

NBI Jarislowsky Fraser Select Balanced Fund (E/F Series)

PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / September 30, 2018	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Balanced Fund (E/F Series)	0.7	5.3	6.1	7.0	7.0
Benchmark	-0.1	6.3	6.8	7.4	-

Calendar Year Returns / December 31	2017	2016	2015	2014	2013
NBI Jarislowsky Fraser Select Balanced Fund (E/F Series)	4.5	8.7	3.0	11.0	14.8
Benchmark	7.8	8.2	3.2	10.5	11.5

PORTFOLIO

REPRESENTATIVE HOLDINGS

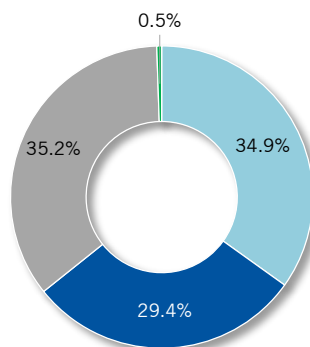
EQUITIES

Holdings	Industry
TD Bank	Financials
Enbridge	Energy
CN Railway	Industrials
Microsoft	Technology
Becton Dickinson & Co.	Health Care

BONDS

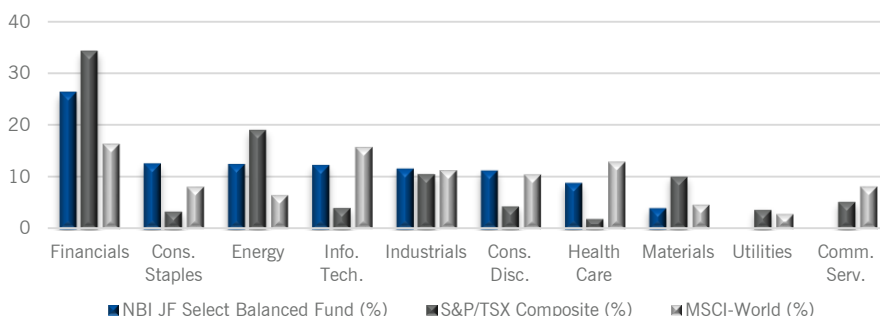
Issuer	Coupon/Maturity
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.30%, 07/11/22
Toronto-Dominion Bank	1.91%, 07/18/23
Province of Ontario	6.50%, 03/08/29
Government of Canada	2.75%, 12/01/48

ASSET MIX



- Canadian Equity (34.9%)
- Foreign Equity (29.4%)
- Fixed Income (35.2%)
- Cash (0.5%)

EQUITY SECTOR MIX



FUND OBJECTIVE

This Fund's investment objective is to achieve moderate capital growth. The Fund invests, directly or indirectly, in a diversified portfolio comprised mainly of Canadian fixed income and equity securities.

FUND FACTS

Inception Date	October 7, 2010
Price Per Unit	\$14.56
AUM (\$ Millions)	\$41.7

MER:

E-Series	0.84%
F-Series	0.84%

FUND CODES:

E-Series	NBC3901
F-Series	NBC3701

BENCHMARK:

- FTSE TMX Universe Bond (40%)
- S&P/TSX Capped Composite (32%)
- MSCI-World ex-Canada (23%)
- FTSE TMX 91 Day T-Bills (5%)

ABOUT JARISLOWSKY, FRASER LIMITED

Founded in 1955, Jarislowsky, Fraser Limited is one Canada's largest independent investment management firms. Our primary goal is growing capital, over the long term, for our clients in a low risk manner. The firm's philosophy is founded upon time-proven principles of fundamental investing. This investment approach has produced consistent returns through changing economic environments and has been effective in minimizing the volatility prevalent in today's global markets.

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QUARTERLY COMMENTARY

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 largest positive contributor to the Canadian equities outperformance came from our absence in gold stocks (some of which have declined by more than 25%) and the solid performance of Nutrien. Financials outperformance came from banks, a solid rebound from Intact and Thomson Reuters. Information Technology continued its positive trend driven by the appreciation of Open Text. In foreign equities, the Consumer Staples and Health Care sectors benefitted from solid performances by Walgreens and Roche respectively.

A key strength of the fixed income portfolio in the quarter was its shorter duration, which reduced its downside to the increase in interest rates experienced during the quarter.

STRATEGY & INVESTMENT
OUTLOOK

While leading economic indicators are not predicting a cyclical slowdown in the coming months, there are plenty of other things for investors to fret 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.

We continue to focus on high-quality holdings with strong fundamentals and sustainable business models. Our time-tested investment process, which fully integrates a consideration of environmental, social and governance factors (or ESG) is critical to our risk assessment of a current or potential investment. Ultimately, we believe that this strategy and process will provide excess returns over the benchmark at a much lower level of risk.

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

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Source of data: MSCI Inc., S&P Financial Services LLC., TSX Inc., PC Bond Analytics, Wilshire Analytics, Bloomberg.