

**ITEM 1. COVER PAGE FOR  
PART 2A OF FORM ADV:**

**FIRM BROCHURE**

DATED May 2014

**JARISLOWSKY, FRASER LIMITED  
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**This brochure provides information about the qualifications and business practices of Jarislowsky, Fraser Limited.**

**If you have any questions about the contents of this brochure, please contact us by telephone at (514) 842-2727 or email: [compliance@jfl.ca](mailto:compliance@jfl.ca). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.**

**Additional information about Jarislowsky, Fraser Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Jarislowsky, Fraser Limited is a registered investment adviser, it should be noted that the word registered does not imply a certain level of skill or training.**

## ITEM 2. MATERIAL CHANGES TO PART 2A OF FORM ADV: FIRM BROCHURE

*Jarislowsky, Fraser Limited (“JFL”) is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update.*

While we do not have any material changes to report at this time; we wish to highlight the following changes:

### Item 5. Fees for Advisory Programs

*Compensation for our advisory services*

We have simplified the listing of our standard fee schedules. This has no impact on the fees charged to existing clients.

### Item 17. Voting Client Securities

*A. If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.*

We added a line to state that JFL may also use external parties to cast and reconcile proxy votes.

### Item 10. Other Financial Industry Activities and Affiliations

We have further introduced our **Participating Affiliate**, Jarislowsky, Fraser USA, Inc. Additional information can be found in Item 4 *Advisory Business*, Item 8 *Methods of Analysis, Investment Strategies and Risk of Loss* as well as in Item 10, *Other Financial Industry Activities and Affiliations*

Whenever you would like to receive a complete copy of the JFL Brochure(s) at no charge, please contact us at **compliance@jfl.ca** Complete filings of the Firm’s ADV 1, Brochure 2 (a) and 2 (b) are also available at **www.adviserinfo.sec.gov**.

### **ITEM 3. TABLE OF CONTENTS**

ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES FOR ADVISORY PROGRAMS .....	6
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	8
ITEM 7. TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS .....	9
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
ITEM 9. DISCIPLINARY INFORMATION .....	11
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	12
ITEM 11. CODE OF ETHICS,.....	14
ITEM 12. BROKERAGE PRACTICES .....	15
ITEM 13. REVIEW OF ACCOUNTS OR FINANCIAL PLANS .....	20
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	21
ITEM 15. CUSTODY .....	23
ITEM 16. INVESTMENT DISCRETION.....	23
ITEM 17. VOTING CLIENT SECURITIES.....	24
ITEM 18. FINANCIAL INFORMATION .....	25
ITEM 19. JFL PRIVACY POLICY.....	25

#### **Item 4. Advisory Business**

*A. Description of our advisory firm, including how long we have been in business and our principal owner(s).*

**Jarislowsky, Fraser Limited** (“JFL”) is a Canadian investment counsel firm, registered as an investment adviser with the SEC. The firm is also registered in all thirteen Canadian provinces and territories. JFL manages pension funds, endowment funds, corporate and private portfolios for clients in North America and overseas. Our firm was founded in 1955. With offices located in Montreal, Toronto, Calgary and Vancouver, JFL manages investment funds on behalf of governments, corporations, universities, labor unions and individuals. Assets under management at JFL exceed \$36 billion dollars. Stephen Jarislowsky, the founder, is Chairman of the Board and controls 50% of the voting shares of the firm and the JFL Management Trust (made up of all other active partners of the firm) controls the other 50%.

*B. Description of the types of advisory services we offer.*

Jarislowsky, Fraser Limited is a single purpose organization which provides investment management services only. We create diversified balanced portfolios consisting of fixed income assets as well as North American and International equities. The objective is to add value through longer term asset mix positioning rather than short term trading. Portfolio volatility or risk is kept to a minimum by implementing only gradual asset mix changes and a “buy and hold” strategy. Our style is conservative. We do not short securities (or sell what you do not own), and we do not trade in options or derivatives. Our style emphasizes buying long-term growth at a reasonable price.

Mandates offered include Balanced, Canadian equities, U.S. equities, Foreign (international or global) equities as well as Fixed Income portfolios and variations on each of these, which we can cater to each client’s requirements. The firm specializes in separately managed portfolios but also offers commingled vehicles for certain qualified investors. Additional details regarding these mandates are available upon request.

JFL employs a strong team of investment research professionals which include the personnel of a Participating Affiliate (as defined in Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*). See Item 10. *Other Financial Industry Activities and Affiliations* for more information on Participating Affiliates.

