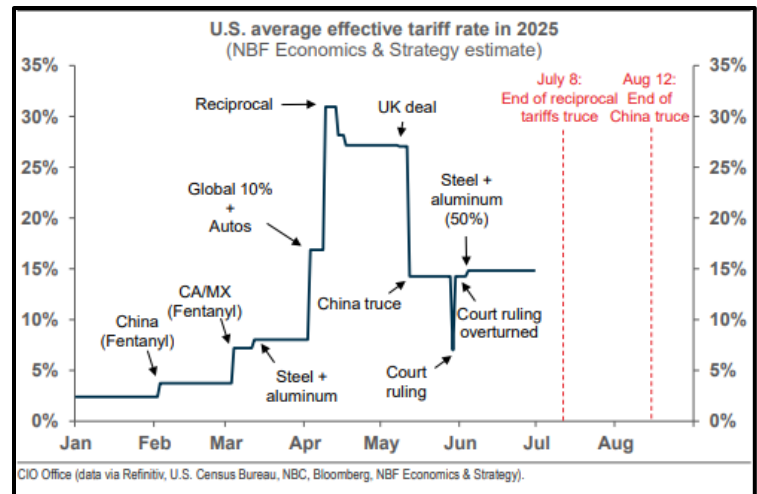


The Dividend Value Discipline™ 2nd Quarter 2025

Quarterly Commentary

Liberation Day

The quarter began with an unprecedented shock that sent financial markets sharply lower. The Trump administration unveiled its global reciprocal tariff plan on April 2nd (Liberation Day) that levied combined tariffs of 10-125% on over 75 different countries. This followed the 25% tariffs placed on Canada and Mexico announced early in March. This increased the average US tariff rate from 2.5% to over 30%, a level not seen in over 100 years. The reaction across financial markets was swift. Predictions for a recession spiked, with growth expected to decline and domestic prices and inflation expected to ramp higher. The major US markets fell 15% over the following 3 days, declines not seen since the beginning of the global pandemic. After the market declines the Trump administration quickly paused most of the planned tariffs for 90 days. The average tariff rate has now fallen to 15% which has helped restore confidence back into the financial markets, but that's still very high. We expect the US tariff policy to eventually slow growth, but the high degree of volatility that we experienced through April will likely not be repeated.



Policy Pivot



The US Markets experienced a major growth scare in Q2. This is usually followed by a shift in US Federal Reserve monetary policy. We saw this in Jan 2019, March 2020, and November 2023. Chairman Powell is under increasing pressure by the White House to cut interest rates. President Trump has threatened to fire him several times for not lowering rates. A change in policy is likely already factored into the current markets levels. The risk is the Fed holds its current stance fearing inflation may return. With tariffs likely slowing growth **and** raising prices, a restrictive monetary policy may usher in a period of **stagflation**, a toxic mix of stagnant growth and high inflation not seen since the 1970s. Stagflation is difficult to fight, as the solution to counter slow growth tends to

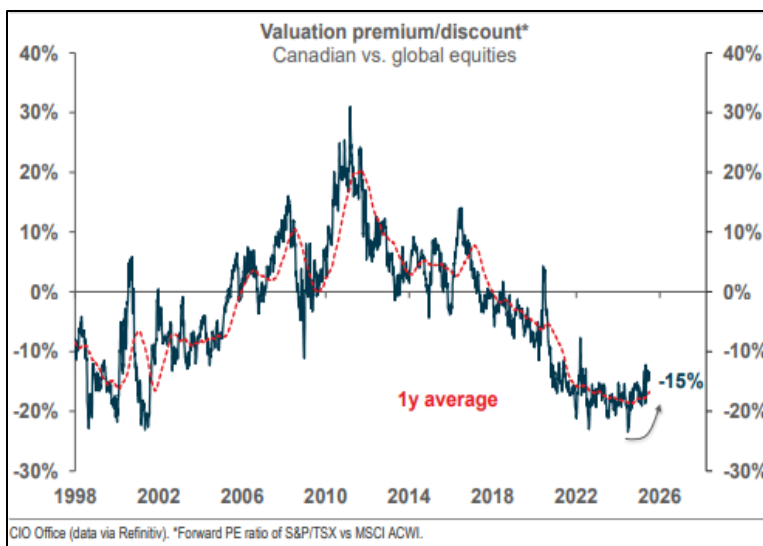
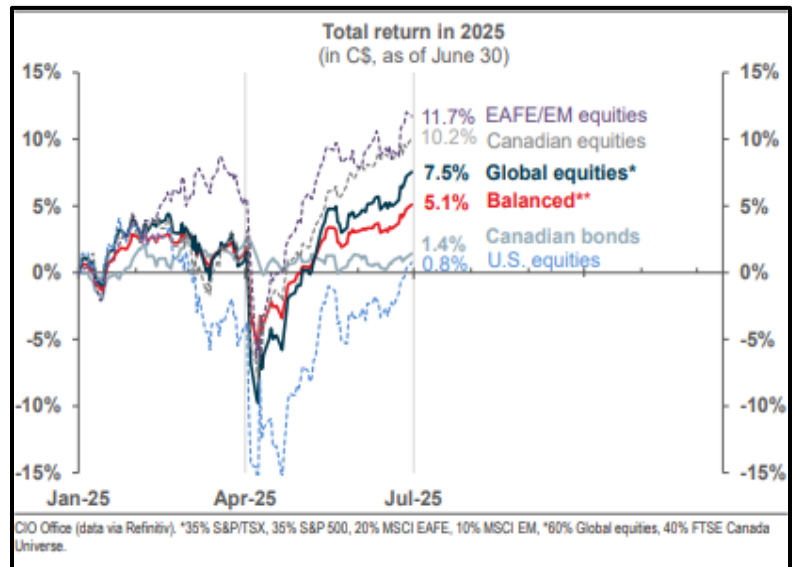
worsen inflation. It marked the worst performance by advanced economies between the Great Depression and the Financial Crisis of 2007/08, so it's something we really want to avoid.

