

JARISLOWSKY FRASER LIMITED

BALANCED FUND REPORT

4th QUARTER 2011

Details of the Fund

Inception Date	April 1, 1997
Net Asset Value per Unit	\$ 13.3642
Income Distribution	\$ 0.1227
Capital Gains Distribution	\$ 0.2304
Fund Size (\$ Million)	\$ 2,206.4

2011 was a difficult and volatile year on both the political and economic fronts. The European Union held centre court in debt deliberations, but, given the interconnections within the global banking system, all other geographies also have a vested interest. Most Western governments have embarked on a cocktail of austerity measures and higher taxes to stave off declining government revenues. For the most part, central bankers have maintained low interest rates to encourage growth. Europe is nearing recession, with little hope for change. North America has been far less affected by these developments, as only 16% of U.S. and 10% of Canadian exports are destined for Europe. Moreover, Americans will soon be looking inward, to the 2012 Presidential election.

The price of gold closed the year at US\$1,563.70 per troy ounce, declining by -3.7% during the fourth quarter, hopefully a sign of more near term economic stability. In contrast, the price of oil rose to US\$ 98.83 per barrel, appreciating by +24.8% during the quarter, the result of stronger economic data in the U.S. and geopolitical turmoil in the Middle East, led by Iran. While some of these developments are encouraging, we expect volatility to remain high.

Equity investors rode a rollercoaster this past year, oscillating between steep and sudden declines followed by rapid rebounds, particularly in the last quarter. In fixed income, further declines in interest rates continued to boost overall bond returns, however, an increase in the risk premium demanded by investors caused the returns of corporate issuers to lag governments for the fourth quarter and the year.

The Canadian dollar closed at \$0.9821 against the U.S. dollar, appreciating by +2.3% this quarter and depreciating by -2.4% for the year.

Performance Review

To December 31, 2011	3 mths (%)	1 Year (%)	4 Years (%)	7 Years (%)	10 Years (%)	14 Years* (%)
JF Balanced Fund	4.1	2.0	2.4	4.6	5.2	6.5
S&P/TSX	3.6	-8.7	-0.7	6.5	7.0	6.5
S&P 500 (CS)	9.3	4.6	-0.9	0.3	-1.6	1.2
S&P 500 (US\$)	11.8	2.1	-1.6	2.6	2.9	3.7
DJIA (CS)	9.4	8.1	-1.3	-0.6	-2.5	0.7
MSCI EAFE Net (CS)	1.0	-10.0	-7.6	-0.6	0.1	1.0
Dex Bond Universe	2.1	9.7	7.0	6.0	6.5	6.5
91 Day T-Bills	0.2	1.0	1.4	2.3	2.4	3.1

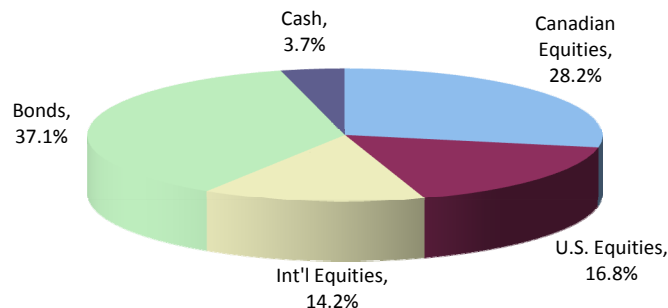
* Performance inception for the JF Balanced Fund is 1997.

Canadian dollar index returns and NAV values have been calculated using the London 4PM closing FX rates.
MSCI EAFE: Europe, Australasia & Far East

During the past twelve months, the portfolio increased by +2.0%, helped by strong bond (+8.9%) and U.S. equity returns (+4.2%). Canadian and international equities had negative returns, but both

substantially outperformed their benchmarks. Results for the quarter were strongly positive. The overall portfolio appreciated by +4.1% during the fourth quarter.

Balanced Fund Asset Mix December 31, 2011



Strategy

Emerging economies will almost certainly continue to lead global economic growth in 2012, as they have the means (balance sheets) and the desire to do so. Developed market growth will be slow but, nonetheless led by the U.S. and Canada. Europe will continue to struggle to increase their rate of growth, hampered by structural problems and ineffective governments. Japan will be fuelled, in the short term, by expenditures to rebuild post earthquake/tsunami. Nevertheless its economy, along with most others in the developed world, will remain mired with high government debt. Deleveraging will take time. We continue to believe that the world is in a prolonged period of slow growth and 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; holdings remain attractively valued and provide investors a reasonable, sustainable yield. We continue to favour equities over bonds, especially those of non cyclical companies which provide healthy, regular dividends. In bonds, we prefer owning solid corporate issuers which provide much better yields than those of government bonds.

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
Fortis Alberta	4.54%, 10/18/41

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