*C. Explanation of how we tailor our services to the individual needs of clients.*

We spend time to get to know you, our client, to review and discuss your financial situation. Areas of review will focus on, but are not be limited to, your: (i) goals and objectives; (ii) assets and liabilities; (iii) liquidity needs; (iv) risk tolerance; (v) tax status; and (vi) other variables relevant to understanding your unique investment circumstances. We also spend time explaining our style to ensure that your expectations will be met. Together we develop the investment policy guidelines which outline the overall asset mix we will follow when managing your portfolio. The guidelines also list the investments we may purchase and any restrictions you may want to put into effect. Specific restrictions must be clearly defined such as “no tobacco” as opposed to “only ethical stocks”. JFL does not provide an ethical screen, though we do have some clients who subscribe to such services, in which case we are happy to review the list and discuss what we can accommodate. When clients invest according to one of our models, or within a commingled or pooled fund, we cannot cater to specific client restrictions.

*D. Participation in wrap fee programs*

Certain individuals and entities become clients of JFL by participating in WRAP programs which are sponsored by other financial institutions (the WRAP sponsor). These clients choose to receive the investment advisory services of JFL through this other financial institution. They pay one fee (which also encompasses other services such as trading, execution and brokerage) to the WRAP sponsor based on the amount of assets under management. JFL receives a portion of this WRAP fee, paid directly to us by the WRAP sponsor, for advisory services rendered. With WRAP programs, JFL acts as a sub-advisor to the sponsor of the WRAP and rarely meets with the underlying client. In these cases, it is a representative of the WRAP sponsor who meets with you to review the items mentioned in 4.C. above in order to determine the asset mix to follow for your portfolio. Only after this has been decided, and you sign on to have JFL manage all or a portion of your assets, do you also become a client of our firm.

Each WRAP sponsor works with our firm to establish a policy or policies for the type of portfolios they wish us to offer. We then determine a model to follow and invest each new client’s assets according to this model. The model we follow for our WRAP clients may therefore be different from how we would invest your portfolio if we were to customize holdings specifically for you. The investment style we follow is the same, either way, but WRAP clients, for instance, tend to hold more names in their portfolios. Certain WRAP sponsors choose to trade each client’s portfolio themselves, in which case we simply provide the

sponsor with updates to our models. In other cases, JFL logs into a system provided by the sponsor which permits us to review holdings and to enter trades.

*E. Client assets managed on a discretionary basis.*

JFL manages portfolios on a discretionary basis which means that you sign a contract which gives us the authority to buy and sell securities within your account(s) without having to first ask your permission to do so. JFL had more than CDN \$36 billion dollars under management as of December 31, 2013.

## **Item 5. Fees for Advisory Programs**

*A. Compensation for our advisory services.*

JFL earns fees for investment management, based on the value of assets under management in your portfolio. We do not charge performance based fees. Over the years, JFL has standardized most of its fee schedules according to a declining scale based on mandate, product type, investment vehicle and the overall size of the client relationship. The following lists the highest rate charged on the first tier of assets as well as the lowest rate charged (this lower rate generally pertains to assets in excess of \$200 million).

<b><u>Type of Mandate</u></b>	<b><u>Standard Investment Advisory Fee</u></b>
Bonds	0.40% to 0.10% of quarter end assets
Canadian Equity	0.60% to 0.10% of quarter end assets
U.S. Equity	0.60% to 0.10% of quarter end assets
Global Equity	0.80% to 0.20% of quarter end assets
International Equity	0.80% to 0.20% of quarter end assets
Balanced	0.60% to 0.10% of quarter end assets
Domestic Balanced	0.60% to 0.10% of quarter end assets

As sub-advisor for various WRAP programs, our fees range from .50 to .25 of 1% depending on the type of mandate and overall assets, as well as whether our firm or the sponsor is responsible for trading.

### *B. Payment of fees*

Invoices are prepared quarterly for most clients. Clients choose whether to have their custodian pay our fees directly from their account.

### *C. Other fees you may pay.*

JFL does not provide custodial services, so you will have to choose a qualified custodian to hold your assets. Custodians will charge fees and/or transaction costs for their services. Several options are available. Traditional custodians or trust companies usually charge a fee based on the value of your portfolio. They may also charge fees for each transaction within the portfolio. The fees are set out in your contract with the custodian you have selected.

Brokerage firms can also provide custody services. They do not, generally, charge a fee on the value of your portfolio; instead they make their money from commissions charged on every purchase and sale within your portfolio.

You will pay brokerage commission fees whenever we trade in your portfolio. When your portfolio is held at a traditional custodian, JFL is able to select any broker to use for trading in your account. When dealing with a broker that has custody, we are usually limited to trading only with your broker at their commission rates.

If JFL has a relationship with the broker you choose as custodian, we can generally negotiate more favorable commission rates. Some brokerage firms do allow JFL to use outside brokers, either to get access to a particular investment or to obtain a better price for you. In these cases, if your broker also acts as your custodian, you will be charged a DAP or RAP (delivery against payment or receipt against payment) fee to settle the trade within your account. Just like custodians, brokers may also charge a fee to wire payments to you or to research information for you (such as printing duplicate tax slips or verifying tax costs). When you hold non-North American securities, both the custody fees you are charged and the brokerage commissions you pay for each transaction will be higher.

