



# **BRIDGEHOUSE**

*Independent Platform*

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**Brandes Greystone Lazard Sionna Morningstar**

2018 Interim Management Report  
of Fund Performance

Lazard Global Balanced Income Fund



## LAZARD GLOBAL BALANCED INCOME 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**

Global developed equities closed higher in the period, in Canadian dollar terms. US and UK equities performed well among the major developed regions while Canadian and Australian shares also had strong returns. On the other hand, Japan posted negative returns during the period. Emerging markets suffered during the period on the back of weakening currencies and losses in China's equity market. Continued global trade tensions have weighed on investor sentiment and risk appetite. In Europe, the European Central Bank (ECB) signaled it is focusing on diminishing its accommodative monetary policy. The 10-Y US Treasury yield rose above 3% in May but fell afterwards. In this environment, the US dollar and crude oil strengthened significantly.

##### **Performance**

The Fund's Series A units underperformed its benchmark, gaining 1.2% versus a gain of 2.1% for the Lazard Global Balanced Income Benchmark (the "Index"). (Please see the Benchmark Indices section for a full description).

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.

Holdings in IT services contributed to overall performance, while holdings in beverages detracted from performance during the period. Holdings in the United States were the largest contributor to performance, while holdings in Germany detracted from performance during the period.

##### **Asset Mix**

The Fund invests in a combination of equity and debt securities that are representative of different investment styles based on Lazard's view of market and economic conditions at the time. At June 30, 2018, equities made up 66.1% of the Fund, fixed income represented 30.7% and 3.2% was in cash and other net assets.

The Fund's most significant country exposure change was a decrease in holdings in Japan to 4.8% from 5.3% at December 31, 2017. The most significant industry exposure change was an increase in holdings in software to 3.0% from 1.6% at December 31, 2017.

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

The Fund's Net Asset Value increased to \$27.6 million at June 30, 2018, from \$26.9 million at December 31, 2017. Of this change, an increase of \$0.4 million was due to positive investment performance (net of investment income), and an increase of \$0.3 million was due to inflows.

For Series A units, the annualized management expense ratio ("MER") at June 30, 2018 is 2.52%, compared to 2.56% 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 2.00% to 1.80% in respect of Series A units and from 1.00% to 0.80% in respect of Series F units.

### ***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 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 Lazard Asset Management (Canada), Inc. who has retained Lazard Asset Management LLC, (“Lazard”) as the portfolio sub-advisor in respect of the Fund. Bridgehouse pays Lazard 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 Indices**

**Lazard Global Balanced Income Benchmark:** This blended benchmark is weighted 25% Barclays Capital Global Aggregate Bond Index, 25% Barclays Capital Global Aggregate Bond index (Hedged), 25% MSCI All Countries World Index, and 25% MSCI All Countries World Index (Hedged).

**Barclays Capital Global Aggregate Bond Index:** The Barclays Capital Global Aggregate Bond Index is a broad-based measure of the global investment-grade fixed-rate debt markets.

**Barclays Capital Global Aggregate Bond Index (Hedged)::** The Barclays Capital Global Aggregate Bond Index (Hedged) is a broad-based measure of the global investment-grade fixed-rate debt markets. The hedged version minimizes the exposure of currency fluctuations on index performance.

**MSCI All Country World Index:** This index consists of equities from 23 developed markets, including Canada, the U.S., and 23 emerging markets countries around the world.

**MSCI All Country World Index (Hedged):** This index consists of equities from 23 developed markets, including Canada, the U.S., and 23 emerging markets countries around the world. The hedged version minimizes the exposure of currency fluctuations on index performance.

