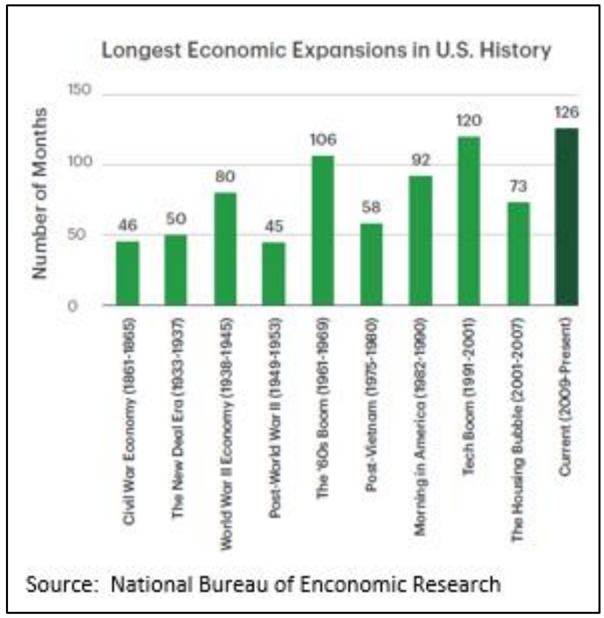
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
4th Quarter 2019 Review

Quarterly Commentary

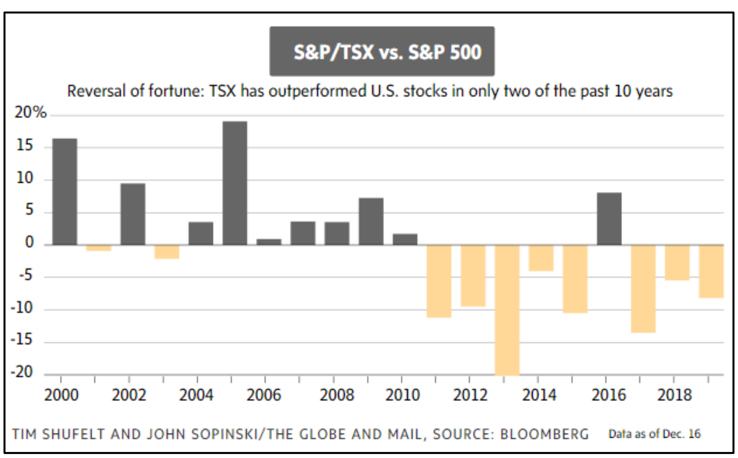
That's a wrap on the Decade

We were fortunate to have a great year in the markets to finish off the decade. This solidified the current US recovery that began in 2009 as the longest economic recovery in history. This surpasses the previous record held by the Tech Boom from 1991 – 2001.



The current expansion has endured, despite many potential reasons for it to fail. Pundits claimed a slowdown or recession was just around the corner. They all had valid reasons why the economy was going to falter: ballooning debt levels, high market valuations, overstretched consumers, falling trade, political instability, higher regulations, but none of that mattered in the end.

What mattered was central banks around the world did everything in their power to help stimulate growth. This meant making money easy to borrow and invest, and it worked. Nearly every major stock market around the world posted positive returns over the past 1, 3, 5, and 10 year time frames.



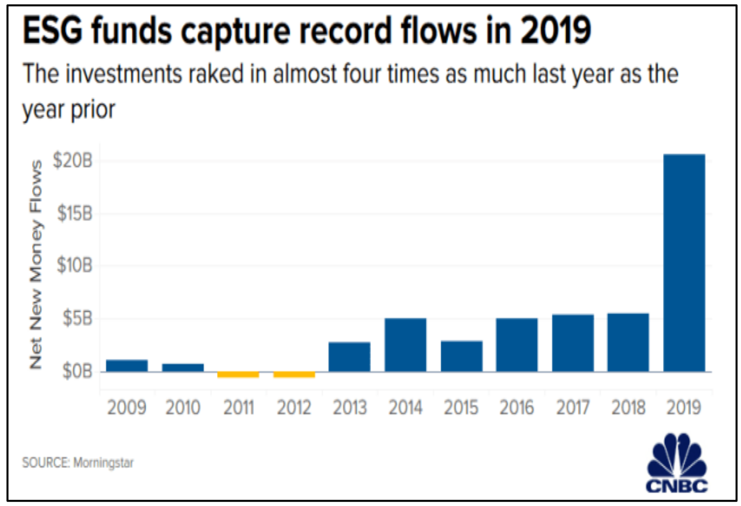
What's in your Market?

