

**Annual Management Report of Fund Performance**

**December 2019**

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can request a copy of the annual financial statements, at no cost, by calling 514-350-5050 or toll free 1-888-377-7337 or by writing to us at 2 Complexe Desjardins, East Tower, 31<sup>st</sup> Floor, P. O. Box 1116, Montréal, Québec H5B 1C2, or by visiting our website at [www.professionalsf.com](http://www.professionalsf.com) or SEDAR's website at [www.sedar.com](http://www.sedar.com).

You may also contact us using one of these methods to request a copy of the Portfolio's proxy voting policies and procedures, proxy voting disclosure records and quarterly portfolio disclosure.

**PERFORMANCE ANALYSIS**

**Investment Objective and Strategies**

The Portfolio seeks to achieve, through investment diversification, a return comprised mostly of long-term capital growth and also of steady income. The Portfolio invests primarily in equity securities of Canadian and foreign issuers, and in debt instruments of Canadian and foreign issuers. The Portfolio Manager uses a top-down global approach for managing both the asset allocation and geographic allocation, being mixes of Canadian, American, European, Asian and emerging markets equities. The Portfolio's investments in the various asset types include a majority of units issued by other investment funds. These underlying investment funds are selected according to their overall contribution to the yield and risk/return profile of the Portfolio. The Portfolio invests mainly in its family of Portfolios, but could also invest in funds of other families of funds. To the extent that investments are made by certain of our Portfolios in underlying funds, the investment principles and strategies used to select the securities of the other funds will follow the same criteria as those used to select individual securities.

**Risk**

The Portfolio invests mainly in equities and debt securities, both Canadian and foreign. Derivatives may also be used for hedging or to establish market positions. The Portfolio's investment risks are as set forth in the Simplified Prospectus. The risks associated with the Portfolio and its holdings are as follows: stock market risk, credit risk, sector risk, foreign securities risk, specific issuer risk, currency risk, interest rate risk, derivatives risk, securities lending risk, emerging markets risk, exchange-traded funds risk, underlying funds risk, asset-backed and mortgage-backed securities risk, multi-series risk, short selling risk and loss restrictions risk.

**Operating Results**

The FDP Balanced Growth Portfolio posted a net return of 16.2% for 2019, versus -2.5% for 2018. Unlike in 2018, all asset classes drove the positive portfolio performance in 2019.

The bond market, as measured by the FTSE Canada Universe Bond Index, posted a 6.9% return. The 10-year government of Canada bond yield declined by 26 basis points in 2019, causing the spread between long- and short-term yields to narrow significantly. This decline was triggered by the global economic growth slowing down that compelled major central banks, including the U.S. Federal Reserve (Fed) and European Central Bank (ECB) to change their stance and return to a more accommodative monetary policy. The Fed cut its key interest rate three times in 2019. Meanwhile, the Bank of Canada held steady, and provincial and corporate bond credit spreads tightened.

The Canadian stock market, as measured by the S&P/TSX Composite Index, posted a 22.9% return for 2019, with 10 of the 11 sectors within the index yielding positive returns. Unlike in 2018, rising oil prices, which went from USD45.41 a barrel in late December 2018 to USD61.06 as at December 31, 2019, representing a 34.4% increase, enabled the Energy sector to post a 21.7% return over the year. Information Technology (64.1%), Utilities (37.4%) and Industrials (25.5%) all contributed significantly to the index's performance. Health Care was the only sector to post negative returns on the back of cannabis stocks declining.

Supported by positive economic growth, an economy at full employment and the Fed's shift in rhetoric, the U.S. stock market, as measured by the S&P 500 Index, posted a net return of 24.8% in Canadian dollars.

Despite the slowdown in the manufacturing sector in Germany and Japan, eurozone and Asian markets yielded positive returns of 17.5% and 13.3%, respectively, in Canadian dollars.

Central banks are adopting more accommodative monetary policies in reaction to trade tensions, the global economic growth slowdown and a moderate inflation rate, which will likely benefit stock markets.