Within each of our commingled funds, fees for audit and other expenses are charged. JFL pays the custody fees for each of its funds which is why our fees for funds are slightly higher than our fees for separate account management.

For further information, please also refer to the section of the brochure that discusses brokerage, Section 12.

*D. Payment, refunds and expenses.*

Most separately managed client accounts are payable in advance, using the end of quarter market value. In the event that during the quarter in question, cash and/or assets are withdrawn or added in an amount greater than 10% of the previous quarter-end market value then our practice is to equitably prorate our fees with respect to the value of these added or deleted assets. This proration will generally be issued in the form of an adjustment to the next quarter's invoice. If you terminate the advisory contract with us before the end of the billing period, the portion of the fees invoiced, or paid, will be credited or refunded as the case may be, from the agreed upon date of termination.

*E. Compensation to supervised persons?*

We do not have compensation arrangements to disclose with respect to supervised persons, i.e. we do not pay commissions or sales charges to any JFL employees.

JFL launched its own mutual funds in late 2010. Canadian residents may purchase these funds directly through a discount broker at no extra fee or through a broker who may receive a fee from the mutual fund company which will lower the return of the investor.

**Item 6. Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees and have nothing to disclose for Item 6.



## **Item 7. Types of Clients and Account Requirements**

Jarislowsky, Fraser Limited is an investment advisory firm, managing pension funds, endowment funds, corporate and private portfolios for clients in North America and overseas.

The minimum for opening an account directly with our firm is generally \$2 million for separately managed clients and \$1 million for pooled or commingled clients. Individuals and entities with smaller accounts may become clients indirectly through WRAP sponsors.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### *A. Description of the methods of analysis and investment strategies and risk of loss.*

Investment strategy at JFL is developed through a team approach and is reinforced with extensive in-house research, emphasizing direct contact with the management of companies we invest in. Our Investment Strategy Committee (ISC) meets weekly and is responsible for all investment decisions at the firm; it establishes asset mix, makes decisions relating to fixed income and stock purchases or sales, including their specific weightings in the JFL model portfolios. The ISC is comprised of senior investment professionals, and includes our fixed income and regional equity team leaders. Fixed income and equity analysts attend the weekly meetings and present and defend their research in front of the Committee members. Analysts are divided between North American and International securities.

JFL may utilize advice and or research provided by Jarislowsky, Fraser USA, inc. (“JF USA”), a wholly owned subsidiary, opened in New York City in late 2012. JF USA is not registered under the Investment Advisers Act of 1940, rather it operates as a Participating Affiliate of JFL pursuant to an Agreement between JFL and JF USA. Under the Agreement, an employee of the Participating Affiliate may serve as associated person of JFL. Please also see *Item 10, Other Financial Industry Activities and Affiliations* for more information on our Participating Affiliate.

JFL employs a low risk approach toward the management of portfolios. Securities of companies that we believe to be speculative are avoided. We have a buy and hold investment approach and we do not short securities. Overall portfolio risk is minimized by investing only in proven, well-managed, large capitalization companies that are financially sound. We use a number of risk controls in order to reduce volatility (or risk) and preserve capital over the long term:

- Emphasis on longer-term trends
- Fundamentally-based research
- High quality stocks (no turnarounds)
- Diversified portfolios
- Low portfolio turnover (we don't trade frequently)

We look for companies that can provide superior sustainable earnings and cash flow growth over the long term. We favor companies and industries with above average cash flow generation. To that end, all investable stocks and corporate bonds which we identify as a prospect or which we own are reviewed based on a combination of fundamental qualitative and quantitative analysis.

The firm relies primarily on internal resources to develop strategy and generate investment ideas. Fundamental investment analysis has been one of the firm's foremost strengths for over 58 years and is an integral activity of the firm. An active schedule of company visits and interviews supplements our internal research library and database services. Our research concentrates on identifying companies possessing three main characteristics:

1. Strong management
2. Sound balance sheets
3. Sustainable cash flows

Once these companies are identified they are purchased at a reasonable price to improve the potential for future returns.

This same approach is used when investing in Fixed Income securities such as money market instruments or bonds. We focus on quality issuers and try to achieve moderate returns through relatively low-risk conservative investments. We do not buy structures or asset backed securities for our client's portfolios or funds.

*B. Describe the risk involved in investing for each of our strategies*

Investing your money in stocks and bonds involves a risk of loss which you should be prepared for. The stock market may increase and your account could enjoy a gain, it is also possible that the stock market may decrease and your account could suffer a loss. Bonds are generally purchased for safety but they can also lose value – in the extreme the companies or the governments which issue bonds may go bankrupt or default on their responsibilities. It is important that you understand the risks associated with investing in these markets. We help you to identify your risk tolerance, which may change with your age and circumstances. Our goal is to reduce the volatility or risk within your portfolio, through prudent diversification and by giving extra consideration to the safety of principal.

