

## The Dividend Value Discipline™ 4<sup>th</sup> Quarter 2025

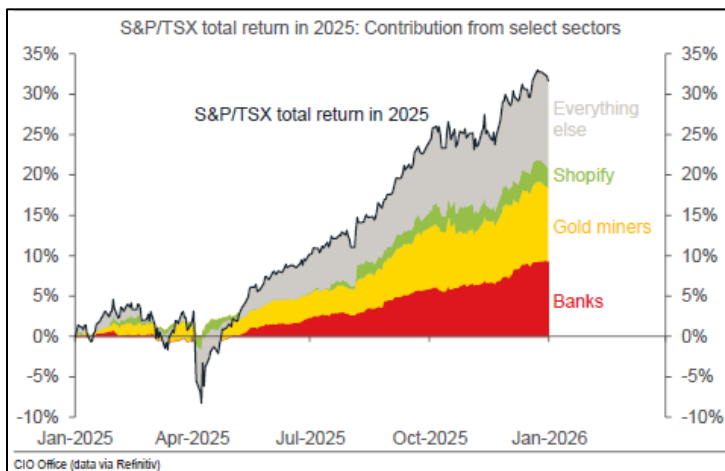
### Quarterly Commentary

#### An eventful year.

2025 was a year of unpredictable change and remarkable resilience. Elevated economic and policy risks during the first half began to reshape the global economy. We saw the biggest shift in trade policy in decades with the US global tariffs. Old alliances fractured and new partnerships emerged that are now shifting the global balance of trade. Episodes of economic brinkmanship created extreme volatility at times, yet the markets were able to stabilize and even accelerate into the second half of the year. Inflation began to moderate which allowed Central banks to lower interest rates, helping to further support the overall equity markets. Consumer spending remained strong despite poor sentiment. The massive capital investments in AI technology helped prop up the economy during the height of economic worries. Investment dollars rotated out of the U.S. in search of better valuations and stability, creating a resurgence into non-U.S. equities and emerging markets. Our Dividend Value portfolio successfully navigated the many twists and turns of 2025. The 4<sup>th</sup> quarter was up +1.9%, and the full year performance was up 14.9%.



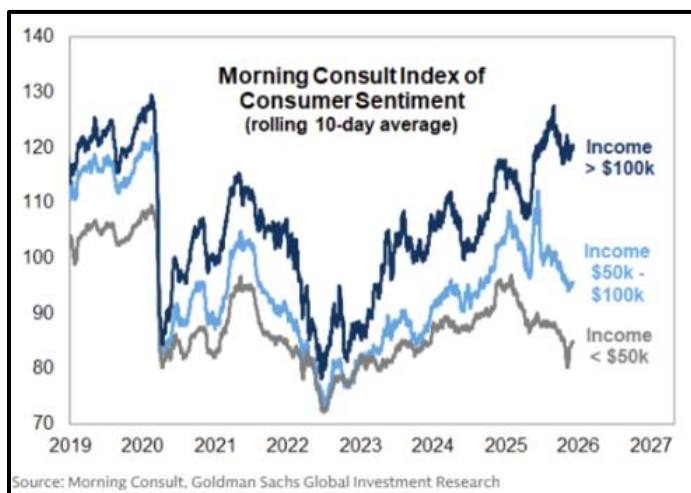
#### Go Canada



Canada's main stock market, the S&P TSX, recorded its best year of performance since 2009. This greatly outpaced the Canadian Bond market which was up a modest 2.6%. It was not a broad-based rally, but rather two sectors and one stock that accounted for two-thirds of the overall gain. The highly concentrated returns within our markets were associated with our banks, gold miners, and one specific technology company (Shopify). The remainder of the market participants were up about 10% for the year, still a decent return given the volatility the markets experience through last year.

