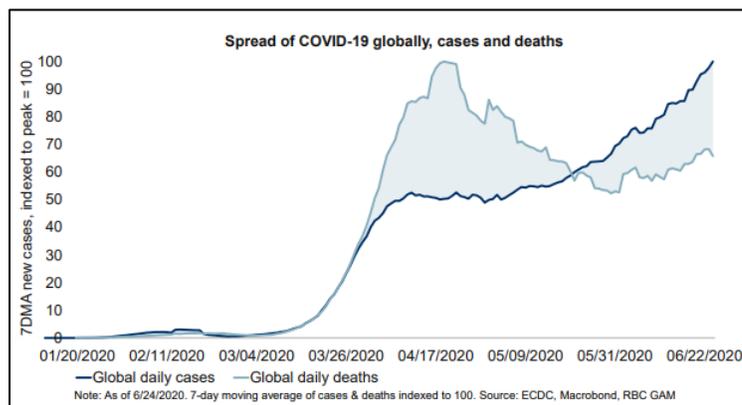
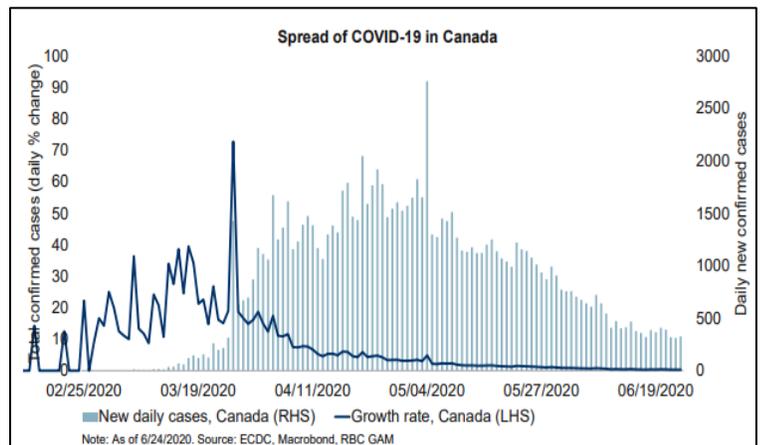


The Dividend Value Discipline™
2nd Quarter 2020 Review

Quarterly Commentary

Covid-19: the good, the bad, the hopeful

We all continue to watch daily news feeds on Covid-19. The pandemic is still the biggest issue impacting everyday people, governments, business, and the economy. The good news is that Canada is doing well. The transmission rate is now below 1% which means the virus is technically under control. Here in BC, the numbers are even lower than the national average. We can thank Dr. Bonnie Henry and our health officials for that success. As we ease lock down measures, the numbers of new cases have risen slightly, but so far it's at a manageable pace.



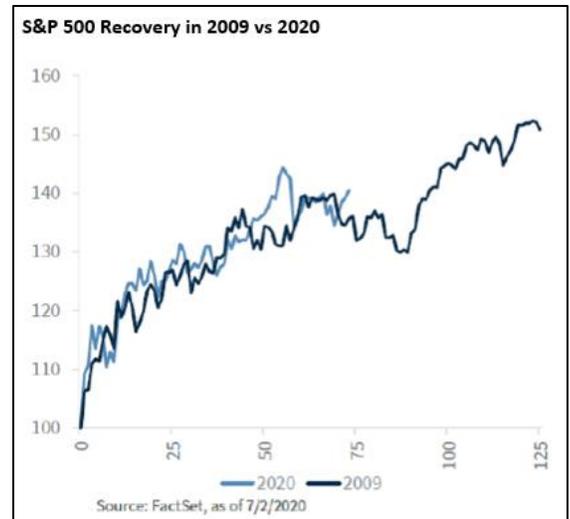
The bad news is that global new cases continue to rise. New cases in the US have risen dramatically since their lock down measures were rolled back. Hospitalization numbers are also on the rise. Florida and Texas have been two trouble spots, but a total of 29 US states are seeing increases in daily infections with transmission rates above 1. Countries like Brazil and India are also seeing increases in new cases. Thankfully, the global numbers for daily deaths has not risen at the same rate. The numbers have increased since May, but have not matched the pace of new infections.

