value decreased to \$58.2 million at June 30, 2018, from \$63.8 million at December 31, 2017. Of this change, an increase of \$0.2 million was due to positive performance (net of investment income) and a decrease of \$5.8 million was due to outflows.

For Series A units, the annualized management expense ratio ("MER") at June 30, 2018 is 1.32%, compared to 1.37% at December 31, 2017.

##### **Recent Developments**

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

Effective May 10, 2018, the management fee distribution rate under the large investor reduction program has been adjusted to reflect the corresponding management fee reduction.

Effective June 1, 2018, the Fund's management fees were reduced as follows: from 1.00% to 0.80% in respect of Series A units and from 0.50% to 0.30% in respect of Series F units.

As noted in the simplified prospectus, this Fund is subject to large transaction risk because it has security holders who individually own more than 10% of the Fund. In order to reduce the impact of this risk to security holders, Bridgehouse asks, but does not require, large investors to provide notice when significant redemptions are being contemplated.

### ***International Financial Reporting Standards***

The Funds classify and measure financial instruments in accordance with IFRS 9 Financial Instruments (IFRS 9). Upon initial recognition, financial assets and financial liabilities are classified as FVTPL. Upon transition to IFRS 9, the Funds financial assets and financial liabilities previously classified as FVTPL under IAS39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

### **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.

Bridgehouse has retained Greystone Managed Investments Inc. (“Greystone”) as the portfolio sub-advisor to the Fund. Bridgehouse pays Greystone an investment management fee to provide the Fund with investment management services.

#### ***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 Index**

**FTSE TMX Canada Universe Bond Index:** A broad measure of the total return for the Canadian bond market covering over 700 Canadian federal, provincial, municipal, and corporate bonds with maturities greater than one year and with a rating of BBB or higher.

## FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 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 six months ended June 30, 2018 and for the past five periods ended December 31, as applicable. 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. Inception date for Series A, F and I is November 4, 2014.

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

		Net assets, beginning of period (\$)	Increase (decrease) from operations					Distributions				Net assets, end of period (\$)	
			Total revenue (\$)	Total expenses (\$)	Realized gains (losses) for the period (\$)	Unrealized gains (losses) for the period (\$)	Total increase (decrease) from operations (\$) (note 2)	From net investment income excluding dividends (\$)	From dividends (\$)	From capital gains (\$)	Return of capital (\$)		Total annual distribution (\$) (note 3)
Series A	2018	10.03	0.15	(0.07)	(0.08)	(0.03)	(0.03)	(0.08)	-	-	-	(0.08)	9.95
	2017	10.04	0.31	(0.14)	(0.08)	(0.01)	0.08	(0.15)	-	-	-	(0.15)	10.03
	2016	10.13	0.29	(0.14)	0.06	(0.14)	0.07	(0.14)	-	(0.05)	-	(0.19)	10.04
	2015	10.14	0.28	(0.14)	0.01	(0.26)	(0.11)	(0.14)	-	(0.01)	-	(0.15)	10.13
	2014	10.00	0.04	(0.02)	0.01	0.16	0.19	(0.01)	-	(0.01)	-	(0.02)	10.14
Series F	2018	10.09	0.15	(0.04)	(0.08)	(0.02)	0.01	(0.10)	-	-	-	(0.10)	10.01
	2017	10.10	0.30	(0.09)	(0.07)	0.01	0.15	(0.21)	-	-	-	(0.21)	10.09
	2016	10.15	0.29	(0.09)	0.07	(0.24)	0.03	(0.18)	-	(0.02)	-	(0.20)	10.10
	2015	10.14	0.30	(0.09)	-	(0.14)	0.07	(0.18)	-	-	-	(0.18)	10.15
	2014	10.00	0.05	(0.01)	0.01	0.12	0.17	(0.02)	-	(0.01)	-	(0.03)	10.14
Series I	2018	10.02	0.14	-	(0.07)	(0.01)	0.06	(0.14)	-	-	-	(0.14)	9.94
	2017	10.03	0.29	-	(0.06)	0.05	0.28	(0.29)	-	-	-	(0.29)	10.02
	2016	10.11	0.28	-	0.06	(0.09)	0.25	(0.28)	-	(0.04)	-	(0.32)	10.03
	2015	10.14	0.28	-	0.07	(0.07)	0.28	(0.27)	-	(0.03)	-	(0.30)	10.11
	2014	10.00	0.05	-	0.01	0.14	0.20	(0.03)	-	(0.01)	-	(0.04)	10.14

