The Dividend Value Discipline™
4th Quarter and Year in Review

Quarterly Commentary

2020 A Year like No Other

On New Year's Eve many of us eagerly welcomed the end to 2020 - good riddance, it's over! It was truly a year like no other. It was a year of tremendous loss, division, and change.

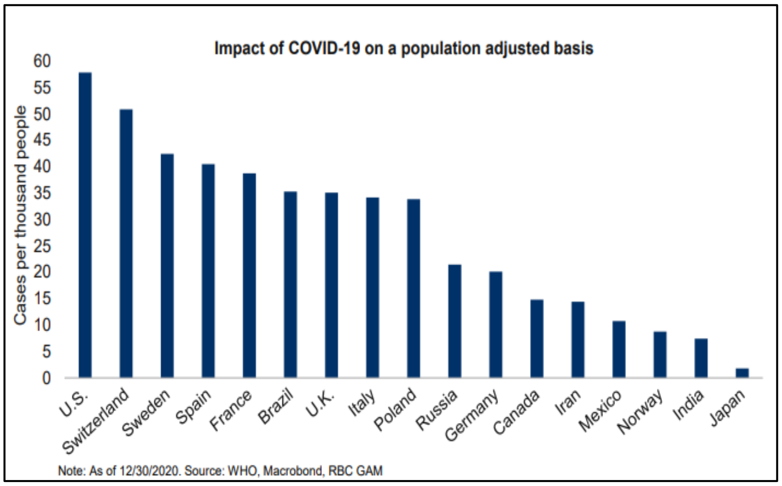
The emergence of Covid-19 wreaked havoc across the world. In March, the S&P500 erased over a third of its value in under a month, the fastest decline ever recorded on the index. The world went into lock-down and the movement of planes, trains, trucks, and boats, all ground to a halt. The gas mileage of our cars was measured in months-per-tank, and the price of oil went negative for the first time in history. The smog cleared, rivers ran clean, and Mother Nature showed us just how quickly she could heal.

Society went a little squirrely, we hoarded toilet paper and food, we became acutely aware of social distancing, face masks, and lathered in sanitizing gels. We banged pots and pans for our health-care workers and our hopes hinged upon a medical miracle to quickly find a vaccine. The stay-at-home economy emerged, ecommerce surged, and Zoom became our business and social outlet. There were marches for racial inequality and we saw the most divisive US election unfold in dramatic fashion.

The world economy would have imploded if it weren't for the extraordinary coordinated measures taken by governments and central banks. Unemployment surged 10x higher than previous peak levels, the worst since 1939. Lessons learned from the 2008/09 financial crisis triggered the rapid deployment of unprecedented amounts of money to help support people, services, and industries. Some businesses failed while others survived and thrived and the markets began to rally back. The all-out effort to save the economy was successful and we witnessed the shortest bear market in history.

The waves of Covid-19 have not stopped. Now that vaccines have been developed, the logistical challenge of vaccinating the world begins. This will take time and will be frustratingly slow at first, but our view is that things will get better, not worse. It's always a challenge to look beyond the present, but we are focused on finding areas within the market that have lagged and show signs of improvement. We will likely see a changing of the guard from the sectors that did well in 2020 into the sectors that did poorly. Most value managers are well positioned for this rotation as it's where we see the most opportunity in the months ahead.

Covid-19 Update

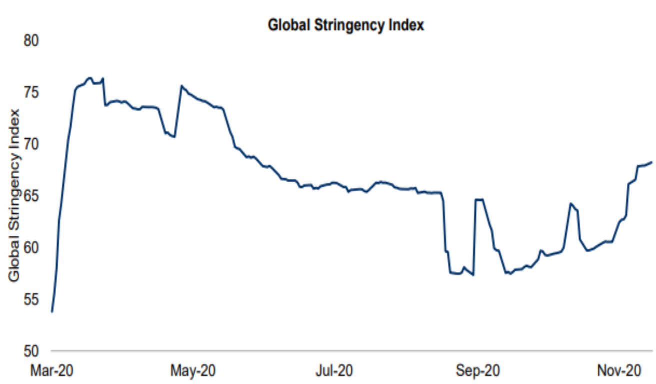


Note: As of 12/30/2020. Source: WHO, Macrobond, RBC GAM

The US continues to be the most impacted by Covid-19. They are now experiencing their third wave and new lock-down measures are being put in place across cities and states depending on the severity of outbreaks. Europe's second wave has been quite intense and we saw lock-downs across parts of Europe with a full lock-down recently in the UK. Canada has been swept up in a second wave as well with record new numbers in BC, Alberta, Ontario, and Quebec.