If you choose JFL to manage only a specific portion of your portfolio (ex. International or Canadian equities) then our diversification will be limited to these markets. It will then be up to you and your external investment consultant to review your asset mix to determine the suitability of your overall strategy.

*C. Were we to recommend a particular type of security, we would explain the material risks involved.*

We do not recommend particular types of securities, other than stocks and bonds, and therefore have nothing to disclose for this section.

## **Item 9. Disciplinary Information**

*JFL is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a management person has been involved in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the management person's favor, or was reversed, suspended or vacated, or (2) the event is not material.*

*If our advisory firm or a management person has been involved in a legal or disciplinary event that is not specifically required to be disclosed, but nonetheless is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a client's or prospective client's evaluation of our firm or management.*

We have determined that our firm and management have nothing to disclose under the guidelines and standards mentioned above.

## Item 10. Other Financial Industry Activities and Affiliations

A. *We are to disclose if our firm or our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.*

We have nothing to disclose in this regard, and no intentions to engage in any of the above activities.

B. *We are required to disclose if our firm or our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.*

We have nothing to disclose in this regard, and no intentions to engage in any of the above activities.

C. *We are required to describe any relationship or arrangement that is material to our advisory business or to our clients that we or any of our management persons have with any related person listed **below**. We are required to identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how we address it.*

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

### **With respect to Item C (2):**

As described in Item 4, *Advisory Business* and Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*, from time to time JFL benefits from the research, marketing, investment management and advice of its Participating Affiliate, JF USA. Pursuant to the previously described Agreement between JFL and JF USA, the investment professionals of the Participating Affiliate may contribute to the management of all client portfolios of JFL. Supervision of such portfolio management is the responsibility of the officers and employees of the Participating Affiliate and JFL. The Agreement also designates certain advisory personnel of the Participating Affiliate as Participating Employees for purposes of regulatory supervision.

If you have given us permission to do so, we may advise you or exercise our discretionary authority to purchase or sell securities issued by pooled or commingled funds which are “related” or “connected” to us. In particular, the purchase or sale of the following: Jarislowsky Fraser Money Market Fund, Jarislowsky Fraser U.S. Money Market Fund, Jarislowsky Special Equity Fund, Jarislowsky, Fraser Special Bond Fund, Jarislowsky International Pooled Fund, Jarislowsky, Fraser Bond Fund, Jarislowsky, Fraser U.S. Equity Fund, Jarislowsky, Fraser Balanced Fund, Jarislowsky, Fraser Canadian Equity Fund, Jarislowsky, Fraser Global Balanced Fund, Jarislowsky, Fraser Global Equity Fund, the Jarislowsky, Fraser Long Term Bond Fund, Jarislowsky, Fraser Dividend Growth Fund, the Jarislowsky, Fraser Global Equity (All Countries) Fund and the Jarislowsky, Fraser International Equity (All Countries ex US) Fund and the JFL International Equity Fund LLC. The units or shares of these funds are offered to investors in reliance on exemptions from registration and prospectus requirements of applicable securities legislation. These funds are related to us because we act as the manager of the portfolios and distribute units of these funds. In addition to these funds, we act as manager to the Manion Wilkins & Associates Short Term Investment Fund (STIF) and act as portfolio manager to the Jarislowsky Fraser Select Canadian Equity Fund, the Jarislowsky Fraser Select Income Fund and the Jarislowsky Fraser Select Balanced Fund and may exercise discretion on behalf of your portfolio to purchase or sell units of these mutual funds. The above transactions will be entered into where they are permitted under applicable securities law and where they are, in our view, in your best interest.

We do not double bill for these funds but the fees for certain of these are more expensive than the fees for a separately managed account.

- D. *If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.*

We have nothing to disclose in this regard, as JFL does not recommend other investment advisers.

**Item 11. Code of Ethics, Participation  
or Interest in Client Transactions and Personal Trading**

- A. *JFL, like all registered advisers, is required to adopt a code of ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940.*

The rule requires an adviser's code of ethics to set forth standards of conduct expected of advisory personnel and addresses conflicts that could arise in personal trading by advisory personnel. JFL's Code of Ethics stresses the importance of our fiduciary responsibility to our client(s). The Code reinforces our duty to always act in the client's best interests and specifically requires that all employee trades in equities, quasi-equities or JFL managed funds be approved in writing before a trade may be executed.

JFL will promptly provide a copy of our Code of Ethics to any client or prospective client upon request received at [compliance@jfl.ca](mailto:compliance@jfl.ca)

- B. *If our firm or a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest (excluding an interest as a shareholder of an SEC-registered, open-end investment company), we must describe our practice and discuss the conflicts of interest it presents.*

JFL does act as manager and general partner of the JFL International Equity Fund LLC. As mentioned in section 10.C (2) we only purchase units of this fund for clients who permit us to do so. We receive no benefit from this fund other than the management fees we invoice directly to our clients. We have no conflicts of interest to disclose in this regard.