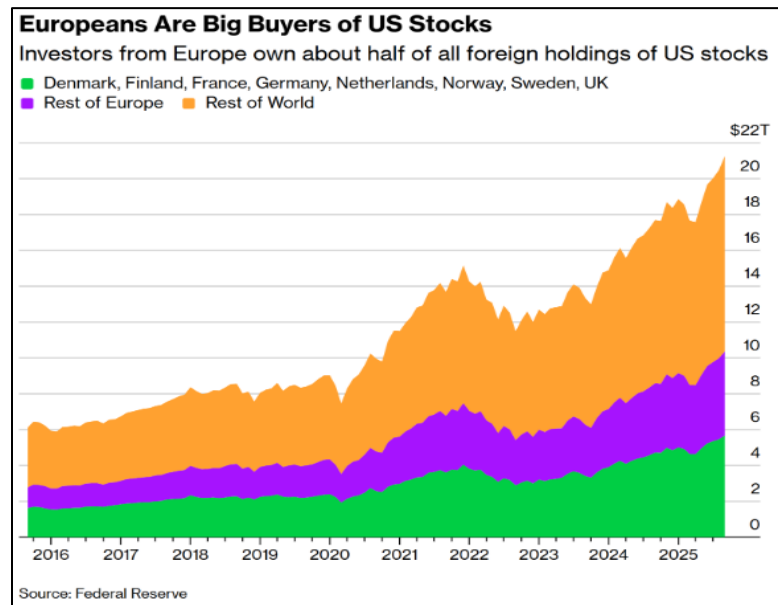
## The K-Economy

The K-economy describes an uneven economic recovery where some groups or sectors surge upward while others suffer and decline. This can be observed in the current consumer sentiment across various income levels. The sentiment for lower-income households is the worst it's been in years. This group is struggling with job losses, wage stagflation, and inflation – the rising affordability problem that's sweeping across the country. Higher-income earners are doing fine and skewing consumer spending trends upwards. The effect of this can also be seen across companies within the consumer staple sector which are struggling while luxury and discretionary retailers have strong demand. It's a tricky environment, but one that's suited for stock pickers like us.



## Europe's Divestment Potential

As the U.S. becomes increasingly more divisive towards Europe, European investors may decide to put their money elsewhere. Of the \$21 trillion held in US stocks globally, Europeans own about half. Recent comments from Amundi SA, Europe's largest asset manager, suggest clients are wanting to diversify away from the US. This trend started in April 2025 but has recently accelerated. It's difficult to decouple from the U.S. as many of the best global companies are domiciled there. It's too soon to say whether U.S. equities are no longer exceptional as expected earnings growth remains high compared to most other countries. Regardless, even a small shift away could be beneficial to the Canadian, Asian, European, and emerging markets. Diversification has always been a key component of portfolio



management, and its importance is likely to be amplified moving forward.

## 10 Themes for 2026

It's the time of year when many strategists compile their best picks and thoughts on the year ahead. Raymond James Financial released their top ten themes for 2026. The overriding theme is "Mission Possible" and for continued strength within the US economy. With three years of strong positive performance, the outlook is for more moderate equity returns moving forward. Looking back at the 2025 predictions, the results were about 85% accurate. To their credit they were more optimistic than most last year, and now they are more cautious than most to start 2026.



## Top 10 Themes for 2026:

1. Economy: despite trade conflicts and uncertainty, market resilience continues. Economic growth is expected to be higher than 2025, along with corporate earnings growth.
2. Monetary Policy: a new Fed Chair, easing inflation pressure will be helpful for monetary policy. Expecting one rate cut through 2026.
3. Volatility Returns: expect more surprises from the Trump administrations, trade, and geopolitics.
4. Bonds: likely range-bound with interest rates flat and steeper yield curve - bonds are fairly priced.
5. Identity Shift: valuations are high for US market, performance is expected to be in the single digit range.
6. Cracking the Code: shifting technology trends will have positive impacts for the Industrial and Consumer Discretionary sectors.
7. The Hidden Allies: find strength in less obvious places. A turn-around in consumer confidence may benefit the consumer discretion sectors. Healthcare has priced in its worse case scenarios and is poised to beat expectations.
8. Power Shift: the data center boom is leading to surging electricity demand, look for industrial companies that benefit from the electrification build-out.
9. Global Allocation: international diversification with a preference for emerging markets (India) for accelerated growth with good valuations.
10. Asset Allocation: manage your risk within portfolios to help mitigate volatility and the unexpected in 2026.

## **The Dividend Value Discipline Portfolio**

The Dividend Value portfolio returned 1.9% for the fourth quarter (net of fees, based on our model portfolio), matching the Morningstar Canadian Equity Balanced benchmark. For 2025, we delivered 14.9% vs the benchmark at 12.0%. Rolling average returns: 3-year +12.9% (vs 11.9%), 5-year +9.4% (vs 8.4%), and 10-year 7.7% (vs 6.9%).

### **Canadian Equities**

Canadian stocks had an exceptional year, with the TSX up 31.8%; its best since 2009. Financials were up 35% and materials surged over 100%. From the bottom of the Liberation Day sell-off to the end of the year, the market was up over 40% in under 8 months. An incredible and likely unrepeatable number. For the fourth quarter, the TSX was up 6.3%, with materials (11.9%) and financials (10.5%) continuing to spearhead the charge.

DVD Q4 highlights: TD Bank (+17%), Finning (+15%) and Mullen (+ 14%), led the way, though Telus declined 16% on dividend concerns we believe are overblown. Your Canadian DVD stocks as a whole were up over 35% for the year, ahead of the TSX despite not owning any gold or silver. This was primarily driven by Cameco (up over 130%), Finning (up over 100%), and TD Bank (up 75%).