Scientists have confirmed two new strains of the Covid-19 virus. The new strains appear to be more transmissible, but no more fatal than the original. The current vaccines seem to be affective against the newest strains, so this gives us some hope. It's estimated that 75% of people in the developed world will opt to take the vaccine. Among vulnerable groups the inoculation rate could be 90% or higher. Governments may pay people to be inoculated, while companies and certain industries may require workers to get the vaccine. The US estimates that herd immunity could be reached by the fall of 2021.

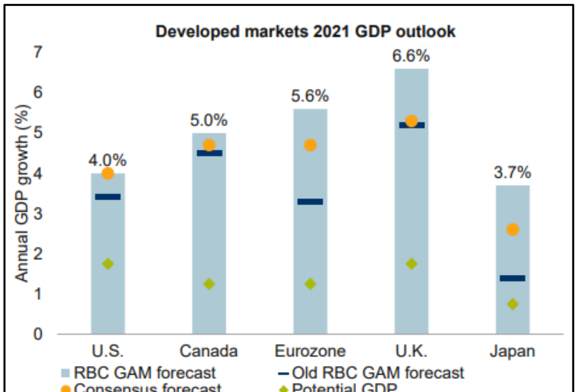
Rising Restrictions



Note: As of 11/30/2020. Global stringency index measuring the strictness of lockdown policies that restrict mobility, calculated as stringency index of 50 largest economies. Sources: University of Oxford, IMF, Macrobond, RBC GAM

As Canada, the US, and Europe tackle their second and third waves of the pandemic, the restrictions put in place to protect citizen slows the movement of people, services, and spending. As we are all aware, restrictions seem to change frequently and continually get extended. After an initial easing through the summer months global restrictions began to rise again. Businesses are getting better at operating within restrictions, but we won't see a meaningful economic acceleration until the restrictions go away. The hope is once there is a broad deployment of vaccines the restrictions can ease, and economic activity will return. Consumers seem eager to spend on travel and leisure amongst other services once it's safe to do so.

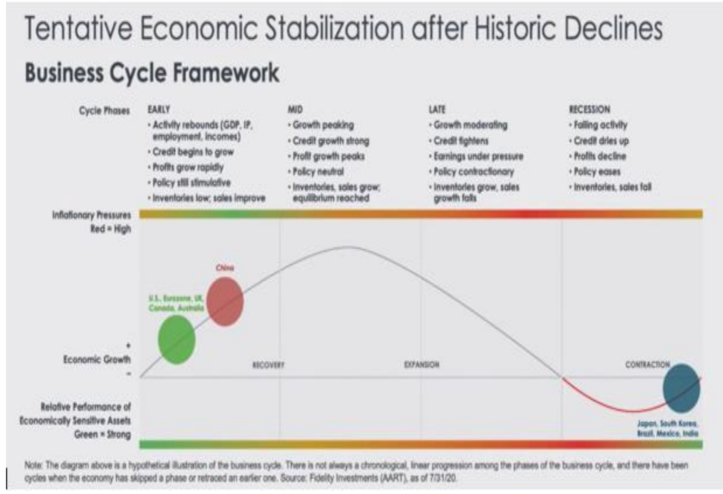
Money Makes the World Go Round



Note: Consensus Economics forecast as of Dec 2020. Numbers shown in chart are current RBC GAM forecast. Source: Consensus Economics, RBC GAM

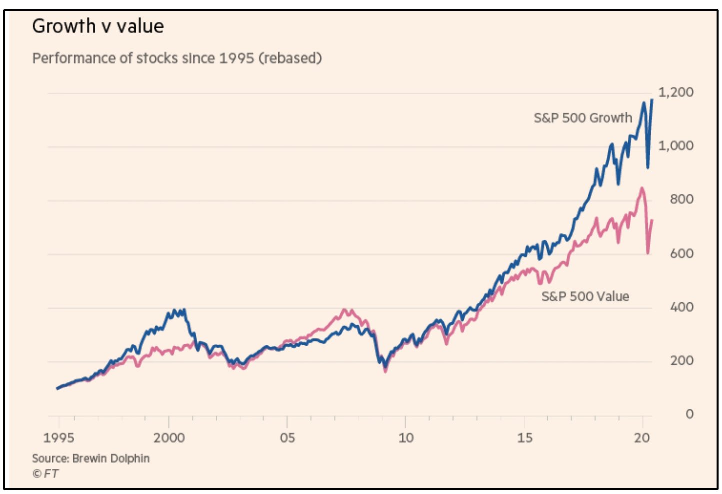
After the worst GDP growth since 1945, expectations for 2021 look fairly good. The massive amounts of stimulus spending have left corporate and personal finances better than expected. This pent-up financial energy should help the economy spring forward in 2021. According to RBC, the US has expected annual GDP growth of 4.0% while Canada is expecting growth of 5%. Europe is expected to be even stronger and emerging markets are the strongest of them all. China and India are estimated to grow at 9.0% and 8.3% respectively. From one extreme to another, there are high expectations that 2021 will be a bounce back year.

