

A Focus on "High-Quality Multinational Leaders"

The U.S. equity portfolio is comprised of primarily of large multinationals that demonstrate global leadership in their industry which helps increase liquidity and reduce currency risk. These companies generally have steady growth rates, high returns on invested capital, dominant world market positions and strong balance sheets, reducing their financial risk.

PORTFOLIO CONSTRUCTION

- Securities of the Fund are categorized as follows with the holdings limited to the ranges set forth: High-Quality Growth 80%-100%; Cyclical & Junior Growth 0%-20%.
- Maximum sector weight of the Fund as defined by the Global Industry Classification Standard (GICS®) is the greater of 25% or Index sector weight plus 15%.
- Maximum market value in a single issuer: 10%.

ANNUALIZED PERFORMANCE (%)

As of September 30, 2018

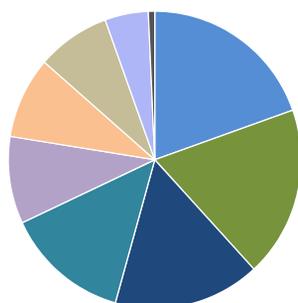
	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF US Equity Fund	7.2	19.6	13.0	18.0	19.8	13.7	9.0
S&P 500	6.0	22.0	15.9	19.3	20.6	14.2	9.3

CALENDAR YEAR PERFORMANCE (%)

To December 31st

	2017	2016	2015	2014	2013	2012	2011
JF US Equity Fund	8.6	6.2	24.2	23.7	42.1	14.3	3.8
S&P 500	13.8	8.1	21.6	23.9	41.3	13.4	4.6

SECTOR WEIGHTINGS



- Health Care 19.6%
- Information Technology 18.6%
- Financials 16.2%
- Consumer Staples 13.7%
- Communication Services 9.5%
- Consumer Discretionary 8.9%
- Industrials 8.1%
- Energy 4.8%
- Cash & Equivalents 0.7%

Inception Date	November 1, 1998
NAV per Unit	C\$14.4438
Quarterly Distribution	C\$0.049391
Fund Size (\$M)	C\$605.6
Benchmark	S&P 500

PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
* 5-year period		
Yield (%)	1.5	1.8
Weighted Avg. Market Cap (\$B)	\$306.2	\$319.6
Turnover (5-yr avg. to 12/31/17) ¹	22.5	-
Sharpe Ratio*	1.7	1.9
Standard Deviation*	9.6	9.2
Upside Capture*	94.5	100.0
Downside Capture*	99.3	100.0
Batting Average*	0.5	-

TOP 10 HOLDINGS

	% of Fund
Microsoft	7.1
Alphabet Class (A&C)	6.5
Berkshire Hathaway	4.8
Oracle	3.7
JPMorgan Chase & Co.	3.6
Verisk Analytics	3.3
UnitedHealth Group	3.3
Nielsen Holdings	3.2
Comcast	3.0
CVS Health	2.9
Total for Top 10	41.4

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.

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 is creating volatility in the markets in the short term, filtering into the broader global landscape.

PORTFOLIO REVIEW

The U.S. Equity portfolio made excellent gains for the quarter, outperforming the S&P 500. After many quarters where market leadership was held by the Technology and Discretionary sectors (the latter powered by tech company Amazon), the third quarter marked a sharp change. While both of those sectors were reasonably strong, the market's rally was led by a more diverse group of companies, with marked strength in Health Care and Industrials, for example. Broader participation in the rising market was an important factor in the portfolio's outperformance, as it remains underweight many of the popular and highly valued growth stocks that have led the Technology sector.

The strong returns from the Health Care sector and a reversal of the slide in Consumer Staples provided a tailwind to relative performance. The portfolio has long been overweight in these sectors, which tend to offer a diverse selection of reasonably priced, defensive companies. The portfolio benefitted from a rebound from Walgreens (+20%) and CVS (+21%).

Technology holdings, where cheap and overlooked companies like Oracle (+15%) and CA Technologies (+22%), attracted attention. This was somewhat offset by the negative performance of Nielsen (-11%).

INVESTMENT STRATEGY

Strength in the U.S. stock market is underpinned by strong corporate earnings growth and an economy stimulated by unusual late-cycle fiscal stimulus from recent tax cuts. However, the market seems complacent given the potential for a "crash" following the 2018 tax cut fueled "sugar high", growing political risk, especially around trade and moderately elevated valuations. While market leadership shifted away from Technology to a broader representation of sectors, it remains to be seen whether the growth momentum that prevailed in the U.S. for many quarters is truly in retreat.

As always, our portfolio remains built from the bottom up on a diversified group of fundamentally sound companies. We continue to find pockets of investment opportunities in both stable growth and high-quality U.S. cyclically-exposed businesses, and expect to concentrate the portfolio modestly and opportunistically while retaining the overall defensive, high quality approach that has long been our calling card.

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 The model-based average turnover was 11.6% for the same time period. The pooled fund's turnover was higher due to trades related to strict parameters for cash management. 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.