- The financial information presented in the Net Assets per Unit table is derived from the Fund's unaudited semi-annual financial statements for the six months period ending June 30, 2018 and the audited financial statements.
- 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.
- 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

		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 (%) (note 7)	Net asset value per unit (\$)
Series A	2018	7,563	760	1.32	1.36	48.23	-	9.95
	2017	10,110	1,008	1.37	1.45	81.38	-	10.03
	2016	1,058	105	1.37	1.48	97.18	-	10.04
	2015	799	79	1.41	1.55	80.07	-	10.13
	2014	21	2	1.41	2.74	-	-	10.14
Series F	2018	6,922	692	0.80	0.85	-	-	10.01
	2017	8,614	854	0.84	0.93	-	-	10.09
	2016	2,364	234	0.84	0.93	-	-	10.10
	2015	553	55	0.85	1.01	-	-	10.15
	2014	10	1	0.85	2.29	-	-	10.14
Series I	2018	43,708	4,398	0.00	0.00	-	-	9.94
	2017	45,058	4,496	0.00	0.00	-	-	10.02
	2016	47,482	4,734	0.00	0.00	-	-	10.03
	2015	50,426	4,985	0.00	0.00	-	-	10.11
	2014	55,340	5,458	0.00	0.00	-	-	10.14

- 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 June 30, 2018 and 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.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value of the Fund. The trading expense ratio is calculated at the Fund level and applies to all series of the 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 and Series F. Management fees for Series I are negotiated and paid directly by the unitholders of Series I, not by the Fund.

For the six months period ended June 30, 2018, the Fund paid Bridgehouse Asset Managers management fees of \$64,812. 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 (47% / 53%)
- Series F (0% / 100%)
- Series I (0% / 100%)

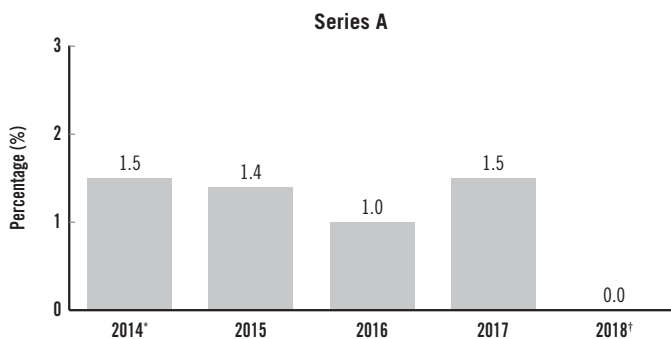
Commission payments represent cash commissions paid by Bridgehouse Asset Managers to registered brokers and dealers during the period and includes upfront deferred sales charge and trailing commissions. This amount may, in certain circumstances, exceed 100% of the fees earned by the Bridgehouse Asset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

## PAST PERFORMANCE

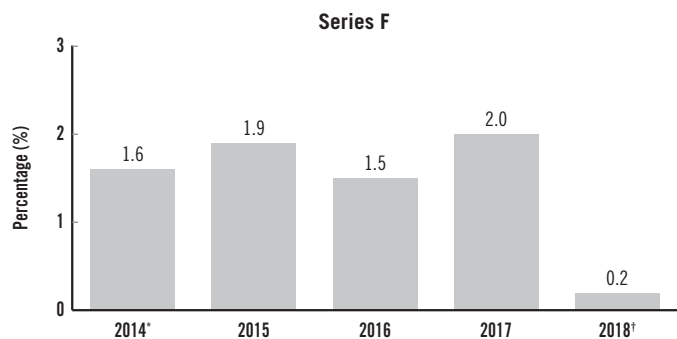
This section shows the historical performance for each series of the Fund for the six months ended June 30, 2018 and each of the previous annual periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management fees and operating expenses have been taken into account before calculating performance, except in the case of Series I 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. 2018 data presented below is for the six-month period ended June 30, 2018.

