JARISLOWSKY FRASER

GLOBAL INVESTMENT MANAGEMENT

JF US EQUITY FUND

PROFILE | JUNE 30, 2019

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.

Inception Date	**November 1, 1998**
NAV per Unit	**C$13.9502**
Quarterly Distribution	**C$0.04654**
Fund Size ($M)	**C$634.9**
Benchmark	**S&P 500**

PORTFOLIO CONSTRUCTION

- Securities of the Fund are categorized as follows with the holdings limited to the ranges set forth: High-Quality Growth 80%-100%; Cyclicals & 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%.

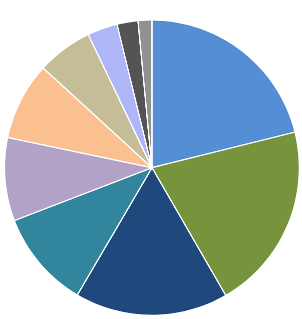
ANNUALIZED PERFORMANCE (%)

As of June 30, 2019	3 mos.	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	15 yrs
JF US Equity Fund	1.6	10.1	11.5	13.7	17.3	15.0	8.1
S&P 500	2.0	9.7	14.4	15.3	18.1	16.1	8.6

CALENDAR YEAR PERFORMANCE (%)

To December 31st	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



- Information Technology 21.1%
- Health Care 20.5%
- Financials 16.8%
- Consumer Staples 10.7%
- Industrials 9.1%
- Communication Services 8.5%
- Consumer Discretionary 6.1%
- Energy 3.3%
- Materials 2.3%
- Cash & Equivalents 1.5%

PORTFOLIO CHARACTERISTICS

* 5-year period	Fund	Benchmark
Yield (%)	1.4	1.9
Weighted Avg. Market Cap ($B)	$319.7	$316.5
Turnover (5-yr avg. to 12/31/18) [1]	22.5	-
Sharpe Ratio*	1.1	1.3
Standard Deviation*	9.7	10.4
Upside Capture*	92.6	100.0
Downside Capture*	99.0	100.0
Batting Average*	0.5	-

TOP 10 HOLDINGS

	% of Fund
Microsoft	8.2
Alphabet Class (A&C)	5.5
Berkshire Hathaway	5.2
UnitedHealth Group	4.1
Oracle Corp.	4.0
Verisk Analytics	4.0
JPMorgan Chase & Co.	3.5
Pepsi Co.	3.2
Mondelez International	3.0
DaVita HealthCare	3.0
Total for Top 10	**43.8**

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

The U.S. equity portfolio's performance slightly lagged the S&P 500 for the quarter, which returned 2.0% in Canadian dollar terms. In U.S. dollars, the S&P 500 index's return was 4.3%, continuing a very strong run year-to-date, despite growing risks.

With the market now pricing in interest rate cuts (versus hikes as recently as late 2018), high growth and momentum stocks again led the way, with Information Technology (+3.7%) and Financials (+5.6%) as top performing sectors. As in the first quarter, our traditional areas of emphasis like Health Care (-0.8%) and Consumer Staples (+1.5%) continued to underperform. Struggles in the Health Care sector stemmed in good part from the ongoing political threats to the status quo, ranging from a court challenge designed to invalidate the Affordable Care Act to Democratic presidential nominee hopefuls aiming to eliminate private health insurance. We find both outcomes very unlikely and believe the path to health care reform is probably beneficial for our portfolio companies.

The main contributors to this quarter's underperformance were **Alphabet** (-10%) and **Cognizant** (-14%). With the former, quarterly earnings showed a deceleration in growth (from low 20s to high teens) coupled with concern over increasing regulatory activism caused the stock to decline.

Some offset was provided by **Microsoft** (+12%), the largest holding in the portfolio. Despite years of accelerating growth, investors continue to discount the size of its addressable market: Microsoft's unique positioning as a leader in cloud software and infrastructure, coupled with being the on–premises incumbent, enable the company to provide clients with a cohesive bundled offering that allows them to set their own pace of modernization.

INVESTMENT STRATEGY

The U.S. stock market has been underpinned by strong corporate earnings growth and an economy stimulated by unusual late-cycle fiscal stimulus from the recent tax cut. The end of 2018 saw the market re-appraise risk in the context of an aggressive Fed. In 2019, Chairman Powell's abrupt turn to easing coupled with the market's relatively sanguine approach to trade conflict resulted in a return to the market dynamic that prevailed in 2017 and early 2018 with a sharp focus on growth and momentum. While this is not the ideal environment for our portfolio to outperform, as always it 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 designed to outperform through the cycle and in turbulent times.

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.

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] 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.

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