

JARISLOWSKY FRASER LIMITED

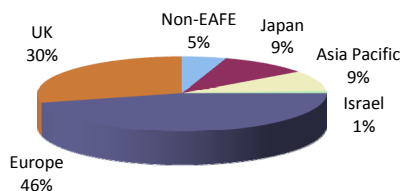
INTERNATIONAL EQUITY FUND REPORT

4th QUARTER 2011

Details of the Fund

Inception Date	April 1, 1995
Net Asset Value per Unit	C\$ 19.21 US\$ 18.87
Distribution (12/31/2011)	C\$ 0.1432
Fund Size (\$ Million)	C\$ 1319.3

JF International Equity Fund - Regional Weightings



2011 was a difficult and volatile year on both the political and economic fronts. The European Union holds centre court in the sovereign debt deliberations, but, given the close interconnections within the banking system, all other geographies also had a vested interest in this process. Most Western governments have embarked on a cocktail of austerity measures and higher taxes to stave off declining government revenues, all of which will only serve to exacerbate a slowdown in economic growth. During the fourth quarter, the European Central Bank (ECB) injected over €489 billion into the global banking system in an attempt at stability. This turmoil explains the weak Euro and high bond yields in Southern European countries. More fiscal integration seems inevitable in the Eurozone, as a break up of the Euro would be an unpalatable alternative to everyone. We expect 2012 to be “the year of fiscal integration” in Europe, making 2013 the year of economic recovery for the area.

Japan’s economy should rebound in 2012, as redevelopment projects in areas hit by the earthquake take hold. Its balance sheet remains overloaded with debt and deflation is expected to continue in 2012, especially if the Yen remains strong at over 80 against the U.S. dollar. China’s economy has slowed, partly due to lower exports to Europe along with more restrictive lending and housing policies. The government remains committed to its long term plans, and will support growth and jobs in 2012.

Performance Review

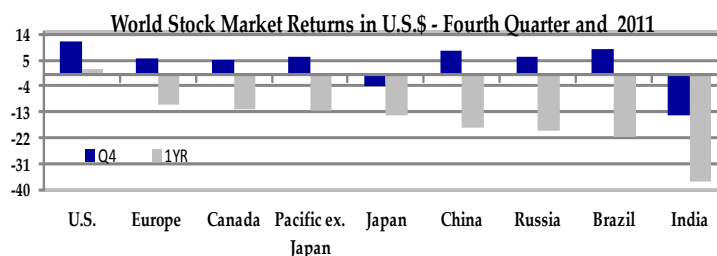
Dec. 31st, 2011	3 mths (%)	1 Yr (%)	4 Yrs (%)	7 Yrs (%)	10 Yrs (%)	15 Yrs (%)
JFIEF*	2.5	-1.0	-3.6	0.4	0.0	4.8
MSCI EAFE Net*	1.0	-10.0	-7.3	-0.2	0.5	1.4
JFIEF (US\$)	4.9	-3.4	-4.3	2.8	4.6	6.9
MSCI EAFE US\$ Net	3.3	-12.1	-8.3	1.7	4.8	3.4
S&P/TSX	3.6	-8.7	-0.7	6.5	7.0	7.0
S&P 500	9.3	4.6	-0.9	0.3	-1.6	3.4
MSCI World	5.3	-2.7	-3.7	0.4	-0.4	2.6

Compounded Annualized Returns: Dec. 31st, 2011 (C\$ unless otherwise indicated) *JFIEF: JF International Equity Fund. C\$ returns have been calculated using the London 4PMFX rates. Performance is gross of management fees. *Prior to Dec. 31, 2010 the index is the MSCI EAFE Index.

The portfolio outperformed substantially this year, providing downside protection in highly volatile equity markets. It outperformed in all but one sector and returned -1.0%, +9.0% more than the MSCI EAFE Index decline of -10.0%. The fourth quarter performance was also very respectable with the portfolio posting a +2.5% return versus the benchmark return of +1.0%.

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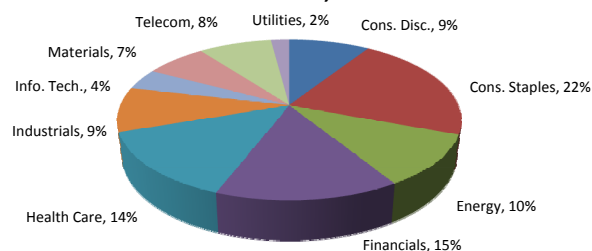
Sources: Jarislowsky, Fraser Limited, MSCI Inc., S&P Financial Services LLC., TSX Inc., PC Bond Analytics, Global Industry Classification Standard (GICS) by MSCI and Standard and Poor’s, Wilshire Atlas Analytics, Bloomberg.



Top performers this quarter were multinational integrated companies **BP plc** (+16.8%), **Royal Dutch Shell Plc** (+16.7%), and **Total SA** (+14.8%).

JF International Equity Fund - Sector Allocations

December 31, 2011



We initiated a new position in British food retailer **Tesco Plc** this quarter, trimmed British telecommunications company **Vodafone group plc** and added to global pharmaceutical **Sanofi-Aventis**.

Strategy

We continue to foresee slow economic growth and a challenging environment for all market participants over the coming year. Governments and consumers of developed nations are attempting to deleverage and this will likely weigh on both developed and emerging economies as they too are not immune to decreased demand from their developed peers. In 2011, countries such as Brazil, China and India tightened their monetary policies in response to inflationary pressures. If a slowdown does appear in 2012, these governments may ease policies and interest rates which could help mitigate the impact of a more conservative Western consumer. The portfolio, as often mentioned, has a significant indirect exposure to emerging markets thanks to its multinational holdings with diverse revenue streams and should benefit from stronger relative growth in these economies. In the same context, the diversity of the companies held has also helped ensure that the portfolio’s exposure to Europe and the Euro currency is less than a literal first glance might infer. While European valuations may look attractive, there are significant risks including a European banking crisis and earnings revisions as recessions take hold. We are patient and cautious and continue to position the portfolio to add value in a difficult environment.

Representative Holdings

Holdings	Country	Sector
HSBC Holdings Plc	Hong Kong	Financial
Nestle S.A.	UK	Consumer Staples
Royal Dutch Shell Plc	UK	Energy
Sanofi-Aventis	France	Health Care
Telenor ASA	Norway	Telecommunications