Bad News Repellent

It's quite surprising that markets have had positive returns for the first half of the year. This is despite a 10% market correction in Q1, the major US tariff shock in Q2, and serious Middle East turmoil. The markets have repelled bad news like Deep Woods Off and mosquitos on a camping trip.

Three key factors fueled this. First, a weakening U.S. dollar helped drive capital flows into international markets. Second, Canada's commodity-heavy market benefitted from tariff-driven supply chain shifts. Finally, and perhaps most significantly, markets have fully embraced the TACO (Trump Always Chickens Out) trade, the now somewhat predictable pattern where initial tariff threats give way to market-friendly reversals after some brief volatility.

These factors may explain why the strongest markets have been in Europe, Asia, and emerging markets. The next best area has been Canada. Corporate earnings here have remained steady, despite a tepid economy. The prospect of lower interest rates here also helps. The Carney government seems to be moving quickly to help stabilize our economy in the face of the U.S. threats. These positive forces have made Canada one of the better places to invest this year and our dividend portfolio has benefited.



Valuations Favour Canada

Another factor that may be attracting investment money into Canada is the fact our equities have been historically cheap relative to the US and global levels. Canada's valuations have not been trading at this wide a discount since 1998-2002. So, if you believe in long-term reversion to the mean, either Canada should see an upward re-pricing over the next few years, or global markets must correct downward to close the gap. While cheap valuations alone don't always lead to outperformance (as we've learned through painful experience), they provide what Warren Buffet famously called "a margin of safety".

In today's very unsettled environment of trade wars, currency volatility, and policy uncertainty, having a higher degree of safety is an attractive attribute for any portfolio manager.

The Dividend Value Discipline Portfolio

The Dividend Value model portfolio returned 5.1% for the second quarter (net of fees, based on our model portfolio). A typical balanced portfolio returned 4.0%, according to Morningstar (our benchmark is the Morningstar Canadian Equity Balanced category). For the 6-month year-to-date period, we are at +6.0% vs the benchmark at 4.6%, building on our slight lead from the first quarter. At the end of June, the rolling average returns for the portfolio are: 1-year +13.2%, 3-year +10.8%, and 5-year +9.8%.

The Canadian markets showed strong performance vs the U.S. markets (S&P 500, Nasdaq 100), but lagged behind global (MSCI EAFE) markets. The U.S. markets were strong in local currency but given the decline in the U.S. dollar following Trump's tariff activity (among other things), performance was blunted by ~5% for Canadian investors.

The Canadian stocks within our portfolio had a very strong showing in the second quarter, up about 13.5% vs the broader TSX at +8.5%. This was largely due to two factors: we added Cameco, the world's largest uranium miner and processor in early April after the volatility from the tariff tantrum. It has returned 90% since then; one of the best performers in all of Canada. We wish we'd bought more! Secondly, we carried a large weighting of Finning, the Caterpillar dealer and servicer, which had great earnings and was up 44%. That position was trimmed slightly at the end of the quarter. Those two items contributed to half our Canadian gains this quarter!

Despite the softening Canadian economy, other sectors have also done well. Financials, including banks and insurance, were up double-digits, and the majority of our Canadian positions were positive this quarter.

Our U.S. stocks did less well this quarter – gaining about +8.5% (+3.0% in CAD), vs the S&P at +10.9% (+5.2% in CAD). Given where April started, it's a surprise that the market ended as positive as it did. We were looking at negative double-digit returns about a week into the quarter! That said, while we had some strong performers (Nintendo, +40%, Microsoft, +32%), we had a little too much in the worst sector – healthcare. The US market is increasingly expensive, and while healthcare is the sector with the best valuations, it has not kept up in a market filled with momentum. Abbvie, Merck, Pfizer were all modestly negative in an up market.

We did make some good, proactive decisions. We initiated a position in Nike in May, at around \$59. After watching the position for many months, we decided to Just Do It. While Nike has had abysmal performance over the past few years (too much inventory, not enough innovation), the stock had been punished, down 67% from its peak of nearly \$180 in 2021. We felt there was too much pessimism in the name and that it was rounding the corner with a new CEO. Nike had good earnings in June, and the stock trades above \$70 today; we continue to feel excited about its turnaround. We also added to our Pepsi position at favourable levels.

