

### 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%.

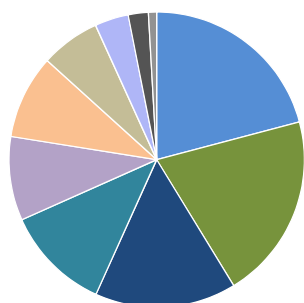
### ANNUALIZED PERFORMANCE (%)

As of March 31, 2019	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF US Equity Fund	8.3	12.9	11.7	13.7	17.0	15.6	8.3
S&P 500	11.2	13.5	14.7	15.2	17.6	16.6	8.7

### CALENDAR YEAR PERFORMANCE (%)

To December 31 <sup>st</sup>	2018	2017	2016	2015	2014	2013	2012
JF US Equity Fund	5.4	8.6	6.2	24.2	23.7	42.1	14.3
S&P 500	4.2	13.8	8.1	21.6	23.9	41.3	13.4

### SECTOR WEIGHTINGS



- Health Care 20.9%
- Information Technology 20.4%
- Financials 15.5%
- Consumer Staples 11.6%
- Communication Services 9.2%
- Industrials 9.2%
- Consumer Discretionary 6.5%
- Energy 3.7%
- Materials 2.2%
- Cash & Equivalents 0.9%

Inception Date	November 1, 1998
NAV per Unit	C\$13.7782
Quarterly Distribution	C\$0.049218
Fund Size (\$M)	C\$623.3
Benchmark	S&P 500

### PORTFOLIO CHARACTERISTICS

	Fund	Benchmark
* 5-year period		
Yield (%)	1.5	1.9
Weighted Avg. Market Cap (\$B)	\$306.3	\$307.7
Turnover (5-yr avg. to 12/31/18) <sup>1</sup>	22.5	-
Sharpe Ratio*	1.2	1.4
Standard Deviation*	9.7	10.4
Upside Capture*	92.4	100.0
Downside Capture*	98.5	100.0
Batting Average*	0.5	-

### TOP 10 HOLDINGS

	% of Fund
Microsoft	7.5
Alphabet Class (A&C)	6.2
Berkshire Hathaway	4.6
Oracle	3.9
Verisk Analytics	3.8
UnitedHealth Group	3.6
JPMorgan Chase & Co.	3.3
DaVita Healthcare	3.0
Mondelez International	2.9
Comcast Corporation	2.9
<b>Total for Top 10</b>	<b>42.0</b>

## 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

The U.S. equity portfolio's performance lagged the S&P 500 for the first quarter. The U.S. dollar S&P 500 return was almost 14%, a remarkably strong start to the year. A surprising “volte-face” from the U.S. Federal Reserve on interest rates and a perceived thaw in trade relations between the U.S. and China led to a strong preference in the market for cyclically-exposed sectors and growth stocks. The top performing sectors were Information Technology (+15.8%), Industrials (+11.4%) and Energy (+16.9%). More speculative stocks like Facebook, Netflix and Apple handily outpaced the index. In contrast, our traditional areas of emphasis like Financials (+1.8%) and especially Health Care (+2.2%) significantly underperformed.

The top detractors to performance this quarter were Walgreens (-9%) and CVS (-19%). Some offset to the weakness in the drug store stocks was provided by strong stock selection in the Consumer Staples (+10.5%) sector. Good quarterly results and increasing investor appreciation of investments made to stimulate growth led to solid returns from Mondelez (+23%) and Colgate-Palmolive (+13%).

For the past twelve months, the portfolio has slightly underperformed the benchmark. Stock selection in the broader Information Technology sector, due to strong performance from Microsoft (+36%) and Mastercard (+40%) plus avoiding Apple and Facebook, was offset by adverse selection holdings in DaVita (-15%) and Nielsen (-19%). In both of those cases, we feel the declines are temporary and are more related to sentiment rather than fundamentals, and thus we have increased our weight in both names.

## INVESTMENT STRATEGY

The U.S. stock market had been underpinned by strong corporate earnings growth and an economy stimulated by unusual late-cycle fiscal stimulus from the recent tax cut. While the end of 2018 saw the market re-appraise risk in the context of an aggressive Fed and the prospect of an escalating trade conflict with China. Chairman Powell's abrupt turn to easing in early 2019 coupled with a potential trade deal resulted in a return to the market dynamic that prevailed in 2017 and early 2018: a sharp focus on growth and momentum.

While this is not the ideal environment for our portfolio to outperform, but as always, our portfolio remains built from the bottom up on a diversified group of fundamentally sound companies with attractive prospects and reasonable valuations. We continue to find pockets of attractive investment opportunities in both stable growth and high quality U.S. cyclically exposed businesses. We also plan to concentrate the portfolio modestly and opportunistically by exiting select smaller positions, while retaining the overall defensive, high quality and sustainable 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.

<sup>1</sup> The model-based average turnover was 12.1% 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.