## 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)

		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 (\$) (note 2)	From net investment income excluding dividends (\$)	From dividends (\$)	From capital gains (\$)	Return of capital (\$)		Total annual distribution (\$) (note 3)
Series A	2018	10.16	0.09	(0.13)	0.23	(0.07)	0.12	(0.20)	-	-	-	(0.20)	10.08
	2017	9.76	0.33	(0.26)	0.85	0.05	0.97	(0.07)	(0.01)	(0.46)	-	(0.54)	10.16
	2016	10.19	0.34	(0.25)	(0.20)	0.15	0.04	(0.08)	(0.01)	-	(0.31)	(0.40)	9.76
	2015	10.01	0.32	(0.26)	(0.13)	0.27	0.20	(0.04)	-	-	(0.36)	(0.40)	10.19
	2014	10.00	0.09	(0.04)	(0.01)	0.07	0.11	(0.01)	-	-	(0.05)	(0.06)	10.01
Series F	2018	10.36	0.11	(0.07)	0.23	(0.08)	0.19	(0.20)	-	-	-	(0.20)	10.34
	2017	10.01	0.37	(0.15)	0.79	0.21	1.22	(0.14)	(0.01)	(0.58)	-	(0.73)	10.36
	2016	10.32	0.37	(0.14)	(0.25)	(0.08)	(0.10)	(0.21)	(0.02)	-	(0.17)	(0.40)	10.01
	2015	10.02	0.34	(0.15)	(0.07)	0.35	0.47	(0.15)	(0.01)	-	(0.24)	(0.40)	10.32
	2014	10.00	0.07	(0.02)	(0.02)	0.06	0.09	(0.02)	-	-	(0.04)	(0.06)	10.02
Series I	2018	10.55	0.09	-	0.25	(0.08)	0.26	(0.20)	-	-	-	(0.20)	10.61
	2017	10.33	0.35	-	0.91	0.02	1.28	(0.32)	(0.03)	(0.72)	-	(1.07)	10.55
	2016	10.49	0.35	-	(0.22)	0.11	0.24	(0.34)	(0.03)	-	(0.03)	(0.40)	10.33
	2015	10.04	0.31	-	(0.01)	0.54	0.84	(0.30)	(0.02)	-	(0.08)	(0.40)	10.49
	2014	10.00	0.07	-	(0.02)	0.06	0.11	(0.03)	-	-	(0.03)	(0.06)	10.04

- 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	16,665	1,653	2.52	2.73	58.21	0.12	10.08
	2017	16,630	1,637	2.56	2.72	134.86	0.13	10.16
	2016	17,139	1,756	2.56	2.82	143.97	0.16	9.76
	2015	13,917	1,366	2.55	2.90	109.25	0.18	10.19
	2014	1,959	196	2.54	3.93	33.27	0.54	10.01
Series F	2018	5,814	562	1.39	1.56	-	-	10.34
	2017	5,288	510	1.42	1.63	-	-	10.36
	2016	1,369	137	1.43	1.68	-	-	10.01
	2015	2,536	246	1.42	1.78	-	-	10.32
	2014	583	58	1.41	2.77	-	-	10.02
Series I	2018	5,075	478	0.00	0.00	-	-	10.61
	2017	4,964	470	0.00	0.00	-	-	10.55
	2016	4,462	432	0.00	0.00	-	-	10.33
	2015	4,372	417	0.00	0.00	-	-	10.49
	2014	4,040	402	0.00	0.00	-	-	10.04

- 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 the Portfolio's proportionate share of the MER, if applicable, of the Underlying Funds and Exchange Traded Funds in which the Portfolio has invested, allocated to that Series, 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, including the Portfolio's proportionate share of the commissions, if applicable, of the Underlying Funds and Exchange Traded Funds in which the Portfolio has invested, 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 \$218,506. 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 (38% / 62%)
- 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

