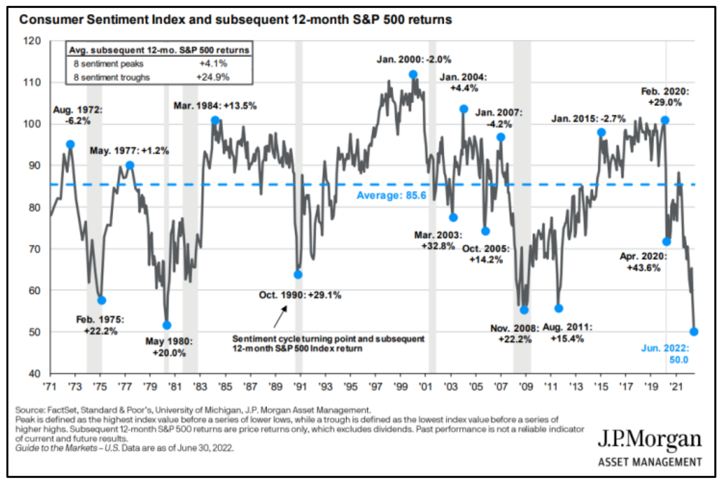
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
2nd Quarter 2022

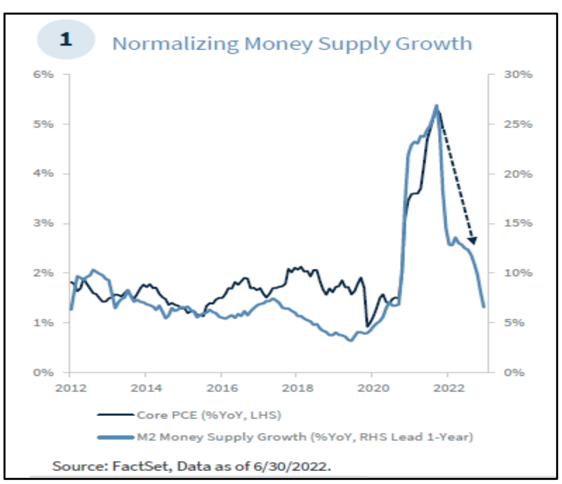
Quarterly Commentary

"Super Bad Feeling"

Elon Musk, the charismatic and sometimes controversial CEO of Tesla, says he's got a "super bad feeling" about the economy. He recently ordered all his employees to return to the office and assumed anyone who doesn't show up will be resigning their position. Further to this, he put a global freeze on hiring and suggested they need to cut staff by 10%. We are seeing similar hiring freezes among other top technology companies. Musk is not alone, Jamie Dimon, the CEO of JPMorgan Chase, said to brace ourselves for an economic hurricane citing monetary tightening, high commodity prices, and high inflation.



There's no doubt the first half of 2022 has been awful. In fact, it's the worst start for the S&P500 since 1970. Consumer sentiment is very low. It's actually worse now than when the pandemic hit. Only the 2008 financial crisis and the 2011 second recession scare saw lower levels. Whenever sentiment is this weak, it's important to note the forward 12-month market returns are generally quite good. The bounce back from the 2008 November low was +22.2%, the bounce from the August 2011 low was +15.4%, and the April 2020 pandemic was +43.6%. There were also strong rallies in the 70's, 80's, and 90's when sentiment reached similar levels. So, when everyone feels super bad, the next move in the markets may give us some welcome relief.