The U.S. dollar, a large positive influence on performance over the past several years – had its worst quarter on record, down 5.2% vs the Canadian dollar (and even worse vs the Euro and Yen!). We're continuing to monitor if this is a longer-term trend of U.S. dollar weakness, and whether that leads to better returns in international markets. Nintendo has been a great holding for us, and we continue to eye opportunities beyond North America.

Our bond portfolio started the year positive and added another 1.4% in Q2 to finish +3.2% at the halfway point this year. That puts us ahead of the overall Canadian Bond Universe for the quarter (-0.6%) and year-to-date (+1.5%). This was led by our preferred share mandate (+4.4% Q2) and PIMCO monthly income (+1.6% Q2).

In summary, your Dividend Value portfolio built on a strong first quarter, and delivered outperformance compared to its peers and benchmark. While we are pleased with these results and record-high portfolio levels, the broader market trends present ongoing challenges. The U.S. equity market remains expensive, and the ongoing trade tension between Canada and the U.S. lingers. While our portfolio benefits from domestic industrial and uranium exposure, we are not immune to tariff spillovers. We are monitoring international opportunities selectively: favouring companies with pricing power, balance sheet stability, and reasonable valuations.

The Dividend Tracker

Fundamentally, we believe that owning strong, stable companies with a track record of consistently growing their dividends is the best way to grow your money. For this reason, we track the number of dividend increases received in our portfolio every quarter and for the year-to-date. In the second quarter, **seven** Dividend Value stocks increased their dividends, and there are fourteen for the year-to-date. No dividend cuts were announced this quarter for stocks in your portfolio.

| Q2 Dividend Changes (Quarterly) | | | |
|--|---------------------------------|------------------------------|---------------------------------|
| Canadian Pacific Kansas City (CP) | Increased from \$0.19 to \$0.23 | Finning International | Increased from \$0.28 to \$0.30 |
| Telus | Increased from \$0.40 to \$0.42 | *Apple Inc. | Increased from \$0.25 to \$0.26 |
| *Costco Wholesale | Increased from \$1.16 to \$1.30 | *Alphabet Inc. | Increased from \$0.20 to \$0.21 |
| *PepsiCo, Inc. | Increased from \$1.36 to \$1.42 | | |

*in USD

Quarterly Performance

| Mandate | 3-mos | 1-yr | 3-yr | 5-yr | 10-yr |
|---|-------|-------|-------|-------|-------|
| Dividend Value Portfolio | 5.1% | 13.2% | 10.8% | 9.8% | 6.7% |
| Dividend Value Benchmark | 4.0% | 13.7% | 10.6% | 9.2% | 5.7% |
| S&P/TSX Composite Total Return | 8.5% | 26.4% | 16.1% | 15.0% | 9.6% |
| DJ Canada Select Value | 6.2% | 23.6% | 10.6% | 14.7% | 6.3% |
| iShares Canadian Dividend Aristocrats | 6.9% | 25.7% | 13.2% | 15.8% | 8.8% |
| FTSE-TMX Universe Bond | -0.5% | 5.9% | 4.3% | -0.4% | 1.8% |
| <i>The above performance data is current as of June 30th, 2025. Not all portfolios will be alike, given different starting dates, slightly different securities owned, or the timing of funds added or removed. Please see the individual client statements that are being included separately for specific account performance.</i> | | | | | |

DVD Quarterly Transactions

The following securities were bought this quarter:

Cameco Corp (CCO)

Nike Inc. (NKE)

The following securities were sold this quarter:

Gibson Energy (GEI)

The following securities were topped-up this quarter:

PepsiCo, Inc.

The following securities were trimmed this quarter:

Finning International Inc.

Dynamic Global Dividend Fund

Vanguard Dividend Appreciation ETF

Costco Wholesale

Sincerely, the Dividend Value Partners



Paul Siluch

Financial Advisor

Raymond James Ltd.



Peter Mazzoni

Financial Advisor

Raymond James Ltd.



Sharon Mitchell

Financial Advisor

Raymond James Ltd.



Lincoln Jiang

Financial Advisor

Raymond James Ltd.

This Quarterly Market Comment has been prepared by Paul Siluch, Peter Mazzoni, Sharon Mitchell, and Lincoln Jiang and expresses the opinions of the authors and not necessarily those of Raymond James Ltd. (RJL). Statistics and factual data and other information are from sources RJL believes to be reliable, but their accuracy cannot be guaranteed. The performance outlined in the report is net of fees. The client account performance may vary from the model portfolio due to several factors, including the timing of contributions and dates invested in model. The performance reported is that of the account that represents the model, not a composite. Performance calculation for the models may be different than the index used as a reference point. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. This Quarterly Market Comment is intended for distribution only in those jurisdictions where RJL and the author are registered. Securities-related products and services are offered through Raymond James Ltd., member-Canadian Investor Protection Fund.