### **U.S. Equities**

Your U.S. portfolio gained roughly 4% in Q4 and 18% for the year (in USD), outpacing the S&P 500. Alphabet was our star performer (+29% in Q4, +65% year-to-date), as initial worries about AI disrupting search gave way to confidence in Google's technology leadership. Merck had a great quarter, up 26%, recovering strongly to finish the year up 9%, while JP Morgan (+30%) and AbbVie (+26%) round out our top performers for the year.

### **Portfolio Changes**

We made several transactions this quarter. We opted to sell Canadian Apartment REIT (CAR.UN) and the iShares Core Canadian Universe Bond ETF (XBB). While we think there's still value in Canadian real estate, this move helps simplify tax slips for the subsequent 2026 tax year. More importantly, we reinvested the proceeds into the RBC Core Plus Bond Fund, which offers better performance and higher yields than XBB. We also trimmed our Cameco position after it gained over 100%.

On the buy side, we added H2O Americas (HTO), a U.S. water utility trading at an attractive price relative to peers. We've been watching this space and see compelling long-term prospects: growing water demand and rate increases should deliver steady, low-risk returns in the low teens. We also initiated a position in BHP Group (BHP), the world's largest diversified mining company (with interests in iron ore, copper, fertilizer, and uranium). With commodity prices attractive relative to long-term demand, BHP represents the kind of quality asset where patient capital gets rewarded.

### **Fixed Income**

Bonds returned 1% in Q4 and 6% year-to-date, ahead of the Canadian Bond Universe (-0.3% and 2.6% respectively). Standouts for fixed income were preferred shares (up 9.4%), Pimco (up 8.9%), BlueBay global (up 8%), and the Core Plus Bond Fund (up 4.5%).

2025 was a year of defying the odds. The market continues to show strength and resilience in earnings growth, revenue growth, and margins despite headwinds. As trade tensions between Canada and the U.S. persist, we're looking to identify opportunities positioned to weather a potential downturn reminiscent of the early 2000s dot-com era. Our focus: dividend champions with stable, predictable cash flows and modest but reliable growth.

## 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 fourth quarter, **eleven** Dividend Value stocks increased their dividends, and there are **twenty-five** for the year-to-date. No dividend cuts were announced this quarter for stocks in your portfolio.

Q4 Dividend Changes (Quarterly)			
<b>Bank of Montreal</b>	Increased from \$1.67 to \$1.63 (second increase this year)	<b>Fortis Inc.</b>	Increased from \$0.61 to \$0.64
<b>Suncor Energy</b>	Increased from \$0.57 to \$0.60	<b>Telus Corp</b>	Increased from \$0.41 to \$0.42
<b>TD Bank</b>	Increased from \$1.05 to \$1.08	<b>*AbbVie, Inc</b>	Increased from \$1.64 to \$1.73
<b>*BHP Group</b>	Increased from \$0.99 to \$1.19	<b>*Merck &amp; Co</b>	Increased from \$0.81 to \$0.85
<b>*Microsoft Corp</b>	Increased from \$0.83 to \$0.91	<b>*Nike, Inc.</b>	Increased from \$0.40 to \$0.41
<b>*Visa, Inc.</b>	Increased from \$0.59 to \$0.67		

\*in USD

## Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	1.9%	14.9%	12.9%	9.4%	7.7%
Dividend Value Benchmark	1.9%	12.0%	11.9%	8.4%	6.9%
S&P/TSX Composite Total Return	6.3%	31.7%	21.4%	16.1%	12.7%
DJ Canada Select Value	6.9%	31.8%	17.3%	15.7%	9.3%
iShares Canadian Dividend Aristocrats	2.8%	19.1%	16.6%	14.0%	10.9%
FTSE-TMX Universe Bond	-0.4%	2.6%	4.4%	-0.5%	1.8%
<i>The above performance data is current as of December 31<sup>st</sup>, 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. The Dividend Value Benchmark is Morningstar's Canadian Equity Balanced aggregate.</i>					

## DVD Quarterly Transactions

The following securities were bought this quarter:

H2O America (HTO)

BHP Group (BHP)

The following securities were topped-up this quarter:

RBC Core Bond Plus Fund

The following securities were sold this quarter:

Canadian Apartment Property REIT (CAR.UN)

iShares Core Canadian Universe Bond (XBB)

The following securities were trimmed this quarter:

Cameco Corp (CCO)

Sincerely, the Dividend Value Partners & Portfolio Managers,



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.

Company Name	Disclosure
Definity Financial Corporation	Raymond James Ltd. has managed or co-managed a public offering of securities within the last 12 months with respect to the subject company.
Brookfield	Raymond James Ltd. has provided investment banking services within the last 12 months with respect to the subject company.
Infrastructure Corp.	Raymond James Ltd. has managed or co-managed a public offering of securities within the last 12 months with respect to the subject company.
	Raymond James Ltd. has provided investment banking services within the last 12 months with respect to the subject company.