Business Cycles



The business cycle is like a road map for the economy and the markets. A number of strategist, including those at Raymond James, believe we have started a new business cycle following the pandemic induced recessionary dip in 2020. The US, Europe, UK, Canada, and Australia are all on the recovery upswing with China leading the way.

Early stages of the business cycle favour stocks over bonds, value over growth, and small caps over large. Cyclical sectors such as financials, energy, and materials tend to benefit more than defensive sectors like utilities and consumer staples. The Canadian market is well positioned to benefit at this stage of the cycle due to its heavy exposure to bank, energy, and resource companies. For almost a decade the Canadian market has underperformed the US as our resource economy was largely out of favour. The tide may finally be turning for Canada and our investment portfolios should benefit.

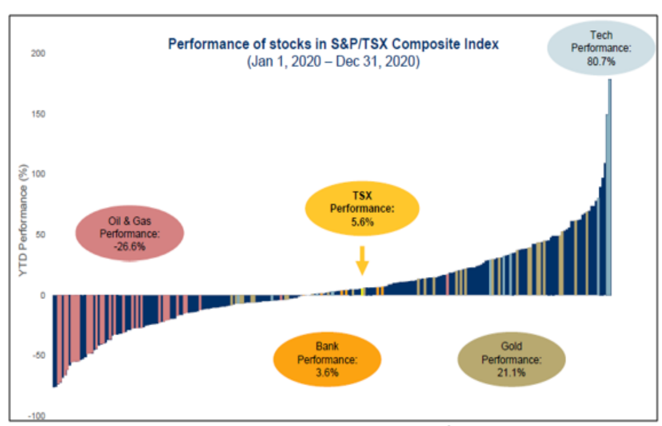


The Value Rotation

Last quarter we mentioned how wide the performance disparity had grown between growth and value stocks. It was one of the largest gaps we had seen and reached a 25-year high. We knew at some point this was going to normalize. Value investors, like us, were finally rewarded during Q4. The DJ Canada Select Value Index surged +13.4% while the US value index was up 13.7% for Q4. Despite the big jump, the performance for the value index still finished the full year down 7.1% in Canada and down 1.4% in the US. We expect to see a continuation of this rotation as we progress into 2021. As mention above, value stocks are favoured at the onset of a new business cycle.

How Narrow Was It?

It was such a bifurcated market for both the US and Canada in 2020. Most of the index performance was driven by high growth/high risk technology stocks. For the Canadian S&P/TSX, the total return for 2020 was +5.6%. If you did not own Shopify (SHOP), an ecommerce company, the total index performance fell to +1.6%. One stock, represented 4.0% of the total market performance. If you did not own gold in your portfolio, the total market performance fell further to +0.7% for the year. One stock and one commodity accounted for 82% of the overall return. To say it was a very narrow market is an understatement.



Source: Bloomberg, RBC GAM, Blue bars represent all other stocks in the S&P/TSX Composite Index.

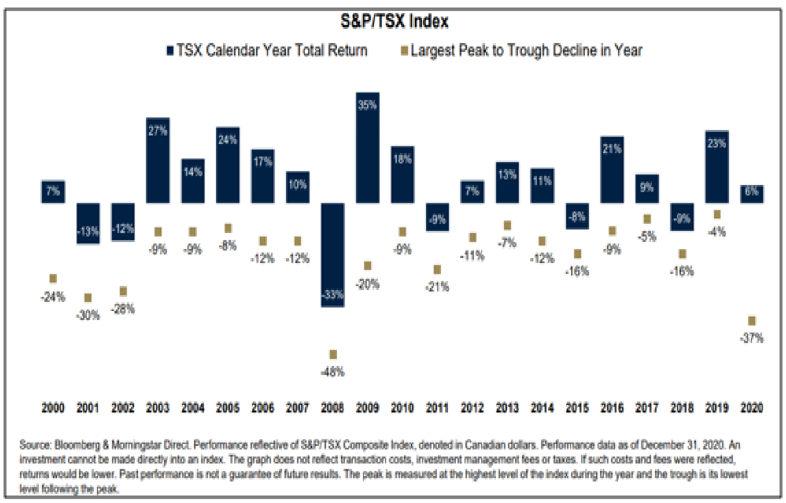
The Dividend Value Portfolio

The Dividend Value model portfolio had a strong finish to the year returning +7.80% for the fourth quarter of 2020. This compares to our benchmark of +7.04%. We have seen positive performance over the past three quarters which is a healthy sign. For the full year the model portfolio returned +0.30% compared to the benchmark of +4.84%. It was a difficult benchmark to beat with high growth stocks skewing overall market performance.