**Recent Developments**

There are currently no events to report for 2020.

**Related Party Transactions**

The Manager of the FDP Balanced Growth Portfolio is Professionals' Financial – Mutual Funds Inc. The Manager is in charge of the portfolio's research, analyses, selections and transactions. The Investment Committee of Professionals' Financial – Mutual Funds Inc. supervises the execution of the mandates entrusted to the internal managers and to other external managers, as the case may be.

Monthly management fees, calculated daily at an annual percentage of the Portfolio's net assets after deducting the value of interfund investments, are paid to the Manager.

**FINANCIAL HIGHLIGHTS**

The following tables illustrate key financial data concerning the Portfolio. Their purpose is to help you understand its financial results for the past five years.

This information comes from the December 31, 2019 audited annual financial statements of the Fund. You can obtain the financial statements on the website at [www.professionalsf.com](http://www.professionalsf.com).

**Portfolio's Distributions and Net Assets per Unit (in dollars)**

	Years ended December 31				
	2019	2018	2017	2016	2015
<b>Net assets, beginning of year</b>	<b>14.820</b>	<b>15.365</b>	<b>14.273</b>	<b>13.884</b>	<b>13.039</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.243	0.200	0.244	0.215	0.369
Total expenses	(0.092)	(0.076)	(0.049)	(0.053)	(0.058)
Realized gains (losses)	0.198	0.371	0.069	0.419	0.765
Unrealized gains (losses)	2.021	(0.928)	0.959	0.041	0.144
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>2.370</b>	<b>(0.433)</b>	<b>1.223</b>	<b>0.622</b>	<b>1.220</b>
<b>Distributions:</b>					
from income	0.112	0.104	0.096	0.127	0.094
from dividends	0.043	0.038	0.037	0.021	0.023
from capital gains	–	0.017	–	0.077	0.180
from capital returns	–	–	–	–	–
<b>Total distributions <sup>(2)</sup></b>	<b>0.155</b>	<b>0.159</b>	<b>0.133</b>	<b>0.225</b>	<b>0.297</b>
<b>Net assets at the end of the year</b>	<b>17.062</b>	<b>14.820</b>	<b>15.365</b>	<b>14.273</b>	<b>13.884</b>

<sup>(1)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(2)</sup> Distributions were reinvested in additional units of the Portfolio.

# FDP BALANCED GROWTH PORTFOLIO, SERIES A (CONTINUED)

## Ratios and Supplemental Data

	Years ended December 31				
	2019	2018	2017	2016	2015
<b>Net asset value</b> (in thousands of dollars) <sup>(1)</sup>	184,422	145,123	129,646	108,890	99,379
<b>Number of units</b> outstanding (thousands) <sup>(1)</sup>	10,809	9,792	8,438	7,629	7,158
<b>Management expense ratio (%)</b> <sup>(2)</sup>	1.333	1.414	1.413	1.419	1.405
<b>Management expense ratio before</b> <b>waivers and absorptions (%)</b>	1.333	1.414	1.413	1.419	1.405
<b>Portfolio turnover rate (%)</b> <sup>(3)</sup>	28.63	42.77	4.61	23.61	21.38
<b>Trading expense ratio (%)</b> <sup>(4)</sup>	0.05	0.13	0.01	0.02	0.01
<b>Net asset value per unit</b>	17.062	14.820	15.365	14.273	13.884

<sup>(1)</sup> The information is derived from audited annual financial statements in accordance with International Financial Reporting Standards (IFRS). In compliance with these Standards, net assets per unit presented in the financial statements generally equal the net asset value calculated to establish unit prices.

<sup>(2)</sup> Management expense ratio includes management fees and operating expenses. It excludes income tax withheld on dividend income and transaction costs, and is expressed as a percentage of the daily average annualized net asset value during the fiscal year.

<sup>(3)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager 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.