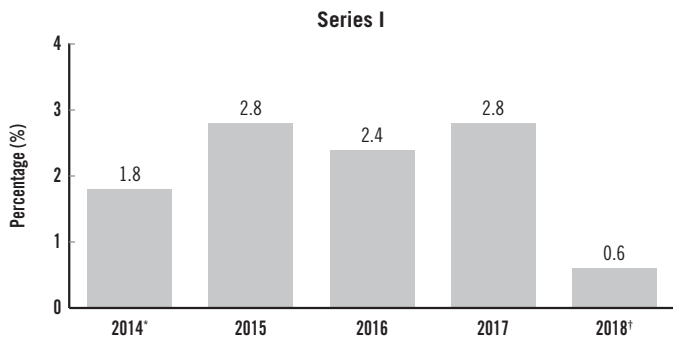


\*2014 Series A returns are from November 4, 2014  
†Six-month return from January 1 to June 30, 2018.



\*2014 Series F returns are from November 4, 2014  
†Six-month return from January 1 to June 30, 2018.





\*2014 Series I returns are from November 4, 2014  
†Six-month return from January 1 to June 30, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2018

### 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. Canada Housing Trust No. 1 1.25% Jun 15/21	7.9
2. Government of Canada 2.25% Jun 01/25	6.7
3. Canada Housing Trust No. 1 2.35% Jun 15/23	4.6
4. Canada Housing Trust No. 1 2.00% Dec 15/19	4.5
5. Province of Ontario 3.45% Jun 02/45	4.3
6. Government of Canada 2.00% Jun 01/28	3.7
7. Canada Housing Trust No. 1 1.75% Jun 15/22	3.4
8. Province of Quebec 6.25% Jun 01/32	3.4
9. Bank of Montreal 2.84% Jun 04/20	3.0
10. Canadian Imperial Bank of Commerce 1.64% Jul 12/21	2.8
11. Province of Ontario 4.65% Jun 02/41	2.3
12. Province of Ontario 2.85% Jun 02/23	2.0
13. Province of Ontario 3.15% Jun 02/22	1.6
14. Province of Ontario 6.50% Mar 08/29	1.6
15. Government of Canada 3.50% Dec 01/45	1.6
16. Province of Alberta 2.55% Dec 15/22	1.5
17. Canada Housing Trust No. 1 1.25% Dec 15/20	1.4
18. HSBC Bank Canada 2.94% Jan 14/20	1.4
19. The Bank of Nova Scotia 1.83% Apr 27/22	1.3
20. Canada Housing Trust No. 1 1.50% Dec 15/21	1.3
21. Province of Saskatchewan 6.40% Sep 05/31	1.3
22. Muskrat Falls / Labrador Transmission Assets Funding Trust 3.83% Jun 01/37	1.3
23. Province of Manitoba 4.10% Mar 05/41	1.2
24. Royal Bank of Canada 2.03% Mar 15/21	1.2
25. Choice Properties Real Estate Investment Trust 4.18% Mar 08/28	1.1
<b>% of Fund</b>	<b>66.4</b>
<b>Total Number of Fixed Income Securities</b>	<b>83</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$58</b>

### Asset Mix

Asset Class	Fund (%)
Fixed Income – Government	62.4
Fixed Income – Corporate	36.9
Cash & Cash Equivalent	0.2
Other Net Assets	0.5
<b>% of Total</b>	<b>100.0</b>

### Industry Exposure

Industry	Fund (%)
Corporate	36.9
Federal Government	25.9
Provincial Government	23.1
Government	13.4
Cash & Cash Equivalent	0.2
Other Net Assets	0.5
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Industries</b>	<b>4</b>

### Country Exposure

Country	Fund (%)
Canada	97.6
United States	1.7
Cash & Cash Equivalent	0.2
Other Net Assets	0.5
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Countries</b>	<b>2</b>

### Debt Securities by Credit Rating\*

Credit Rating	Total Debt Instruments (%)
AAA/Aaa	39.7
AA/Aa	27.0
A/A	21.5
BBB/Baa	11.8
<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%





Bridgehouse Funds are managed by Bridgehouse Asset Managers® and are available through registered dealers.

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