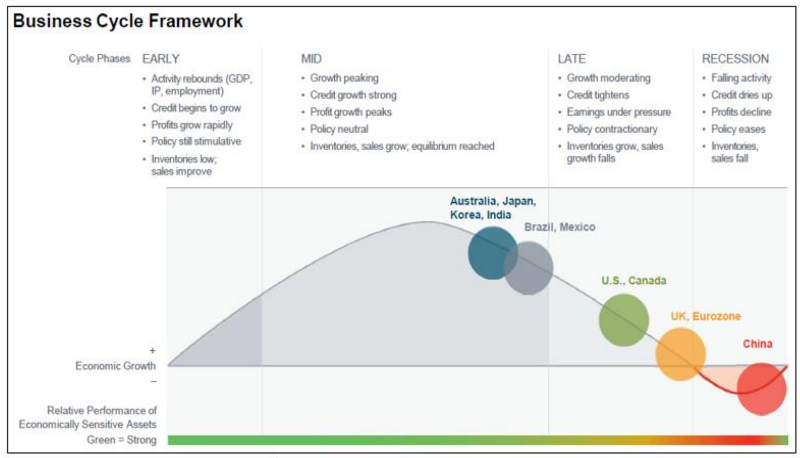


No More Caffeine

Central bank stimulus is the caffeine of the global economy. In small bursts, a jolt of stimulus money can help revive a struggling economy. What occurred after the March 2020 pandemic was hardly a small burst, at least $20US trillion was spent globally by the end of 2020 (source: CNN) and even more poured in during 2021. All that money caused people to quit their jobs to become crypto-traders, retire early, or to buy things they could only afford with more stimulus cheques. If we are surprised that the world is experiencing a post-caffeine slump, perhaps we shouldn't be. Quantitative Easing is now reversing into Quantitative Tightening and interest rates are rising at the fastest pace since 1994 in an effort to reduce high inflation. With the supply of money shrinking, we expect personal consumption to follow suit leading to slower growth. The good news is that markets are expecting this slowdown and have already priced in much of the bad news.

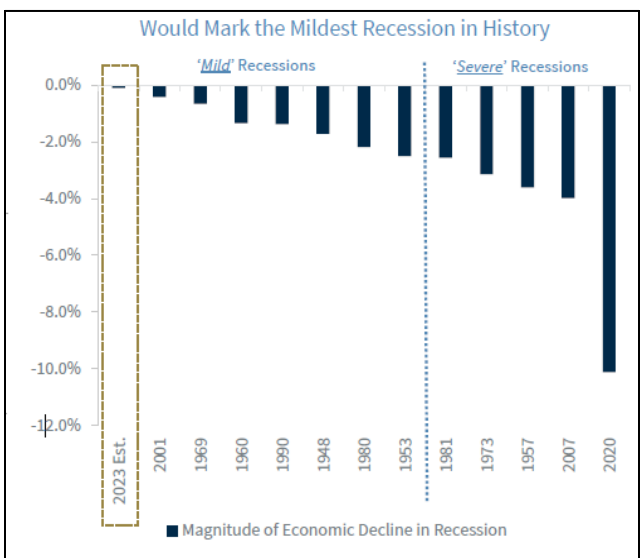
Economic Cycles

Most major economies are experiencing maturing trends in their business cycles. This can been seen through slower growth, tightening credit availability, lower sales and earnings, and tighter monetary policy. The U.S. and Canada appear to be in late-cycle with increasing recession risk (more on that below). Europe is further along the curve and will likely be in recession shortly if they're not already. Interestingly China looks to have bottomed and appears to be emerging from its growth recession.



Source: Fidelity Investments (AART), as of July 5th, 2022

China's monetary and credit policies are now easing to help stimulate growth again. They are spending on infrastructure and easing financing for the property sector. They are targeting their manufacture and consumption sectors to help promote growth. Covid trends also look a little better with some relaxation of restrictions since the lockdown. So when the second largest economy in the world begins to grow and consume again, it should help lift other areas and improve global growth and demand.



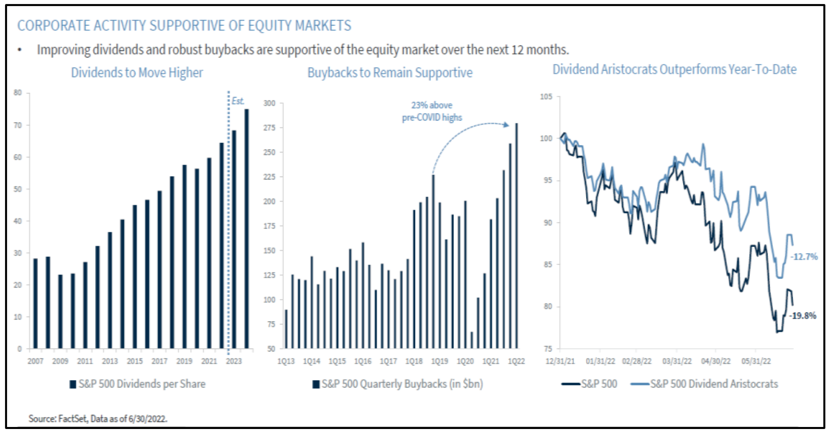
Source: FactSet, Data as of 6/30/2022.