Quarterly performance for 2020:
Q1 -14.14% - initial downturn from the pandemic
Q2 +6.24% - tentative rebound after the Q1 contraction
Q3 +2.00% - slower than expected economic reopening
Q4 +7.80% - successful vaccine development and value rotation

S&P/TSX Q4 Monthly Price Returns

Source: FactSet, Raymond James Ltd. As of Dec 31st 2020



Our focus on high quality dividend stocks generally provides steady, risk-adjusted returns, but this style was not rewarded in 2020. We manage money this way to help reduce the annual volatility of returns. Over the past 20 years the S&P/TSX market experienced an annual average peak-to-trough move of 17.4%, while the US S&P500 was 15.9%. For 2020 the Canadian market experienced a 37% peak to trough decline, while the US S&P500 was 27%. Protecting against this type of volatility is a priority and it's the reason why we hold cash, bonds, and focus on dividend paying stocks within the portfolio.

The Canadian stocks had a negative draw on the equity performance for 2020. The energy sector fell 30.8% and was hit hard by the pandemic. We reduced our exposure and our remaining names were high quality, but they still fell sharply. The financial sector also struggled throughout the year finishing down 2.9%. This sector represents the largest weighting within the portfolio. Canadian banks fared better than US banks, but neither did well. In the fourth quarter, we added to our existing position of Canadian Apartment REIT as the valuation looked attractive Similar to the banks, Real Estate Investment Trusts (REITs) were hit hard this year, but they hold long-term assets that produce steady cash flows and will bounce back in time. We also sold our positon in the RBC Quant EAFE Dividend Leaders ETF and have replaced this with a better global mandate.

The US stock positions added 7.3% to the overall equity portfolio performance in 2020, but the weak US dollar largely neutralized the benefit. The US dollar fell 6.7% for the year. During the quarter we sold Intel and exchanged it for Activision Blizzard (ATVI). Intel has struggled to develop its next generation of semiconductor chips and investors are losing confidence in management. Activision Blizzard is an American video gaming company that has seen steady growth prior to and during the pandemic. The outlook for the gaming industry remains positive and we like the diversification this holding brings to the portfolio.

The bond portfolio had positive performance across all seven mandates. The high quality Canadian mandate and the global monthly income mandate were the two best, but they all did well. Central banks continue to convey rates will remain low. Even if rates remain low, bonds may face a tougher year ahead if inflation begins to rise. With higher inflation, eventually interest rates will follow and the bond markets may anticipate this move next year.

Just when you think you've seen it all, along came 2020. It was a year that no one expected. Looking back in time (2008, 2015, 2018) whenever we've experienced a tough year we've seen a bounce back the following year. The vaccine roll-out will be the key factor for life to return to normal. Positive momentum is building and 2021 looks promising. Let's hope history is right again.

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, five Dividend Value stocks increased their dividends. Due to the challenging economic circumstances, fewer companies have been increasing dividends. No dividend cuts were announced this quarter for stocks in your portfolio.

Q4 Dividend Changes (Quarterly)			
Telus Corp	Increased from $0.29 to $0.31	**Abbvie Inc.**	Increased from $1.18 to $1.30
Merck Inc.	Increased from $0.61 to $0.65	**Stryker Corp.**	Increased from $0.575 to $0.63
Visa Inc.	Increased from $0.30 to $0.32		

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	7.8%	0.3%	3.7%	6.1%	5.9%
Dividend Value Benchmark	7.0%	4.8%	4.2%	6.0%	5.5%
S&P/TSX Composite Total Return	9.0%	5.6%	5.7%	9.3%	5.8%
DJ Canada Select Value	13.4%	-7.1%	-2.9%	3.4%	1.6%
iShares Canadian Dividend Aristocrats	11.7%	-2.9%	3.7%	7.3%	6.5%
FTSE-TMX Universe Bond	0.60%	8.7%	5.6%	4.2%	4.5%

The above performance data is current as of Dec 31, 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:
Activision Blizzard (ATVI)

The following securities were topped-up this quarter:
Canadian Apartment Properties REIT (CAR.un)

The following securities were sold this quarter:
RBC Quant EAFE ETF (RID)
Intel (INTC)

The following securities were trimmed this quarter:
There were no trims this 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
Raymond James Ltd.

Company Name	**Disclosure**
CAP REIT	Raymond James Ltd. has received compensation for investment banking services within the past 12 months with respect to the issuer. The analyst or associate at Raymond James Ltd. has viewed the material operations of Canadian Apartment Properties REIT.