

### 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 Canada Universe Bond)	30.0%	37.5%	50.0%
Cash (FTSE Canada 91-Day T-Bills)	0.0%	5.0%	20.0%
Emerging Market Equities (MSCI EM Net)	0.0%	2.5%	5.0%

### ANNUALIZED PERFORMANCE (%)

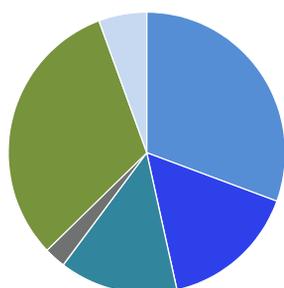
As of December 31, 2019

	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF Balanced Fund	2.7	15.0	6.6	7.0	9.2	8.4	7.1
Benchmark <sup>1</sup>	2.5	14.8	6.4	6.1	7.4	6.9	6.2

### CALENDAR YEAR PERFORMANCE (%)

To December 31 <sup>st</sup>	2019	2018	2017	2016	2015	2014	2013
JF Balanced Fund	15.0	-1.6	6.9	6.9	8.2	11.8	18.5
Benchmark <sup>1</sup>	14.8	-2.4	7.5	7.5	3.7	10.1	11.7

### ASSET MIX



- Canadian Equities 30.6%
- US Equities 15.9%
- International Equities 13.8%
- Emerging Markets Equities 2.5%
- Bonds 31.6%
- Cash 5.6%

Inception Date	April 1, 1997
NAV per Unit	C\$15.2838
Quarterly Distribution	C\$0.1044050
Fund Size (\$M)	C\$2094.3
Eligibility	Pensions; RRSP

### PORTFOLIO CHARACTERISTICS

\* 5-year period

	Fund	Benchmark <sup>1</sup>
Yield (%)	2.3	2.3
Sharpe Ratio*	1.0	1.0
Upside Capture*	114.7	100.0
Downside Capture*	111.6	100.0
Batting average*	0.6	-

### REPRESENTATIVE EQUITY HOLDINGS

	Sector
TD Bank	Financials
Enbridge	Energy
CN Railway	Industrials
Microsoft	Technology
UnitedHealth Group	Health Care

### REPRESENTATIVE BOND HOLDINGS

	Coupon/Maturity
CIBC	2.90%, 09/14/21
Bank of Nova Scotia	3.27%, 01/11/21
Royal Bank of Canada	2.03%, 03/15/21
Province of Ontario	2.80%, 06/02/48
Government of Canada	2.25%, 06/01/29

## MARKET & ECONOMIC REVIEW

Looking back on 2019, the year started under a dark cloud, with fears that interest rates had risen too far, too fast, and a number of risks needing to be addressed politically, including U.S.-China trade tensions, the USMCA and Brexit, among others. The year finished with movement on all three fronts, as well as lower interest rates in most of the world's major economies, which provided the stimulus for financial markets to generate strong returns for the fourth quarter and for 2019 as a whole.

On the economic front, growth could be characterized as “tepid”, with global real GDP growth tracking at 2.8% – the lowest pace in a decade. The US continues to lead the developed economies by a good margin, and will be helped by progress in trade negotiations with China, although policy uncertainty remains in place with Europe. In Canada, growth is trending at around +1.7% per annum, and there is nothing on the near term horizon that is likely to push that significantly higher. The Bank of Canada has refrained from cutting rates this year, preferring to more carefully assess the balance between external issues and domestic resilience; however, the markets are betting on at least one rate cut in 2020.

The fourth quarter saw very strong equity returns, which took many indexes to all-time highs. Positive catalysts in the quarter included tempering of Brexit uncertainty due to a significant majority in the UK election results, progress on the trade front with a U.S.-China “phase one” deal reached, and ongoing monetary accommodation from key central banks globally. The Canadian market was a relative laggard, although still posted strong gains for the full year. U.S. markets continued to be very strong, and maintained their lead globally. Over the full year, despite a degree of nervousness and uncertainty, equity markets also generated exceptional returns. Bond markets gave a little back in the fourth quarter, with the FTSE Bond Universe falling by -0.9%. However, for the full year the market exceeded expectations significantly, generating a return of 6.9%.

## PORTFOLIO REVIEW

The top-line performance of the portfolio was strong during the fourth quarter of 2019, capping off an excellent year. Asset mix was certainly a major contributor, with the overweight in equities, particularly in U.S. and international, contributing significantly. The allocation to international developed markets, as well as the strong excess returns generated in that portfolio were particularly notable over both the quarter and the full year. This, combined with the underweight in bonds, and the strong relative performance of the bond portfolio, led to a top-line return for the quarter that was slightly ahead of the benchmark.

Over the full year, as often happens in periods of strong momentum and equity returns, below-benchmark performance in both the Canadian and U.S. equity portfolios led to overall performance at or around the benchmark level.

## INVESTMENT STRATEGY

Market returns came in well ahead of our (and most others') expectations. The overweight allocation to equities was maintained and this was beneficial to both absolute and relative returns, particularly given that our conservative approach frequently makes it difficult to keep up when markets are “on fire”.

It is unlikely that the market will be as generous in 2020. If economies see growth deteriorate, then 2020 is likely to be a challenging year for stocks and a better year for bonds. We see a backdrop where our conservative, quality-focused approach will tend to perform relatively well. In the meantime, we will remain overweight in global equities because we believe that our portfolios are less exposed to the economic cycle than the market as a whole, as well as most of our peers. We are ready, however, to reduce that bias if and when, the fundamentals dictate.

## 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> 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 Canada Univ., 5% FTSE 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 Canada Global Debt Capital Markets Inc., TD Securities and eVestment Alliance.