

A Diversified, Long-Term Perspective

Diversified balanced portfolios are invested in fixed income securities and North American and international equities. The objective of balanced mandates is to add value through long-term asset allocation rather than short-term arbitrage. The portfolio's volatility is kept to a minimum by implementing only incremental asset mix changes. The asset mix is a fallout of our bottom-up security selection approach, based on our view of the best risk/return opportunities. Asset allocation is reviewed weekly by the Investment Strategy Committee.

PORTFOLIO CONSTRUCTION

The Fund shall be invested in fixed income and equity securities (including other JF Pooled Funds) using the same investment criteria as the JF Bond and Equity funds in such proportions as may be established from time to time by the Investment Strategy Committee. The Fund's benchmark may therefore change over time.

| Asset Mix Ranges: | Minimum | Current Benchmark | Maximum |
|--|---------|-------------------|---------|
| Canadian Equities (S&P/TSX) | 15.0% | 30.0% | 50.0% |
| US Equities (S&P 500) | 5.0% | 12.5% | 35.0% |
| International Equities (MSCI EAFE net) | 0.0% | 12.5% | 30.0% |
| Bonds (FTSE TMX Can. Universe Bond) | 30.0% | 37.5% | 50.0% |
| Cash (FTSE TMX Can. 91-D T-Bills) | 0.0% | 5.0% | 20.0% |
| Emerging Market Equities (MSCI EM Net) | 0.0% | 2.5% | 5.0% |

ANNUALIZED PERFORMANCE (%)

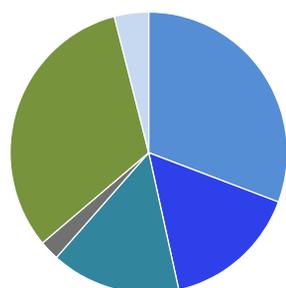
As of September 30, 2018

| | 3 mos. | 1 yr | 3 yrs | 5 yrs | 7 yrs | 10 yrs | 15 yrs |
|------------------------|--------|------|-------|-------|-------|--------|--------|
| JF Balanced Fund | 0.6 | 6.1 | 7.1 | 8.8 | 9.9 | 8.2 | 7.5 |
| Benchmark ¹ | 0.1 | 5.8 | 6.5 | 7.2 | 7.6 | 6.6 | 6.5 |

CALENDAR YEAR PERFORMANCE (%)

| To December 31 st | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------------------|------|------|------|------|------|------|------|
| JF Balanced Fund | 6.9 | 6.9 | 8.2 | 11.8 | 18.5 | 10.7 | 2.0 |
| Benchmark ¹ | 7.5 | 7.5 | 3.7 | 10.1 | 11.7 | 7.2 | 0.5 |

ASSET MIX



- Canadian Equities 30.7%
- US Equities 15.8%
- International Equities 15.1%
- Emerging Markets Equities 2.3%
- Bonds 32.1%
- Cash 4.0%

| | |
|------------------------|----------------|
| Inception Date | April 1, 1997 |
| NAV per Unit | C\$15.1596 |
| Quarterly Distribution | C\$0.0841890 |
| Fund Size (\$M) | C\$2,046.3 |
| Eligibility | Pensions; RRSP |

PORTFOLIO CHARACTERISTICS

* 5-year period

| | Fund | Benchmark ¹ |
|-------------------|-------|------------------------|
| Yield (%) | 3.0 | 2.9 |
| Sharpe Ratio* | 1.5 | 1.4 |
| Upside Capture* | 117.1 | 100.0 |
| Downside Capture* | 104.3 | 100.0 |
| Batting average* | 0.6 | - |

REPRESENTATIVE EQUITY HOLDINGS

| | Sector |
|-------------|-------------|
| TD Bank | Financials |
| Enbridge | Energy |
| CN Railway | Industrials |
| Microsoft | Technology |
| Novartis AG | Health Care |

REPRESENTATIVE BOND HOLDINGS

| | Coupon/Maturity |
|---------------------------|-----------------|
| 407 International Inc. | 6.47%, 07/27/29 |
| Telus Corporation | 5.05%, 07/23/20 |
| TransCanada Pipeline | 5.65%, 06/20/29 |
| Province of New-Brunswick | 4.80%, 09/05/45 |
| Muskat Falls | 3.63%, 06/01/29 |

MARKET & ECONOMIC REVIEW

In the third quarter, the U.S. continued to lead the developed world with strong equity market results. Higher inflation and fears around the impact of tariffs and trade were overshadowed by solid economic growth, low unemployment, improved productivity and above-consensus corporate earnings. The U.S. Federal Reserve (Fed) increased the fed funds rate in June, and economic data continued to support additional tightening. This hawkish dynamic sustained the upward momentum in the U.S. dollar, and consequently has put several emerging market currencies under pressure. The acute weakness of the Turkish lira, in particular, affected sentiment on a number of European banks that have small but manageable exposures. In Canada, quarterly results were muted given the weakness in the oil price and the instability over the Trans Mountain pipeline.

