JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF DIVIDEND GROWTH FUND

PROFILE | DECEMBER 31, 2018

Inception Date	June 30, 2012
NAV per Unit	$11.0462
Quarterly Distribution	$0.068990
Fund Size ($M)	$25.3
Benchmark	S&P/TSX Composite

A Focus on "High-Quality Canadian Leaders"

Our Canadian equity management focuses on large cap, blue chip stocks in non-cyclical industries with strong dividends and steady growth. We tend to de-emphasize cyclical industries and diversify assets across different industries to reduce the concentration in sectors exposed to commodity prices.

Diversification is enhanced by investing in dividend-paying foreign companies in sectors not available in Canada that exhibit consistent growth, high returns, dominant market positions either globally or in their own region, and strong balance sheets in order to reduce financial risks.

PORTFOLIO CONSTRUCTION

- Securities of the Fund are categorized as follows with the holdings limited to the ranges set forth: High-Quality Growth 50%-100%; Cyclical 0%-35%; and Mid to Junior Growth 0%-15%.
- 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%.
- The Fund may invest up to 30% in non-Canadian North American equities.

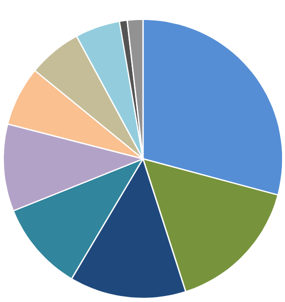
ANNUALIZED PERFORMANCE (%)

As of December 31, 2018	3 mos.	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	Since Inception (06/12)
JF Dividend Growth Fund	-7.2	-3.8	0.1	6.2	4.2	5.9	9.6
S&P/TSX Composite	-10.1	-8.9	-0.3	6.4	2.5	4.1	6.4

CALENDAR YEAR PERFORMANCE (%)

To December 31st	2018	2017	2016	2015	2014	2013
JF Dividend Growth Fund	-3.8	4.2	19.3	-1.4	13.0	24.7
S&P/TSX Composite	-8.9	9.1	21.1	-8.3	10.6	13.0

SECTOR WEIGHTINGS



- Financials 29.2%
- Industrials 15.9%
- Energy 13.5%
- Technology 10.4%
- Cons. Staples 10.1%
- Cons. Disc. 6.9%
- Materials 6.2%
- Healthcare 5.2%
- Utilities 0.9%
- Cash & Equivalents 1.8%

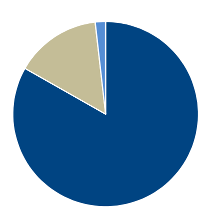
PORTFOLIO CHARACTERISTICS

* 5-year period	Fund	Benchmark
Yield (%)	3.5	3.4
Market Cap (weighted avg. in $B)	$91.7	$44.6
Turnover (5-yr avg. to 12/31/18)	14.1	-
Sharpe Ratio*	0.7	0.4
Standard Deviation*	7.1	9.6
Upside Capture*	90.3	100.0
Downside Capture*	70.8	100.0
Batting Average*	0.6	-

TOP 10 HOLDINGS

	% of Fund
Toronto-Dominion Bank	6.8
Enbridge	5.3
Royal Bank of Canada	5.2
Bank of Nova Scotia	5.0
Alimentation Couche-Tard	4.0
Nutrien	3.9
Manulife	3.6
Canadian National Railway	3.4
CGI Group	3.3
Open Text	3.1
Total for Top 10	**43.7**

ASSET MIX



- Canadian Equities 83.3%
- Foreign Equities 15.0%
- Cash & Equivalents 1.8%

MARKET & ECONOMIC REVIEW

In many ways, 2018 was the antithesis of 2017; volatility returned with a vengeance, both in terms of day-to-day fluctuations and in the form of two "corrections" of greater than 10%. Despite relatively strong economic fundamentals, generally accommodative monetary policy and a corporate tax cut in the U.S., the world's equity markets suffered their worst year since the global financial crisis. While the USMCA trade agreement will replace NAFTA, the trade dispute between the U.S. and China continues, and Brexit negotiations are ongoing. The world's central banks, led by the Federal Reserve in the U.S. (Fed), are on the path towards interest rate normalization. However, there has been great uncertainty around how far they will go and how fast. As expected, the Fed announced the fourth increase of 2018 in mid-December, but lowered its projections for future hikes, estimating that there will be an additional two increases in 2019. In Canada, the narrative continues to be focused on the Energy sector, an issue that became quite divisive late in the year. Differentials between the price for Western Canadian Select and West Texas Intermediate crude reached all-time highs during November.

Converted into Canadian dollars, the S&P 500 fell by -8.7%, the MSCI EAFE Net by -7.7% and the MSCI Emerging Markets by -2.3%. In Canada, the S&P/TSX Composite also dropped by -10.1%. Unsurprisingly, as money flowed out of equity markets, the bond market, and especially government bonds, benefitted, as represented by the FTSE TMX Universe Bonds Canada Index's gain of 1.8%. The U.S. dollar continued to appreciate versus most other currencies, gaining 5.7% relative to the Canadian dollar, and trimming losses for Canadian investors.

PORTFOLIO REVIEW

The fourth quarter was difficult for equity markets, including Canada which declined by -10.1%, bringing the total return for 2018 to -8.9%. The Canadian equity portfolio significantly outperformed the benchmark for the quarter. Notable was the substantial decline in Cannabis stocks (-45%), which we have avoided due to what we believe are speculative valuations. In the index, Financials (-11%) and Energy (-17%) dropped, mainly affected by deteriorating mood around trade, and industry headwinds from insufficient pipeline and weak oil prices respectively. Contributing to our outperformance this quarter was our large overweight in Consumer Staples, with exposure to Metro (+18%) and Loblaws (+13%), followed closely by Consumer Discretionary due to our absence in declining Dollarama (-20%) and good performance from Gildan (+6%).

Foreign equities generated returns of around 2.0% ahead of the S&P 500 for the quarter. As in the previous quarter, the high growth/momentum dynamic was weak as investors shifted into more defensive areas. Top-performing sectors included Utilities (+7%), Consumer Staples (+0.2%) and Real Estate (+2%). Despite our overweight in the Consumer Staples (+7%) and Technology (-5%) sectors, the relative outperformance of the portfolio came primarily from stock selection in the hardest hit areas. In the Technology and Communication Services sectors, our confidence in Microsoft (-6%) and Oracle (-7%) (strong cloud growth and cheap with a growth option, respectively) led to strong stock selection gains.

INVESTMENT STRATEGY

At this time, we do not believe that the fourth quarter correction in stock markets will extend far into 2019. Economic fundamentals are still relatively sound and leading indicators, while pointing to slower growth, are not suggesting that the next global recession will occur within the 12-18 months. Albeit, as the signs of recession become stronger, a reduction of the allocation to equities in favour of bonds merits consideration. Although we still believe in the power of equities to generate superior returns over the long run, there is a time in the cycle when reducing equity exposure makes sense.

No matter what phase of the cycle we are in, we continue to pay a great deal of attention to portfolio risk. Within this context, we believe Jarislowsky Fraser's high quality/low risk approach provides superior downside protection, while benefitting when the markets turn upwards. The current volatility also provides excellent opportunities to acquire quality securities at better valuations, and ultimately increase potential gains.

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.

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