- C. *If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.*

Please see Item 11A above; we put our clients first and the policies we have in place set forth standards of conduct expected of advisory personnel and address conflicts that could arise in personal trading by advisory personnel. Employees may invest in the same securities we recommend to clients, in fact we encourage this practice; however, we do require all personnel to pre-clear each such investment in order to ensure that no conflict exists.

*D. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.*

JFL does not actively trade in securities other than certain Fixed Income investments. We do not believe that any conflict of interest would arise from this practice.

## **Item 12. Brokerage Practices**

*A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).*

It is our duty to minimize transaction costs and to try to obtain “Best Execution” when we select brokers to execute trades on behalf of your account, unless you have directed us otherwise. In order of importance, the criteria for broker selection are as follows:

Primary Importance:

- I. The quality of trade execution by the broker,
- II. The quality and efficiency of back office functions, such as trade settlement etc.

Secondary Importance:

- III. The frequency of company management visits to JFL's offices sponsored by the broker,
- IV. The quality of a broker's research material,
- V. The frequency of analyst visits by a broker

Our compliance team reviews commission use on a regular basis, assessing broker execution and the competitiveness of trading costs. While not usual practice, JFL may from time to time pay higher commissions than those obtainable from other brokers.

1. *Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.*

JFL does purchase research goods and services using soft dollars, or a portion of client commissions. All products and services acquired qualify for safe harbor in section 28(e) of the Securities Exchange Act of 1934 as they aid in investment decision making or trade execution. In addition, these goods and services are allowable under Canada’s NI 23-102 as well as by the CFA Institute Soft Dollar Standards. A complete list of the services that were purchased during the 2013 calendar year is part of our Policy on the Use of Client Brokerage Commissions, a copy of which can be obtained by contacting [compliance@jfl.ca](mailto:compliance@jfl.ca)

*a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.*

Sometimes we will use a brokerage firm that has the ability to provide “goods and services” (GS) to JFL which may include access to research on companies, industries and management. Much of our research is performed in house and relies on access to low cost financial information (e.g. company filings, interviews with management and industry association data). In addition to this low cost information, we do pay for certain goods and services directly while others are paid indirectly out of a portion of the overall commissions brokers charge to our clients. The fee paid for GS may be up front (soft trades) or, it may be embedded in the total commission cost (principal trade). JFL only pays GS fees using “agency trades” that are available to all clients with similar investment objectives. In accordance with our investment philosophy, our low portfolio turnover generates a low amount of trading activity and therefore low commission levels. For the year ended December 31, 2013 our total soft dollar purchases represented 4.2 % of our overall commissions.

Research products and services may include research reports, recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide assistance to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.



b. *Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.*

Commissions and the execution quality of each broker are monitored on a regular basis. We have examined the potential conflict of interest and believe that our limited use of GS is in the best interests of our clients and satisfy our obligations to you, including our duty to seek best execution.

c. *Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).*

Our clients may pay a commission that is higher than another qualified broker dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determining factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we do seek competitive rates, for the benefit of all clients for whom we have the discretion to select the broker, we may not necessarily obtain the lowest possible commission rate for every client account transaction.

d. *Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.*

We utilize GS to help with investment decision-making for our model portfolios. These goods and services benefit all our clients, including those who cannot participate in firm transactions, such as those clients who have their assets custodied at brokerage firms, clients whose policies restrict the use of soft dollars and those who recapture a portion of their commissions. We monitor soft dollar levels by mandate to try to allocate the costs and benefits equitably across our various client accounts.

e. *Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.*

Within our last fiscal year, we acquired: financial publications; proxy voting analysis; financial database software and services; computerized news and pricing services; and quotation equipment for use in running software used in investment decision-making. A complete list of the services that were purchased during the 2013 calendar year is part of our Policy on the Use of Client Brokerage Commissions, a copy of which can be obtained by contacting [compliance@jfl.ca](mailto:compliance@jfl.ca). All products and services acquired qualify for safe harbor in section 28(e) of the Securities Exchange Act of 1934 as they aid in investment decision making.

f. *Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.*

Members of the Investment Strategy Committee review and establish our annual budget for client brokerage commission, taking into account our mix of clients, their mandates and investment objectives. The firm's compliance team reviews commission use on a regular basis, assessing broker execution and the competitiveness of trading costs. Meetings of personnel of the two teams take place to outline a plan of action whenever an imbalance or budgetary concern is raised.

- 2) *Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage)*

Our firm does not compensate brokers for client referrals.

- 3) *Directed Brokerage.*

- a. *If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer; we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.*

JFL does not require clients to direct brokerage and has no brokerage affiliations. It is within the discretion of JFL to select brokers for the purpose of executing trades on behalf of clients. Our duties as investment manager are to minimize transaction costs and to seek to obtain "Best Execution" for all firm clients. As such, we expect the brokers we select to comport with these standards and we regularly review our brokerage practices to ensure that they do.