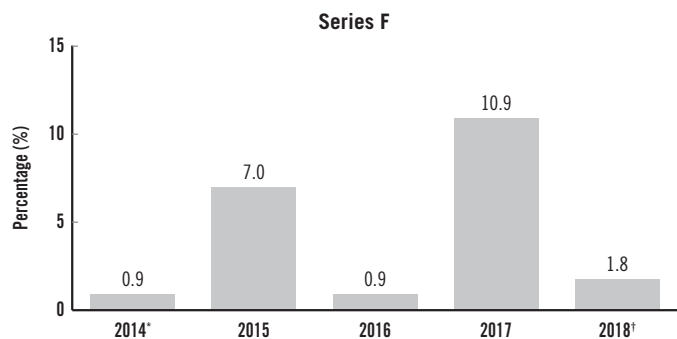
This section shows the historical performance for each series of the Fund for the six months ended June 30, 2018 and each of the previous annual periods ended December 31. Historical performance is based on the change in Net Asset Value per unit, assuming reinvestment of all distributions. Management 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 (%)

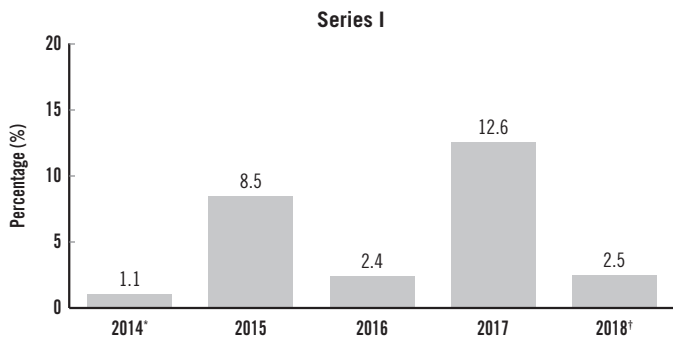
The bar chart shows the Fund's annual performance for each of the years shown. The bar chart shows how the performance of each series of the Fund has changed from year to year. It illustrates in percentage terms how much an investment in each series of the Fund made on January 1 of each year, or on the 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. Lazard Emerging Markets Multi Asset Fund Series I	11.6
2. Cash and Cash Equivalents	3.1
3. The Boeing Company	1.6
4. MasterCard Incorporated Cl. A	1.5
5. Microsoft Corporation	1.3
6. United States Treasury Bond 3.13% Nov 15/41	1.1
7. Roche Holding AG	1.1
8. United States Treasury Bond 2.13% May 15/25	1.0
9. United States Treasury Bond 1.75% May 15/23	1.0
10. Ross Stores Inc.	0.8
11. Apple Inc.	0.8
12. Republic of Singapore 3.00% Sep 01/24	0.8
13. Intel Corporation	0.7
14. ENEL - SPA	0.7
15. The Estee Lauder Companies Inc. Cl. A	0.7
16. United Mexican States 6.75% Feb 06/24	0.7
17. Johnson & Johnson	0.7
18. Waste Management, Inc.	0.7
19. Pfizer Inc.	0.7
20. The TJX Companies Inc.	0.7
21. Government of France 1.75% Jun 25/39	0.7
22. United States Treasury Bond 1.63% May 15/26	0.7
23. Total SA	0.6
24. United Mexican States 6.50% Jun 09/22	0.6
25. W.W. Grainger Inc.	0.6
<b>% of Fund</b>	<b>34.5</b>
<b>Total Number of Companies†</b>	<b>276</b>
<b>Total Number of Fixed Income Securities</b>	<b>82</b>
<b>Total Net Asset Value (\$MM)</b>	<b>\$28</b>

† Includes the Lazard Emerging Markets Multi Asset Fund but excludes its individual holdings

The prospectus and other information about the underlying investment funds held in the portfolio are available on the internet at [www.sedar.com](http://www.sedar.com) and also at [www.bridgeseanada.com](http://www.bridgeseanada.com)

### Asset Mix

Asset Class	Fund (%)
Global Equity	54.5
Canadian Equity	11.6
Fixed Income – Government	17.6
Fixed Income – Corporate	13.1
Cash & Cash Equivalent	3.1
Other Net Assets	0.1
<b>% of Total</b>	<b>100.0</b>