Gauging Recession Risk

The probability of a 2023 recession has been on the rise due to the rapid interest rate tightening seen both in Canada and the U.S. Recessions nearly always follow Fed tightening cycles. Raymond James currently estimates the probability of a severe recession at 5%, a mild recession at 60%, and a 35% chance of no recession in 2023. A robust labour market, healthy consumer, strong corporate balance sheets, and a strong service-side recovery all support economic resiliency moving forward.

If the U.S. economy does enter a recession next year, Raymond James believes it will be the shallowest recession in the post-WWII era. Stock prices and earnings expectations through the first half of 2022 already resemble a mild recessionary outlook. The 2022 and 2023 GDP estimates for both Canada and the US still remain positive and above historical averages. GDP estimates for the world also remain positive but are now slightly below historical averages.

On a Positive Note



Despite the negative first half performance for the financial markets, we are encouraged to see improving trends for dividend growth and corporate share buybacks. Dividend growth is a key metric for us when deciding to buy, sell, or hold stocks within the portfolio. Dividend estimates for 2022 and 2023 are both higher, and this supports the trend of increasing dividends we have seen over the past decade. Share buybacks also look encouraging with a 23% increase over pre-Covid highs. Companies will often choose to buy back shares when they have strong balance sheets and excess cash flow, which puts more earnings in the hands of the existing shareholders. The high-quality dividend stocks, as measured by the Dividend Aristocrats, have fallen less this year than the S&P500. Our portfolio is heavily focused on the dividend stocks with all but one company paying dividends. Our portfolio has also fallen less than the overall markets with lower volatility.

The Dividend Value Portfolio

The Dividend Value model portfolio returned -8.7% (net of fees) for the second quarter of 2022. The rolling six-month return is -7.4%, nine-month -1.9%, one-year -1.3%, three-year +4.3%, and five-year +4.8% (net of fees).

Despite negative returns, the Dividend Value portfolio outperformed most similar portfolios for the year. Our Dividend Value benchmark was down 10.34% and the Global Fund Equity Balanced -15.14%. The Dividend Value portfolio is down 7.4% for the year.

Nearly all major markets around the world fell in Q2 with the exception of China. Inflation pressure resulted in more aggressive central bank tightening, which triggered growth fears across all markets. The Canadian stock market which was one of the best performing in Q1, seemed to catch up to declines experienced throughout the rest of the world.

In contrast to the strong Q1 returns, the Canadian stock portfolio was down 9.7% in Q2. All 11 sectors within the TSX posted negative returns in Q2. The energy sector was the best of the worst falling only three per cent. Only two stocks (Definity Financial +4.6%, and Suncor +12.1%) managed positive performance with the Canadian portfolio. Canadian banks had a tough quarter overall. Our positions in BMO (-15.0%) and TD (-14.1%) were caught in the selloff. The

Equities

	Currency	Level	1 Mo	3 Mo	6 Mo
Canada					
S&P/TSX Comp	CAD	18,861	-9.0%	-13.8%	-11.1%
S&P/TSX Comp TR	CAD	71,982	-8.7%	-13.2%	-9.9%
S&P/TSX 60 Comp	CAD	1,146	-8.6%	-13.3%	-10.9%
S&P/TSX Small Cap	CAD	658	-13.6%	-21.2%	-15.0%
United States					
S&P 500 Comp	USD	3,785	-8.4%	-16.4%	-20.6%
S&P 500 Comp TR	USD	7,993	-8.3%	-16.1%	-20.0%
Dow Jones Ind Avg	USD	30,775	-6.7%	-11.3%	-15.3%
NASDAQ Comp	USD	11,029	-8.7%	-22.4%	-29.5%
S&P 600 Small Cap	USD	1,128	-8.7%	-14.5%	-19.5%
International					
Euro Stoxx 50	EUR	3,455	-8.8%	-11.5%	-19.6%
FTSE 100 (UK)	GBP	7,169	-5.8%	-4.6%	-2.9%
CAC 40 (France)	EUR	5,923	-8.4%	-11.1%	-17.2%
DAX (Germany)	EUR	12,784	-11.2%	-11.3%	-19.5%
IBEX 35 (Spain)	EUR	8,099	-8.5%	-4.1%	-7.1%
CSI 300 (China)	CNY	4,485	9.6%	6.2%	-9.2%
HANG SENG (Hong Kong)	HKD	21,860	2.1%	-0.6%	-6.6%
NIKKEI 225 (Japan)	JPY	26,393	-3.3%	-5.1%	-8.3%
TOPIX (Tokyo)	JPY	1,871	-2.2%	-3.9%	-6.1%
KOSPI (S. Korea)	KRW	2,333	-13.2%	-15.4%	-21.7%
S&P/ASX 200 (Australia)	AUD	6,568	-8.9%	-12.4%	-11.8%
BOVESPA (Brazil)	BRL	98,542	-11.5%	-17.9%	-6.0%
BOLSA (Mexico)	MXN	47,524	-8.2%	-15.9%	-10.8%
S&P BSE Sensex (India)	INR	53,019	-4.6%	-9.5%	-9.0%
ETFs					
World	USD		-9.4%	-16.6%	-21.0%
All Country World	USD		-9.0%	-15.9%	-20.7%
EAFE	USD		-10.7%	-15.1%	-20.6%
Emerging Markets	USD		-6.0%	-11.2%	-17.9%
Europe	USD		-11.8%	-15.0%	-21.5%