On the hopeful side is the continued progress towards multiple new vaccines. We are starting to see early test results from human clinical trials suggesting safe vaccines that were able to induce immune responses in most patients. Studies out of the Oxford University in England by AstraZeneca, in China by CanSino Biologics, and in the US by Pfizer and BioNTech are on the forefront vaccine development. Large scale human clinical trials are now in progress and if they prove to be successful, then production and distribution of the vaccines can begin. Oxford University suggested millions of doses could be made by as early as September.

Path to Recovery

From the depths of the markets sell off in March of this year, the path to recovery has followed a similar pattern to that of the 2008/2009 financial crisis. At their worst in March, the US markets declined 34%, Canada declined 38%, and world markets declined 35% from peak to trough.

After the initial recovery in 2008/2009, markets gave back about 10-15% of their gains. We think with the uncertainty surrounding the pace of the economic reopening, the probability of a second wave of the virus, and the uncertainty of the US election in the fall, there is certainly the potential for a similar retracement of the recovery seen so far in 2020. Pull backs within the market are actually healthy events that serve to build a base from which markets can move higher. We would view this as a positive sign of a healthy market recovery.



Green Shoots

Activity Metric	Off Low	% YoY
TSA Screenings	+615%	-75%
Restaurant Bookings	+35%	-65%
Consumer Comfort	+6.7	-22.2
Continuing Claims	-5.6 mill.	+19 mill.
Hotel Occupancy Rates	+25%	-38.7%
Gasoline Demand	+69%	-21%

Source: FactSet, as of 7/1/2020

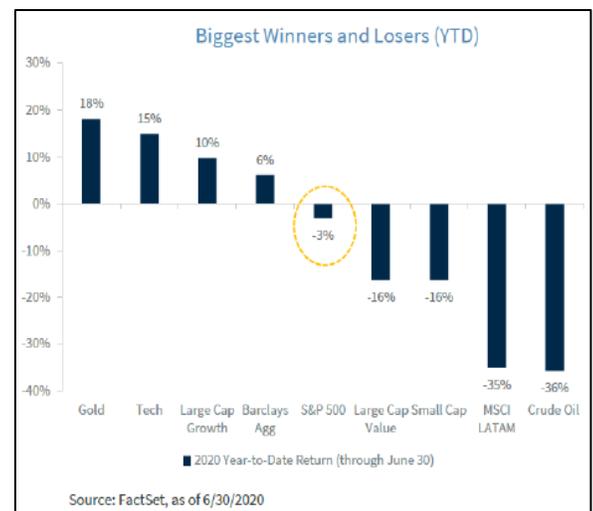
During times of recession the economic data often looks miserable. Most of the data is backward looking so only tells us how bad things were, not how things look at present.

The term green shoots refers to pockets of data that are improving. Data across various metrics such as TSA screenings (people moving through airports), restaurant bookings, hotel occupancy rates, and gasoline demand show us in real time that things are improving. This is perhaps the most powerful data we get to see, and it shows us the incremental change is positive. Positive change is what drives the financial markets. The economy does not have to get back to where it was, it just needs to be moving in the right direction for markets to continue to improve.

FANMAG

It's encouraging to see overall markets recover, but the index numbers are also a bit deceiving. The year-to-date performance of the US S&P500 is -3.1%, yet within that index the disparity of returns is very dramatic.

FANMAG is an acronym for Facebook, Amazon, Netflix, Microsoft, Apple and Google. The year-to-date performance of this group is +23.5%. If you take these six stocks out of the S&P500 index, all the other combined companies have a year-to-date performance of -11.3%. The biggest tech names have been the driving force behind the performance. Thankfully, we own three of the six names in our Dividend Value Portfolio. We need the other 98.8% of stocks to start moving up before we see meaningful improvement across our diverse investment portfolios.