Trade tension escalated between the U.S. and China during the quarter as President Trump announced in late September, additional tariffs (\$200B) at an initial rate of 10%. China retaliated with its own set of measures, targeting primarily agricultural products. This ongoing gamesmanship as well as on-and-off trade talks between the negotiators is creating volatility in the markets in the short term, filtering into the broader global landscape.

In Europe, Italian budget negotiations are an area of focus, as the two populist parties try to agree on a budget for October. The markets are monitoring whether the two "Eurosceptic" coalition populist parties keep to their spending plans and increase the deficit, which concerns the European Union (EU) and increased tensions with its northern partners. Elections will likely be called in short order if the budget does not pass, which will add increased uncertainty.

PORTFOLIO REVIEW

The portfolio generated small gains in absolute terms during the third quarter, and also came in slightly ahead of the benchmark. The main contributor to strong relative performance was asset mix, with the overweight in U.S. stocks and the underweight in bonds providing the biggest tailwind. Canadian equities performed well, adding to the benefit of a slight overweight, while international stocks and emerging markets stocks were a modest drag on performance.

While we continue to believe that caution is the main watch word, most leading economic indicators we track remain reasonably strong. Equity valuations are relatively high, but the cyclical outlook remains positive. The main risks reside in Central Bank policy overshooting as the cycle gets nearer to its end, as well as the potential for trade wars.

All considered, we are comfortable with maintaining an overweight position in equities, holding a little above average in cash and being substantially underweight in bonds as rates continue to rise.

INVESTMENT STRATEGY

In our balanced portfolios, asset mix has remained relatively stable over the course of 2018. That is not to say that we are complacent. There have been numerous adjustments made within individual asset classes, most with a view to "high grading" or reducing the overall level of risk.

While leading economic indicators are not predicting a cyclical slowdown in the coming months, there are plenty of other things for investors to be concerned about. Trade (NAFTA, tariffs, Brexit) is probably the biggest one, but interest rates, elections and financial excess, are also factors demanding consideration. The market will also be watching closely the results of the mid-term elections in the U.S.; a Republican victory paves the way for further fiscal stimulus, while a shift to the Democrats will result in a split government and lesser likelihood of highly partisan policy decisions.

INVESTMENT TEAM

Jarislowsky Fraser has a team-based approach that anchors a culture of collaborative decision-making. The Investment Strategy Committee (ISC), our central risk and investment oversight body, oversees the entire investment process to ensure that investment decisions adhere to the firm's long-standing philosophy and process.

¹ Benchmark : From 01/01/18: 30% S&P/TSX, 12.5% S&P 500, 12.5% MSCI EAFE Net, 2.5% MSCI Emerging Markets Net, 37.5% FTSE TMX Canada Univ., 5% FTSE TMX Canada 91-Day T-Bills. From 01/01/11: 30% S&P/TSX, 12.5% S&P 500, 12.5% MSCI EAFE Net, 39% FTSE TMX Canada Univ., 6% FTSE TMX Canada 91-Day T-Bills. Up to 12/31/10: 30% S&P/TSX, 12.5% S&P 500, 12.5% MSCI EAFE, 39% FTSE TMX Canada Univ., 6% FTSE TMX Canada 91-Day T-Bills; up to 12/31/06: 30% S&P/TSX, 13% S&P 500, 10% MSCI EAFE, 40% FTSE TMX Canada Univ., 7% FTSE TMX Canada 91-Day T-Bills; up to 06/30/05: 35% S&P/TSX, 9% S&P 500, 8% MSCI EAFE, 40% FTSE TMX Canada Univ., 8% FTSE TMX Canada 91-Day T-Bills.

The Bank of Nova Scotia (BNS) is the parent company of Jarislowsky, Fraser Limited. BNS securities held in the portfolio are related securities.

Returns for the JF Pooled Funds have been calculated using the net asset value (NAV), are gross of management fees and in Canadian dollars. C\$ Index returns and NAV values have been calculated using the London 4PM closing FX rates. Complete Investment Policy guidelines are available upon request. JF Pooled Funds are only available to Canadian residents. Past performance is not a guide to future performance. Future returns are not guaranteed. Investment return and principal value of an investment in the fund will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost. This document is prepared by Jarislowsky, Fraser Limited (JFL) and is provided for information purposes only, it is not intended to convey investment, legal, tax or individually tailored investment advice. All opinions and estimates contained in this report constitute JFL's judgment as of the time of writing and are provided in good faith. All data, facts and opinions presented in this document may change without notification. No use of the Jarislowsky, Fraser Limited name or any information contained in this report may be copied or redistributed without the prior written approval of JFL.

Source: S&P, Bloomberg, FTSE TMX Global Debt Capital Markets Inc., TD Securities and eVestment Alliance.