### Industry Exposure

Industry	Fund (%)
Pharmaceuticals	4.4
Insurance	3.7
Commercial Banks	3.3
Software	3.0
IT Services	2.8
Oil, Gas & Consumable Fuels	2.7
Aerospace & Defense	2.5
Semiconductors & Semiconductor Equipment	1.7
Electric Utilities	1.6
Diversified Telecommunications Services	1.5
Health Care Providers & Services	1.4
Specialty Retail	1.4
Multiline Retail	1.3
Hotels, Restaurants & Leisure	1.3
Diversified Financial Services	1.2
Technology Hardware, Storage & Peripherals	1.2
Chemicals	1.2
Food & Staples Retailing	1.1
Real Estate Management & Development	1.1
Media	1.1
Commercial Services & Supplies	0.9
Wireless Telecommunications Services	0.9
Metals & Mining	0.9
Airlines	0.9
Equity Real Estate Investment Trusts (REITs)	0.8
Electronic Equipment, Instruments & Components	0.8
Household Durables	0.8
Industrial Conglomerates	0.8
Beverages	0.8
Personal Products	0.7
Electrical Equipment	0.6
Communications Equipment	0.6
Household Products	0.6
Internet Software & Services	0.5
Multi-Utilities	0.5
Biotechnology	0.5
Gas Utilities	0.4
Food Products	0.4
Automobiles	0.4
Health Care Equipment & Supplies	0.4
Machinery	0.2
Tobacco	0.2
Transportation Infrastructure	0.2
Auto Components	0.2
Consumer Finance	0.2
Capital Markets	0.1
Diversified Consumer Services	0.1
Mortgage Real Estate Investment Trusts (REITs)	0.1
Real Estate	0.1
Trading Companies & Distributors	0.1
Energy Equipment & Services	0.1
Leisure Products	0.1
Thrifts & Mortgage Finance	0.1
Paper & Forest Products	0.0
Road & Rail	0.0
Textiles, Apparel & Luxury Goods	0.0
<b>Mutual Funds</b>	<b>11.6</b>
<b>Fixed Income</b>	
Government	17.6
Corporate	13.1
Cash & Cash Equivalent	3.1
Other Net Assets	0.1
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Industries</b>	<b>59</b>

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

## SUMMARY OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2018 (CONTINUED)

### Country Exposure

Country	Fund (%)
United States	43.7
Canada	18.3
Japan	4.8
United Kingdom	3.5
Australia	2.8
France	2.2
Norway	2.0
Germany	1.9
Netherlands	1.6
Singapore	1.5
New Zealand	1.6
Switzerland	1.6
Mexico	1.3
Italy	1.2
Poland	0.9
Spain	0.9
Ireland	0.9
Romania	0.8
Philippines	0.8
Luxembourg	0.6
Hong Kong	0.6
Cayman Islands	0.5
Czech Republic	0.5
Sweden	0.4
Hungary	0.3
Chile	0.3
Belgium	0.3
Denmark	0.3
Macau	0.2
Portugal	0.2
Israel	0.1
Faroe Islands	0.1
Finland	0.1
Cash & Cash Equivalent	3.1
Other Net Assets	0.1
<b>% of Total</b>	<b>100.0</b>
<b>Total Number of Countries</b>	<b>33</b>

### Debt Securities by Credit Rating\*

AAA/Aaa	34.5
AA/Aa	19.8
A/A	24.5
BBB/Baa	13.7
BB/Ba	4.4
B/B	2.4
CCC/Caa	0.0
CC/Ca	0.1
C/C	0.0
D	0.2
NR	0.4
<b>Total</b>	<b>100.0</b>

\*Excludes cash and cash equivalents.

Credit ratings are obtained from Standard & Poor's, Moody's and Dominion Bond Rating Services.

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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