The Dividend Value Portfolio

The Dividend Value model portfolio returned 6.2% for the second quarter (net of all fees). This compares to our benchmark return of 9.98% for the quarter. To the end of June, the portfolio is -8.78% versus the benchmark of -5.87%.

It was a bounce back quarter, but we still have a ways to go.

The portfolio has lagged behind the benchmark because dividend and value stocks have not rallied like growth stocks since the March lows. We benchmark our performance against the general market (both Canada and the US), not just the dividend or value sectors within the market. The disparity between growth and value is as wide as we have seen in recent years. The Dow Jones Canada Select Growth index is +1.4% for the year-to-date while the Dow Jones Canada Value index is down -19.7%. Similarly the Dividend Aristocrats in Canada, a lists of the best dividend paying stocks, is down -19.2% for the year-to-date. The dividend and value sectors are where we concentrate our investments and these two areas have yet to recover.

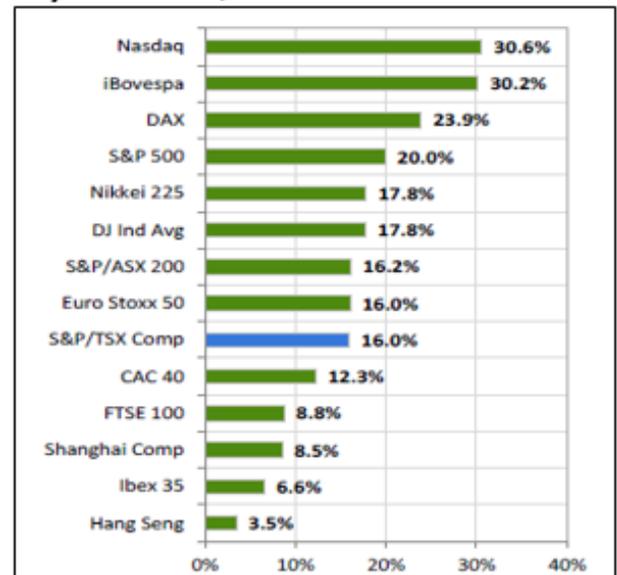
On the Canadian side we sold Canadian Natural Resources (CNQ) as they will struggle in a slow economic recovery. We bought Algonquin Power (AQN) with a very attractive dividend yield of 4.5%.

The US S&P500 market had a great quarter and was up 20.0%. For the year-to-date, the S&P500 is now down only 3.1% overall. We mentioned earlier the impact of FANMAG and how the majority of the US market is still down over 11%. In general, our US stocks have done better with the exception of the US financials. We hold JPMorgan, Citigroup, and US Bancorp which are slowly improving but still down for the year-to-date. Apple, Google, Microsoft, Pepsi, and Visa have been strong performers while others are doing fine, all things considered. There were no changes on the US side of the portfolio this quarter.

The bond portfolio improved over the second quarter which was good to see. All six of our bond mandates delivered positive returns. The liquidity restraints seen during March have subsided. Bond yields continue to remain very low and the interest rate environment in both the US and Canada looks to remain fixed around 0.25% for the foreseeable future.

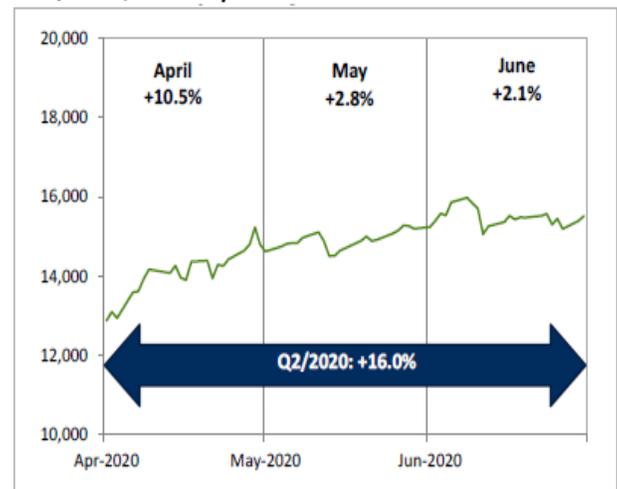
Only a few parts of the markets have meaningfully improved and many areas still need more time to heal. The slow pace of the reopening efforts and fear of a second wave of Covid-19 will be a headwind going forward. Governments and central banks continue to be supportive which is positive. The initial damage and peak fear of the pandemic is now over. Similar to other major natural disasters, next phase is to pick up the pieces, rebuild, and move on.