All brokers used by JFL must be approved by the firm's Investment Strategy Committee (ISC), which reviews broker performance on a regular basis throughout the year. Beyond execution, JFL also requires its brokers to consistently report and settle trades in a timely manner.

- b. *If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.*

Brokerage commissions may be directed by the client for the purposes of acquiring qualified “order execution” or “research” goods and services. Clients must be aware that directed brokerage may have an effect on obtaining Best Execution. Our policy is to only allow commissions generated by “account specific trading” to apply to any client’s “directed account”. While we prefer approved brokers for directed trades, you may direct trades to another broker. Lately, as commission rates decline and regulatory and compliance scrutiny has increased, fewer broker-dealers are willing to agree to provide recapture services. We only use agency trades (a transaction involving the payment of a commission) for client directed trading. You must understand that when engaging in a directed-brokerage agreement for the purposes of covering a fee, the dollar amount generated towards the directed account will be based on a percentage of your total account specific commissions. There is a chance that the total dollar amount in the directed account may be less than the amount required to pay for the service you have purchased.

- B. *Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.*

JFL may trade certain security names in a “block” or “bunch” in order to trade for many client accounts at the same time and at the same price. Inclusion within these block or bunched trades will depend on clients sharing the same investment objectives and JFL having full discretion with respect to the choice of broker. Under normal circumstances, these trades will be allocated across all included client accounts on a “prorated basis” meaning that all accounts, regardless of size, are treated fairly. We will, however, look to minimize overall trading costs and therefore may impose minimum lot sizes for trades which span several days.

JFL makes investment decisions for your account according to your particular circumstances, investment objectives and guidelines. We have a duty to not intentionally favor or disfavor any client in the allocation of investment opportunities so that, over a period of time, such opportunities will be allocated among clients on a fair and equitable basis. Because the majority of the portfolios managed by the firm are customized to the specific needs and constraints of each client, and do not fit a “one size fits all approach”, JFL does not automatically rebalance or trade specific security names across all of its client portfolios. Considerable

time is spent by each account manager to assess whether an investment opportunity meets the needs of each client portfolio. For this reason, unless a client portfolio follows an exact JFL model account, many trades will be individual and not blocked or bunched.

### **Item 13. Review of Accounts or Financial Plans**

*A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.*

Your JFL portfolio manager will review the security holdings which make up your portfolio of accounts at least once a month. Letters are prepared and sent to clients at least quarterly. Your portfolio manager will generally meet with you and review your account and investment policy guidelines on an annual basis. If no meeting occurs, then we will ask you to update a client profile form which may include information required by securities legislation or federal law. Investment policy updates are reviewed by the JFL Compliance team.

*B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.*

Other than the required formal monthly review, your account may be reviewed when market conditions change, when a name within your portfolio reaches a specific price target, when a name within your portfolio is more volatile, when the firm's Investment Strategy Committee recommends a new security for purchase or when we receive information or a special request from you regarding your portfolio.

You should feel free to contact us at any time you have a question or concern regarding your portfolio. In order to be in the best position to make suitable investments on your behalf, we ask that you keep us up to date with respect to any changes which might be of impact. Triggers for us to review your investment policy include a change in circumstances or update to the client profile (KYC) form, such as an address change, a job change, a change in your income requirement or tax situation, a change of authorized signatories for your account, if you enter a securities lending arrangement with your custodian or when you change accountant, consultant, custodian etc.

*C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.*

Separately managed high net worth clients receive a monthly or quarterly letter (depending on the arrangement with their account manager) which details the specific changes in their portfolio. Institutional clients receive a detailed quarterly summary of this activity. Meetings or discussions are useful in order to review performance and to ensure your investment policy guidelines still meet your requirements. We encourage clients to let us know how frequently they would like to meet or hold these discussions.

#### **Item 14. Client Referrals and Other Compensation**

*A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.*

JFL has no such arrangements.

*B. If our firm or a related person directly or indirectly compensates any person who is not our supervised person for client referrals, we are required to describe the arrangement and the compensation.*

JFL has very few referral arrangements. JFL has entered into a relationship whereby it may obtain client referrals from Hamersley Partners. Hamersley Partners is a broker/dealer registered with the SEC, FINRA, and the MSRB. Additional information about Hamersley Partners may be found on the firm's website at <http://www.hamersleypartners.com>.

In certain cases, JFL may compensate Hamersley Partners for these client referrals. Such compensation will be borne solely by JFL out of their portion of any agreed-upon investment management fees.

A disclosure statement, in substantially the form as below (as amended from time to time) will be provided to clients obtained via referral prior to the signing of an investment management agreement.

## **DISCLOSURE STATEMENT AND ACKNOWLEDGEMENT**

Dear Client:

This Disclosure Statement is being provided to you to describe the nature of the referral of your account to Jarislowsky, Fraser Limited (the "Adviser") by Hamersley Partners, LLC ("Hamersley Partners"). The Adviser is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC") and various Canadian provincial securities regulators. Hamersley Partners is a broker-dealer registered with the SEC and the MSRB, and is a member of the Financial Industry Regulatory Authority, Inc.

