

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 (%)

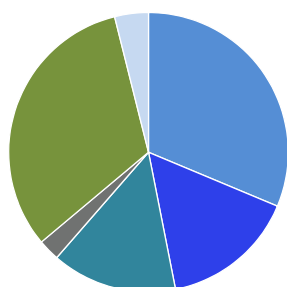
As of March 31, 2019

	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF Balanced Fund	8.0	7.1	7.1	7.2	9.1	9.5	7.1
Benchmark ¹	8.0	6.2	6.8	5.9	7.0	8.0	6.1

CALENDAR YEAR PERFORMANCE (%)

To December 31 st	2018	2017	2016	2015	2014	2013	2012
JF Balanced Fund	-1.6	6.9	6.9	8.2	11.8	18.5	10.7
Benchmark ¹	-2.4	7.5	7.5	3.7	10.1	11.7	7.2

ASSET MIX



- Canadian Equities 31.3%
- US Equities 15.6%
- International Equities 14.5%
- Emerging Markets Equities 2.5%
- Bonds 32.2%
- Cash 3.9%

Inception Date	April 1, 1997
NAV per Unit	C\$14.9968
Quarterly Distribution	C\$0.0782710
Fund Size (\$M)	C\$2071.3
Eligibility	Pensions; RRSP

PORTFOLIO CHARACTERISTICS

* 5-year period

	Fund	Benchmark ¹
Yield (%)	2.5	2.3
Sharpe Ratio*	1.1	1.0
Upside Capture*	115.5	100.0
Downside Capture*	105.4	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
CIBC	2.90%, 09/14/21
Royal Bank of Canada	2.03%, 03/15/21
Bank of Nova Scotia	3.27%, 01/11/21
Province of Ontario	2.40%, 06/02/26
Government of Canada	1.25%, 12/01/47

MARKET & ECONOMIC REVIEW

The final month of the first quarter continued the positive trend in markets seen since the turn of the year. Almost all markets, both bond and equity saw strong returns, and for the quarter as a whole it would seem that the concerns felt in December 2018 have all but dissipated. The December collapse was driven predominantly by three factors: fears that higher interest rates would cause a premature end to U.S. economic expansion, concerns over the potential escalation of the trade war between the U.S. and China, and the potential for a broader-based slowdown in global GDP growth. The correction in December reduced the pressure on China to increase tariffs and led to a more considered approach on the part of the U.S. Federal Reserve, to the extent that the market is now betting that the next change in rates is most likely to be a cut.

With politics and economics so intertwined, there are a number of non-fundamental factors that investors have been watching closely. Brexit may be top of mind, with the already extended deadline for a deal fast approaching. The effect on the U.K. economy and markets hangs in the balance. In the U.S., the extended government shutdown came to an end, but uncertainties around trade with China, the ratification of the “new” USMCA and slowing economic growth are cause for concern.

PORTFOLIO REVIEW

Strong performance in all asset classes led to excellent top-line performance for the portfolio during the quarter ended March 31, 2019. Relative performance was close to the benchmark, which we view as a good result given that the rally was strongest in areas that were hurt most in December (such as Cannabis stocks in Canada and the FAANGs in the U.S.).

The overweight in equities provided a substantial tailwind, although the slight strengthening in the Canadian dollar meant that overall performance from the Canadian portion was slightly better than foreign markets. While performance in bonds was very strong, they lagged equities across the board, and therefore the underweight was also a positive contributor to relative returns.

The portfolio remains overweight in equities, with a bias towards non-Canadian stocks, and underweight in bonds. While the business cycle is in its late stages, and a number of other indicators suggest increased caution, there are still some short-term positives. Central banks have responded well to the signals offered by markets, and sentiment does not appear to have reached levels that generally precede a collapse.

INVESTMENT STRATEGY

As is often the case with predicting the path of financial markets, it is hard to argue that all of the uncertainty that abounded in late 2018 has gone away. We still cannot be sure that the more dovish tone expressed by the U.S. and Canadian central banks means that we have reached the peak of short-term interest rates.

For the most part, the global economy still looks to be in reasonable shape. However, given the current and expected economic challenges, we believe it is prudent to be cautious in our portfolio positioning. A number of leading indicators are pointing to slower growth; a range of surveys of Purchasing Managers shows lower levels of confidence in the continuation of the current expansion, the U.S. yield curve (the difference between 3-month and 10-year rates) has inverted, and business investment is slowing. We also know that in the late stages of most economic expansions, market returns tend to be strong, therefore we will be ready to start taking a more defensive stance.

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.