Major Markets Q2 2020 Price Returns



Source: FactSet, Raymond James Ltd. As of June 30th, 2020

S&P/TSX Q2 Monthly Price Returns



Source: FactSet, Raymond James Ltd. As at June 30, 2020.

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, three Dividend Value stocks increased their dividends. We had one company temporarily decrease its dividend – Suncor, and one temporarily suspend its dividend – Disney. We expect both to return to normal once there is more clarity on the economy re-opening.

Q2 Dividend Changes (Quarterly)			
Algonquin Power & Utilities Corp.	Increased from 0.141 to 0.155	Apple Inc	Increased from 0.77 to 0.82
Suncor Energy	Decreased from 0.465 to 0.21	Disney, Inc.	Temporarily suspended
Pepsico, Inc.	Increased from 0.955 to 1.0225		

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	6.2%	-3.5%	2.5%	3.7%	6.2%
Dividend Value Benchmark	10.0 %	-2.4%	1.8%	3.1%	5.4%
S&P/TSX Composite Total Return	17.0%	-2.2%	3.9%	4.5%	6.3%
S&P/TSX Preferred Share Total Return	15.0%	-7.2%	-4.0%	-0.9%	0.9%
MSCI Europe Asia Far East “EAFE” (Cdn\$)	9.6%	-3.7%	-0.3%	1.1%	5.4%
FTSE-TMX Universe Bond	5.9%	7.9%	5.3%	4.2%	4.6%

The above performance data is current as of June 30, 2020. 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 securities were bought this quarter:
Algonquin Power (AQN)

The following securities were sold this quarter:
Canadian Natural Resources (CNQ)

The following securities were topped-up this quarter:
None this quarter

The following securities were trimmed this quarter:
None the quarter

Sincerely,



Paul Siluch
Senior VP, PM
Raymond James Ltd.



Lisa Hill
Senior VP, PM
Raymond James Ltd.



Peter Mazzoni
Financial Advisor
Raymond James Ltd.



Sharon Mitchell
Financial Advisor
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Company Name	Disclosure
Algonquin Power & Utilities 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.
TD Bank	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.
Facebook, Inc.	Raymond James & Associates, Inc. makes a market in the shares of Facebook, Inc.
Amazon.com, Inc.	Raymond James & Associates, Inc. makes a market in the shares of Amazon.com, Inc.
Netflix, Inc.	Raymond James & Associates, Inc. makes a market in the shares of Netflix, Inc.
Microsoft	Raymond James & Associates, Inc. makes a market in the shares of Microsoft Corporation. Raymond James & Associates received non-investment banking securities-related compensation from Microsoft within the past 12 months.
Apple Inc.	Raymond James & Associates, Inc. makes a market in the shares of Apple Inc. Raymond James & Associates received non-investment banking securities-related compensation from Apple Inc. within the past 12 months.
Alphabet, Inc.	Raymond James & Associates, Inc. makes a market in the shares of Alphabet Inc.
U.S. Bancorp	Raymond James & Associates, Inc. makes a market in the shares of U.S. Bancorp. Raymond James & Associates received non-investment banking securities-related compensation from U.S. Bancorp within the past 12 months.
Visa Inc.	Raymond James & Associates, Inc. makes a market in the shares of Visa Inc.