

### 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%

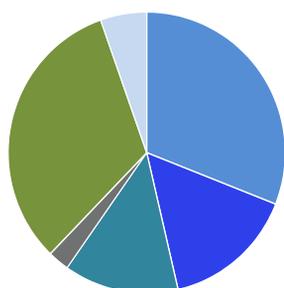
### ANNUALIZED PERFORMANCE (%)

As of June 30, 2019	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF Balanced Fund	2.5	6.8	7.3	7.2	9.6	8.8	7.2
Benchmark <sup>1</sup>	2.2	5.5	6.6	5.8	7.6	7.3	6.3

### CALENDAR YEAR PERFORMANCE (%)

To December 31 <sup>st</sup>	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 <sup>1</sup>	-2.4	7.5	7.5	3.7	10.1	11.7	7.2

### ASSET MIX



- Canadian Equities 31.0%
- US Equities 15.4%
- International Equities 13.4%
- Emerging Markets Equities 2.5%
- Bonds 32.4%
- Cash 5.4%

Inception Date	April 1, 1997
NAV per Unit	C\$15.2343
Quarterly Distribution	C\$0.1354120
Fund Size (\$M)	C\$2,060.4
Eligibility	Pensions; RRSP

### PORTFOLIO CHARACTERISTICS

* 5-year period	Fund	Benchmark <sup>1</sup>
Yield (%)	2.2	2.1
Sharpe Ratio*	1.1	0.9
Upside Capture*	116.8	100.0
Downside Capture*	105.2	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	2.40%, 06/02/26
Canadian Government	2.25%, 06/01/29

## MARKET & ECONOMIC REVIEW

The second quarter of the year continued to build on the positive momentum shown by financial markets in the previous quarter. The more dovish stance taken by the world's key central banks implied that the next move in administered rates is likely to be downward. Confronted by weaker data, stubbornly low inflation and further risks to trade, the European Central Bank (ECB), the U.S. Federal Reserve (Fed) and the Bank of Canada all pointed towards further monetary stimulus. Relatively bad economic news, therefore, ended up being good news for the markets.

The one area of concern that remains is the apparent weakness in the manufacturing industry in the U.S., Germany, China and Japan. The fear is that this will lead to job losses and falling consumer confidence, which explains the reversal in central bank sentiment. The trade picture improved somewhat near the end of the quarter, with China and the U.S. at least agreeing to resume talks, although the possibility of the U.S. shifting focus to the eurozone may still be enough to induce volatility.

## PORTFOLIO REVIEW

Continued good performance from most equity asset classes led to a healthy top-line return for the portfolio during the quarter ended June 30, 2019. Relative performance was slightly ahead of the benchmark, driven mainly by the overweight in international equities as well as the excellent relative performance of that portfolio.

Some of the benefits of this allocation were offset by the underweight in bonds, which performed well, as well as the allocation to emerging market equities, where good relative performance was not enough to overcome negative returns for the asset class.

An overweight position to the U.S. equity portfolio acted as a slight laggard to both top-line and relative returns as its performance was muted primarily due to the strength of the Canadian dollar.

Over the 12-month period ending June 30, 2019, performance across all asset classes was relatively good. Our overweight to U.S. equities along with strong relative performance in the international portfolio led to good performance in both absolute and relative terms, more than offsetting the impact from being underweight bonds.

While economic growth is slowing, we remain comfortable holding an overweight in equities, especially in U.S. and international stocks.

## INVESTMENT STRATEGY

The remainder of 2019 should provide many points for discussion and debate that will have a meaningful impact on how capital markets perform over the coming years. The Federal election in Canada and the U.S. Presidential election in November 2020 will likely cause some volatility in stock markets. Trade will also be a key driver or sticking point.

For some time now, we have suggested that the next meaningful shift in asset mix would likely be a reduction in the allocation to equities as the economy reaches the end of its long expansionary phase and earnings growth slows. Central bankers have indicated that they will pour fuel on the glowing embers of the expansion by reducing interest rates in order to keep it going. As a result, we have maintained our overweight position in stocks based on past history that shows some of the best returns provided by stock markets have come in the last months of the expansion. We expect to reduce the overweight in equities, however we will let the fundamentals decide the timing.

## 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.