The US market has been the clear winner over the last decade with a 10-year annualized price return of +13.6% for the S&P 500 when converted to Canadian dollars. Compare that to Canada's own TSX market at +3.8% or Europe/Asia/Far East (EAFE) at +4.7%. Even the Canadian bond market outpaced our stock market with a 10-year annualized return of +4.3%.

The Canadian market outpaced the US only twice over the past 10 years. The past decade was dominated by high-tech and growth stocks and unfortunately Canada has a limited few. Our technology weighting within the index is 5.7% overall versus that of the US at 23.2%. For Canada, the energy sector is 17.0% and material sector is 11.4%. These two sectors were the worst performing over the past decade at -2.8% and -2.0% respectively. Perhaps after 10 years of underperformance the tides will turn once again in our favour similar to the previous decade when Canada outperformed the US.

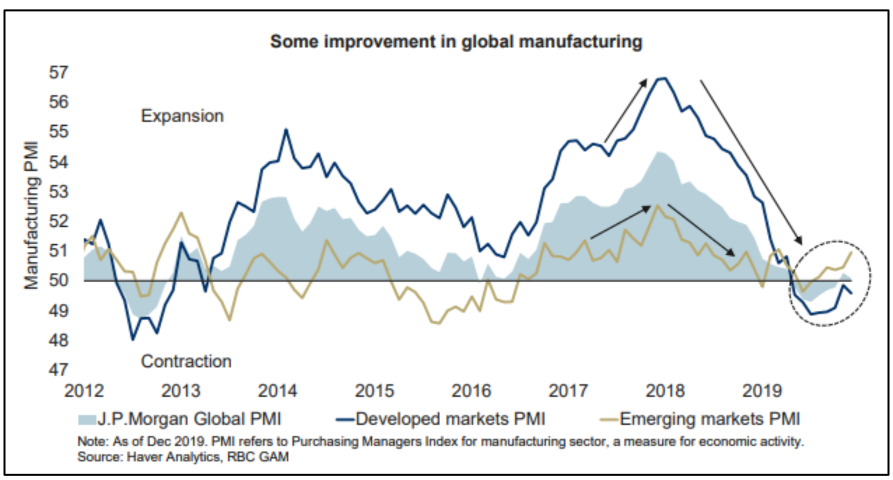
Key theme for 2020 and Beyond

As we start the 2020's, we are beginning to see key themes outlined by all the various investment firms. One of the major themes is the growing demand for ESG investing (environment, social, and governance).



The focus on the environment and global climate change are not new to the investment world, but it's becoming increasingly important. The investment industry is making a major push into ESG as more investors look to integrate sustainability into their investment portfolios. Sustainable funds attracted $20.6 billion in 2019, almost four times the amount of the previous year. Climate change is spurring activity within technology, business, politics, as well as consumer habits. Investor interests are shifting and the investment industry is listening.

BlackRock which manages $7 trillion for investors, recently annouced a series of changes to cut environmentally harmful companies and sharply increase the number of sustainable-focused funds it offers. Sustainable investment funds and ETFs held $137.3 billion in total assets at the end of 2019 which is less than 1% of the $20.7 trillion held within the total investment universe. Shifts in capital flows are very important to recognize and those companies that focus their efforts to support ESG may be handsomely rewarded as an enormous amount of investment dollars is heading their way.



The Global Manufacturing Slump

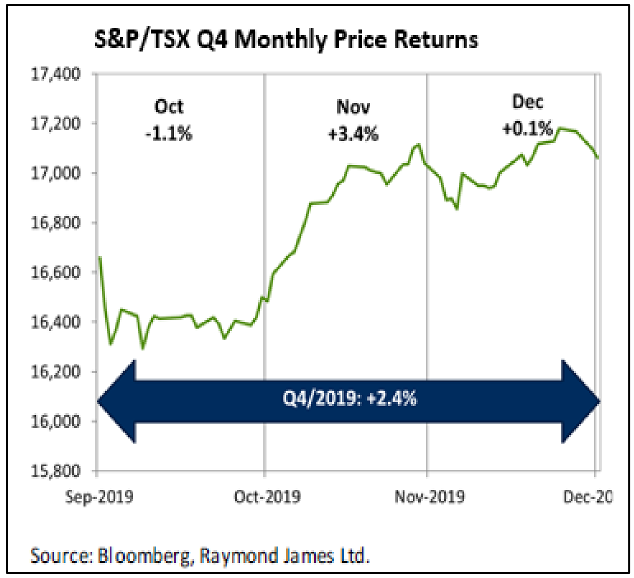
After nearly two years of declining economic growth, as measured by the Global purchasing manager's index, we may finally be close to a bottom.