<sup>(4)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

## MANAGEMENT FEES

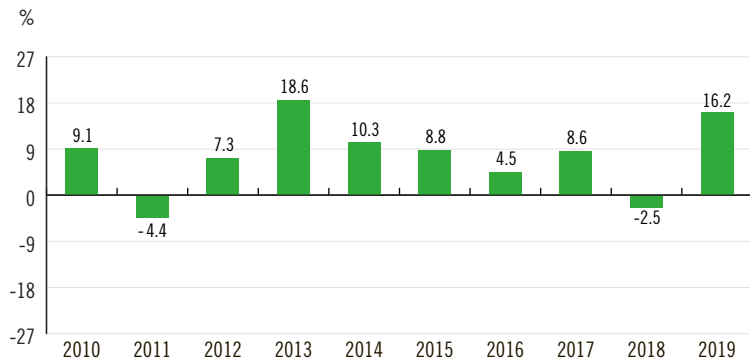
The Portfolio pays management fees to the Manager, Professionals' Financial – Mutual Funds Inc., for service rendered to the unitholders, and investment management and administration services. The annual management fees of 1.00% are calculated daily according to the net assets and paid monthly after deducting the value of interfund investments. For 2019, the Portfolio paid \$841,000 to its Manager.

## PAST PERFORMANCE

Information on performance presupposes that the Portfolio's distributions during the years presented have been totally reinvested in additional units. The returns do not include deductions for sales fees, transfer, redemption or other optional fees (because there are none) or income taxes payable, and would be lower if they included such items. The Portfolio's past performance is not necessarily indicative of future performance.

## Annual Performance

The following bar graph indicates the Portfolio's annual returns for each year. It shows the year-to-year variation in the Portfolio's return. The graph presents, in percentage form, what would have been the upward or downward variation, on the last day of the year, of an investment made on the first day of that year.



## Annual Compound Returns

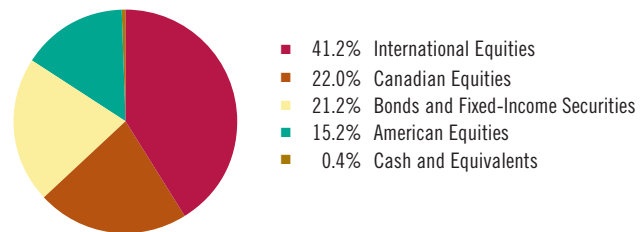
The following graph indicates the Portfolio's annual composite returns and highlights Portfolio performance fluctuations from one fiscal year to the next, ending on December 31, for each year, as well as those of the Portfolio's benchmark.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
<b>FDP Balanced Growth Portfolio, Series A</b>	16.21	7.15	6.92	7.41
<b>Benchmark</b>	16.27	7.46	7.13	7.92

The benchmark is weighted as follows: 25% in securities from the S&P/TSX Composite Index, 40% in securities from the MSCI World Index, 30% in securities from the FTSE Short- and Mid-Term Modified Index, and 5% in securities from the FTSE 91 Day T-Bill Index.

## OVERVIEW OF PORTFOLIO

### Portfolio Mix



### Top Portfolio Holdings

	% of net asset value
FDP Global Equity Portfolio	25.4
FDP Canadian Equity Portfolio	14.3
SPDR S&P 500 ETF Trust	12.3
iShares Core MSCI EAFE ETF	11.9
FDP Canadian Bond Portfolio	11.3
iShares S&P/TSX 60 Index ETF	7.6
FDP Global Fixed Income Portfolio	3.7
Invesco QQQ Trust, Series 1	3.0
Government of Canada, 2.25%, Jun. 1, 2029	2.9
Scotiabank, 2.27%, Jan. 13, 2020	2.2
iShares Core MSCI Emerging Markets ETF JDR	1.9
iShares J.P. Morgan USD Emerging Markets Bond ETF	1.1
FDP Emerging Markets Equity Portfolio	1.0
iShares China Large-Cap ETF	0.9
Cash and Cash Equivalent	0.4

This portfolio may change due to continual trading in the Portfolio. An update of this data is available every quarter on our website at [www.professionalsf.com](http://www.professionalsf.com).