The Adviser and Hamersley Partners have entered into a solicitation agency agreement pursuant to which the Adviser compensates Hamersley Partners for referring investment advisory clients to the Adviser. The Adviser pays Hamersley Partners a monthly retainer of \$15,000 per month until November 2014 and a monthly retainer of \$10,000 per month from December 2014 until November 2015. In addition to these monthly retainers the Adviser will pay Hamersley Partners 25% of the advisory fee charged to you with respect to the provision of investment advisory services by the Adviser for the first six years, followed by 5% of any such fee for an additional six years. If you invest in a fund or commingled vehicle managed by Adviser, the Adviser will pay Hamersley Partners 25% of any fees payable by such fund or commingled vehicle to Adviser in relation to your investment for the first six years, followed by a further 5% for an additional six years, as long as you remain an investor in such fund or commingled vehicle. Please review Part 2 of the Adviser's Form ADV for more information about the Adviser and the Adviser's fees.

By signing this Statement where indicated below, you acknowledge receiving a copy of both this Statement and Part 2 of the Adviser's Form ADV and your understanding that (i) Hamersley Partners is being compensated by the Adviser for referring your account to the Adviser and (ii) the compensation arrangements described above give Hamersley Partners an interest in causing you to invest with, and to maintain your investment management arrangements with, the Adviser. You also understand that Hamersley Partners is not responsible for rendering investment advice or providing recommendations and that Hamersley Partners shall bear no responsibility or liability of any kind as a result of any action, or failure to act, by the Adviser. Furthermore, you understand that pursuant to its Agreement with Hamersley Partners, the Adviser may share certain information about your account with Hamersley Partners as required for regulatory or contractual purposes, and that Hamersley Partners is bound by Confidentiality clauses in its contract with Adviser with regards to this information.

If you have any questions regarding the above, please feel free to contact the Adviser.

### **ACKNOWLEDGED:**

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Signature

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Name (Print)

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Title or Capacity

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Date

## **Item 15. Custody**

*If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.*

We do not have custody of separately managed client funds; each client enters into a separate agreement with a custodian of their choosing. Item 15 is therefore not applicable to our separately managed or WRAP clients. In cases where we act as manager or general partner for certain of our commingled or pooled funds, JFL is deemed to have “custody” of these funds as we exercise control over these assets. JFL is responsible for reconciling and forwarding statements directly to its U.S. based clients therefore Item 15 does not apply.

## **Item 16. Investment Discretion**

*If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:*

We manage portfolios on a discretionary basis which means that JFL has the authority to buy and sell securities within your account(s) without first asking your permission, provided we believe we are selecting investments which suit your needs and we respect your investment policy. To that end, we spend time to get to know you, including your income requirements and your tolerance to risk. Much of this information is documented in our client profile form which includes various questions which we are legally obligated to ask. Your JFL portfolio manager, together with you, your actuary, financial consultant or tax advisor, will develop the investment policy guidelines for your portfolio. It is very important, therefore, that you read and understand your investment policy statement as it outlines the overall asset mix we will follow when managing your portfolio. It will also list the types of investments we may purchase and any restrictions you wish to put into effect.

## **Item 17. Voting Client Securities**

*A. If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.*

We may vote on a client's behalf, provided the client and their custodian has allowed for such arrangement. Our firm operates from a model portfolio and a list of approved securities and receives proxies for each of the companies that make up this list.

Our goal is to accrue and enhance economic value for our clients. This entails voting along with the board of directors (or independent board members in cases where a conflict of interest with management or a significant owner are evident), who as shareholder representatives must act in the best interest of the shareholder.

In cases where we strongly believe that a certain proposal will unduly increase the risk level or reduce the economic value of the relevant security, and that value will be enhanced by voting against a board of directors, we will do so. In the same vein, if we believe that the voting of a particular proxy may reduce the economic value of the security, then we may elect not to participate in such a vote.

In all cases our policies can be superseded by those of our clients, provided that we are given specific written instructions, well enough in advance of a vote. Client requests will be honored on a best effort basis.

We may make use of external proxy service advisors, however all proxy decisions are made internally. JFL may also use external parties to cast and reconcile these votes. The Investment Strategy Committee, consisting of members of the firm's research team, meets on a weekly basis to review all upcoming proxy issues and events. Decisions of the Investment Strategy Committee are documented in writing and communicated to the Proxy Voting area and to the firm's investment professionals. Should a material conflict of interest arise, written notice is sent to all clients concerned to notify them of our voting intentions and to disclose the nature of the conflict.



## **Item 18. Financial Information**

*A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.*

We do not require, nor do we solicit, prepayment of more than \$1,200 in fees per client, six months or more in advance. Item 18 is not applicable to JFL.

