JARISLOWSKY FRASER LIMITED
BALANCED FUND REPORT
3rd QUARTER 2011

Details of the Fund	
Inception Date	April 1, 1997
Net Asset Value per Unit	$ 13.1775
Income Distribution	$ 0.1008
Fund Size ($ Million)	$ 2,163.1

Global economic prospects continued to worsen this quarter. Europe is now heading for a recession, and the United States may follow. We have come full circle from the financial crisis of 2008/2009 as, once again, the global banking system is in trouble due to the banks' widespread holdings of riskier sovereign credits. The problem now involves not only central bankers, but also politicians. A consensus on policy and an action plan seems beyond reach at this point, making matters worse. Furthermore, most Western governments and their policymakers have far fewer tools (or funds) on hand to address the current situation. Central bankers are focused on maintaining low interest rates as a way of stimulating growth. In the meantime, government deficits continue to balloon while austerity measures undermine growth and employment. The price of gold and its volatility continues to defy investment logic, closing well off its highs, at US$1,623.95 per troy ounce on September 30th 2011. Its 8.2% price increase in the quarter is certainly not based on fundamentals. In contrast, the price of other key industrial resources has declined in response to fears of diminishing global demand.

Bond and equity investors alike were unnerved by these developments, favouring cash or government issuers over corporate bonds and stocks. The flight to safety and quality was global with all equity markets posting negative returns in the quarter. No region was spared. In fixed income, a decline in interest rates boosted overall bond returns, however an increase in the risk premium exacted by investors dampened returns of corporate issuers.

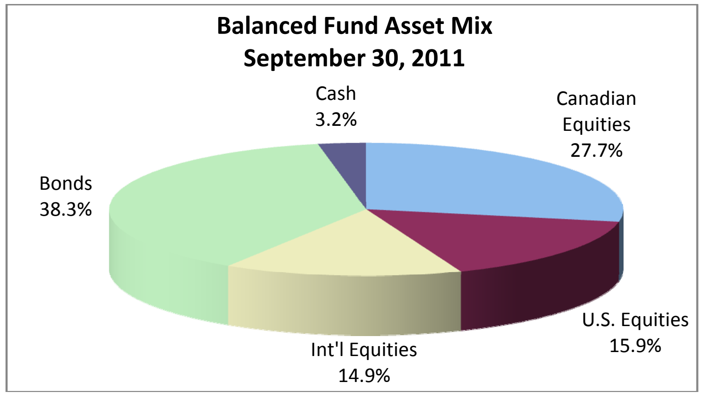
The Canadian dollar closed at $0.9596 depreciating by -7.4% against the U.S. dollar this quarter, partly due to falling commodity prices.

Performance Review

To September 30, 2011	3 mths (%)	YTD (%)	3 Years (%)	5 Years (%)	10 Years (%)	14 Years* (%)
JF Balanced Fund	**-5.0**	**-2.0**	**4.4**	**2.5**	**5.2**	**6.5**
S&P/TSX	-12.0	-11.9	2.7	2.6	8.0	5.8
S&P 500 (C$)	-7.0	-4.2	0.6	-2.5	-1.4	1.0
S&P 500 (US$)	-13.9	-8.7	1.2	-1.2	2.8	3.1
DJIA (C$)	-5.1	-1.1	-0.4	-2.7	-2.0	0.3
MSCI EAFE Net (C$)	-12.5	-10.8	-1.8	-4.8	0.8	0.6
Dex Bond Universe	5.1	7.4	8.1	6.1	6.5	6.4
91 Day T-Bills	0.3	0.8	0.9	2.1	2.5	3.2

* Performance inception for the JF Balanced Fund is 1997.
Canadian dollar index returns and NAV values have been calculated using the London 4PM closing FX rates.
MSCI EAFE: Europe, Australasia & Far East

Declining equity markets notably impacted overall returns this quarter, as the portfolio declined by -5.0%. Bonds appreciated by +4.5% during the period, offsetting some of the stock declines. The portfolio did not keep up with its benchmark during the quarter, a result of our bias to stocks versus cash and bonds and our absence from the gold sector. Within the equity section, the overweights in U.S. and International equities were actually a positive contributor as both portfolios outperformed the Canadian equity section. The portfolio remains ahead of its benchmark on a year to date basis.



Strategy

Global economic growth will continue to deteriorate for some time, as Western economies once again grapple with a banking crisis, just three years after the last one. The much sought after consensus on a policy and an action plan to fix the problem is still a way off, mostly because policymakers are too focused on sovereign paper, including their own. Delays will only worsen the situation and lengthen the downturn nor will the low interest policy favoured by many developed economies help the financial system recover quickly. We believe that we are entering a prolonged period of slow growth. We expect more volatility until the banking problem is addressed.

Our conservative and diversified portfolio is well suited for this environment and will continue to weather the peaks and valleys of this market. The portfolio is structured for longevity and consistency, it is attractively valued and provides investors a reasonable, sustainable yield. Equities remain well represented in portfolios, with emphasis on dividend paying non cyclical companies. Our bond sections are committed to a sizeable weighting in quality corporate issues as yield spreads (difference between government and corporate yields) remain at historically higher than average levels.

Representative Holdings

Equities

Holdings	Industry
Canadian Natural Resources	Oil and Gas
Colgate-Palmolive	Consumer Staples
I.B.M.	Technology
Siemens	Industrials
TD Bank	Financial Services

Bonds

Issuer	Coupon/Maturity
Bank of Nova Scotia	4.56%, 10/30/13
Enbridge	5.00%, 08/09/16
Telus	5.05%, 07/23/20
Province of Ontario	4.00%, 06/02/21
Hydro One	6.03%, 03/03/39