China's manufacturing has begun to improve and the US and Europe look close to reversing off of recent lows. Progress on the US/China Phase One trade deal has reduced tariffs and more importantly de-escalated tensions.

Stocks delivered impressive gains in 2019 amid lower interest rates, low inflation, and moderate economic growth. The outlook for 2020 remains much the same, but we might see some improvement in growth. The risks of recession have fallen to 35% from 40%, and have been pushed out into 2021 according to RBC Global Asset Management. Business intentions for new hiring and spending are also improving which is positive for employment. Economic policy uncertainty which was very high through much of last year is finally starting to recede. The biggest unknown (that we know of) for the year ahead will be the US Presidential election. We would expect market volatility to increase as we move closer to the election date.

The Dividend Value Portfolio

The Dividend Value model portfolio returned +3.9% for the fourth quarter, and +15.3% for the full year (net of all fees). This compares to our benchmark returns of +2.0% for the quarter and +14.7% for the year.



Long-term performance for the portfolio has been steady. The 3-year portfolio performance is +6.7% versus our benchmark of +4.7%, while the 5-year portfolio performance is +6.2% versus our benchmark of +4.8%.

The Canadian S&P/TSX market was up 3.2% for the final quarter of the year. As market levels rose higher we saw risk appetites increase and a rotation out of defensive stocks in favour of growth. Commodity stocks improved along with the price of oil which increased by just over 12%. Canadian Natural Resources (CNQ) was the best performing Canadian stock in our portfolio for the quarter at +20.4%. We added to our Nutrien (NTR) and Rogers Communication (RCI.b) positions, and we trimmed Alimentation Couche-Tard (ATD.b).

The US S&P500 market was up 6.5% for the quarter in Canadian dollars. The two best performing sectors in the US were Information Technology and Healthcare and we were fortunate to have exposure to both. We added to our positions of Microsoft (MSFT) and CVS Health Corp (CVS). After poor earnings reports, we decided to sell our positions in Nokia (NOK) and Expedia (EXPE). We also sold Prudential Financial (PRU). The Canadian dollar rose 1.9% against the US dollar which negatively affected the overall performance of our US stocks.

The bond portfolio added 1.1% overall in Q4 with six of the seven bond managers having positive performance. The FTSE Canadian Universe Bond Index was -0.9% by comparison. With a push into the equity markets and growth stocks, bonds were fairly quiet, although we still saw positive fund flows into the bond sector. Interest rates are largely expected to remain stable through 2020 as GDP growth and inflation remain low.

The full year performance of 15.3% for the Dividend Value Portfolio was the best year since 2006 when the portfolio returned 15.6%. Strong consumer confidence, a de-escalation in trade tensions, and lower interest rates in the US and globally helped support both equity and bond markets. Worries of a recession, slowing growth, and contracting manufacturing have been kicked down the road once again, and will be a story for another time.

We are hopeful the markets can produce another positive year based on the improving economic data. Ultimately time will tell, and we will adapt no matter what the markets throw our way.

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, six of our Dividend Value stocks increased their dividends.

Q4 Dividend Changes (Quarterly)			
Merck & Co.	Increased to 0.61 from 0.55	**Visa Inc.**	Increased to 0.30 from 0.25
Stryker Corp	Increased to 0.575 from 0.52	**Bank of Montreal**	Increased to 1.06 from 1.03
Microsoft Inc.	Increased to 0.51 from 0.46	**Telus Corp**	Increased to 0.5825 from 0.5625

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	**3.9%**	**15.4%**	**6.7%**	**6.2%**	**6.9%**
Dividend Value Benchmark	**2.0%**	**14.7%**	**4.7%**	**4.8%**	**5.9%**
S&P/TSX Composite Total Return	3.2%	22.9%	6.9%	6.3%	6.9%
S&P/TSX Preferred Share Total Return	3.9%	3.5%	2.7%	-0.3%	2.1%
MSCI EAFE (Cdn$) Total Return	6.0%	16.0%	8.4%	8.1%	7.8%
FTSE-TMX Universe Bond Total Return	-0.9%	6.9%	3.6%	3.2%	4.3%

The above performance data is current as of Dec 31, 2019. 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.

DVD Quarterly Transactions

The following new securities were bought this quarter:

The following securities were sold this quarter:
Prudential Financial (PRU)
Nokia Corp (NOK)
Expedia Group (EXPE)

The following securities were topped-up this quarter:
Nutrien Ltd (NTR)
Rogers Communication (RCI.b)
CVS Health Corp (CVS)
Microsoft Corp (MSFT)

The following securities were trimmed this quarter:
Alimentation Couche-Tard (ATD.b)

Sincerely,

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Company Name	Disclosure
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