*B. If we are an SEC-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.*

We have nothing to disclose in this regard.

*Note: With respect to Items 18.A and 18.B, if we are registered or are registering only with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.*

*C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.*

We have nothing to disclose in this regard.

## **Item 19. JFL Privacy Policy**

As our client, you are entitled to know how we protect your personal information and how we limit its disclosure.

### **Accountability**

The collection, use, and disclosure of data or information about individuals are subject to Canadian and International laws on the privacy of information. To this effect, Jarislowsky, Fraser Limited (JFL) has designated a Privacy Officer to ensure adherence with this JFL Privacy Policy, which applies to all current and former clients of our firm, including all those who invest in our funds or have done so in the past. This privacy policy describes our policies and practices for collecting, disclosing, and safeguarding "personal information," which may include financial or other information about you.

## **Consent**

The knowledge and consent of the individual are required for the collection, use and disclosure of personal information, except where legally inappropriate. You provided this consent at the time you opened your account(s) with us.

We collect personal information about you from the following sources:

- Information we receive from you on our client profile forms (know your client KYC forms), the client profile update form, investment policy, agreement letters and other forms.
- We also collect personal information during both formal and informal meetings, as well as during our regular telephone conversations with you.
- This personal identifying information includes, but is not limited to, your name, address, date of birth, driver's license or passport number, assets, income and any changes in your personal situation; as well as information about your transactions with us, your custodian and others, such as account balances and parties to transactions.

JFL will be vigilant with respect to the initial and ongoing accuracy of the personal information we collect.

## **Identifying Purposes**

Collecting personal information about you is essential to our being able to provide the personalized services that best meet your (our Client's) needs. While the personal information we collect may come directly from you, it may also be provided by your financial institution.

Personal information may be used:

- 1) To understand and assess your ongoing needs and to adjust your portfolio if warranted;
- 2) For client communication, service and administration including invoicing and accounting purposes;
- 3) For internal, external and regulatory audit purposes;
- 4) To comply with legal and regulatory requirements;
- 5) To facilitate investment transactions with other financial intermediaries;
- 6) In compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

Please note that if you provide personal information about others (such as employees, dependants, etc.); we assume that you have obtained their consent.

## **Limiting Use, Disclosure, and Retention**

We do not disclose your personal information to anyone, except as permitted or required by law. This means, most importantly, that we do not sell client information – whether it is your personal information or the fact that you are our client – to anyone. Instead, we use your personal information primarily to complete transactions on your behalf. Here are the details:

- To complete certain transactions or account changes that you request, it may be necessary to provide identifying information to nonaffiliated third parties, such as trustees or custodians.

We will release your personal information if we are required by law to do so or in other limited circumstances permitted by law – for example, to protect your account from fraud, or if you give us the permission to do so.

- Should you wish us to share your personal information with a third party such as your accountant, auditor or consulting firm, we require written instructions describing the type of personal information you wish us to share as well as the name, address, phone, fax number and email address of the third party.

## **Legislation and Regulations**

The Personal Information Protection and Electronic Documents Act (PIPEDA) and An Act Respecting the Protection of Personal Information in the Private Sector (Quebec) require organizations to obtain your consent to collect, use or disclose information about you.

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act, requires us to comply with certain client identification, recordkeeping, reporting and internal compliance measures. This includes reporting suspicious transactions to Canada's financial intelligence unit, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

In addition, Article 41 of the United Nations Act and the Related Regulations implemented under the Act impose certain duties on all Canadian financial institutions engaged in portfolio management or investment counseling, including the freezing of assets held directly or indirectly by persons in support of terrorism, reporting of property of these persons to both the Royal Canadian Mounted Police ("RCMP") and the Canadian Security and Intelligence Service ("CSIS"), and reporting a review of our records on a monthly basis to the provincial securities commissions to confirm that our client base does not include the names of people or organizations in support of terrorism.

## **What happens if you close Your Account?**

If you decide to close your account(s), we will adhere to the privacy policies and procedures described in this notice. JFL is subject to legislative requirements with respect to retention periods.

## **Who has Access to Your Personal Information?**

Disclosure of your personal information is restricted to individuals who need access in order to provide services to you.

## **Safeguards**

We maintain physical, electronic and procedural safeguards that comply with Canadian and U.S. regulations to protect your personal information.

## **Openness, Access, Recourse**

JFL will make available information about its policies and practices relating to the management of personal information upon request.

You may obtain access to the personal information we hold about you at any time to review its content and accuracy.

## **We will keep you informed**

JFL may update the privacy policy from time to time. When we change the policy in a material way, an updated privacy policy will be sent.

You can always request a current privacy policy by contacting JFL, [compliance@jfl.ca](mailto:compliance@jfl.ca)

If you require more information, or have concerns, please contact our Privacy Officer at [compliance@jfl.ca](mailto:compliance@jfl.ca).