Source: FactSet, Morningstar, Raymond James Ltd as of June 30th, 2022 growing fear of a recession was the main reason for the weakness. This quarter, we trimmed Suncor (SU), reducing the position size after a very nice run-up.

On the U.S. side, all three major U.S. markets were down quite heavily for the quarter (S&P500 -16.4%, NASDAQ -22.4%, and Dow Jones -11.3%) while our U.S. portfolio was down 12.0% overall. It was the big technology companies that impacted the U.S. markets the most during Q2. Bucking the downward trend were our positions in Merck (+11.9%), Molson Coors (+2.8%), and Pepsi (+0.2%). Apple (-21.7%), Google (-21.6%), and Microsoft (-16.5%) were among the worst this quarter. We sold our position in Stryker when it became apparent growth was slowing rapidly for a stock priced for growth, and we topped up our position in Molson Coors.

The bond portfolio had a difficult Q2 with an overall return of -6.4%. The overall FTSE Canada Bond Universe was -5.7% while the U.S. Aggregate Bond market was -5.5%. Similar to last quarter, high inflationary numbers and the steep rise in interest rates made for a challenging quarter. Both the Bank of Canada and the U.S. Federal Reserve made aggressive hikes this quarter. With the fall in prices, bond yields are beginning to look more attractive and are now starting to attract buyers again. The outlook for bonds still remains cautious as interest rates continue to rise.

It was a weak quarter and first half for stocks and bonds all around the world. An energy crisis triggered by the Russian/Ukraine war and further Covid lockdowns across China increased inflationary pressures that led to more aggressive central bank tightening. The question moving forward is whether the current market selloff has already priced in the bad news. Inflation numbers will be closely watched over the summer months for any signs of relief. Leading indicators suggest the inflationary pressure will begin to subside, and this should set the stage for the second half of the year. We expect the second half will be better than first.

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, five Dividend Value stocks increased their dividends. This brings the number of dividend increases to 12 for the first half of the year. No dividend cuts were announced this quarter for stocks in your portfolio.

Q2 Dividend Changes (Quarterly)			
Algonquin Power	Increased from $0.21 to $0.23	**Bank of Montreal**	Increased from $1.33 to $1.39
Finning International	Increased from $0.23 to $0.24	**Suncor Energy**	Increased from $0.42 to $0.47
Telus	Increased from $0.33 to $0.34	**Apple***	Increased from $0.22 to $0.23
PepsiCo*	Increased from $1.08 to $1.15		

*in USD

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	-8.7%	-1.3%	4.3%	4.8%	6.7%
Dividend Value Benchmark	-9.5%	-5.8%	4.3%	4.2%	6.0%
S&P/TSX Composite Total Return	-13.2%	-3.9%	8.0%	7.6%	8.2%
DJ Canada Select Value	-12.4%	4.7%	7.0%	4.8%	5.1%
iShares Canadian Dividend Aristocrats	-10.5%	-1.1%	8.1%	6.9%	7.3%
FTSE-TMX Universe Bond	-5.7%	-11.4%	-2.3%	0.2%	1.7%

The above performance data is current as of June 30, 2022. 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:

The following securities were sold this quarter:
Stryker (SYK)

The following securities were topped-up this quarter:
Molson Coors (TAP)

The following securities were trimmed this quarter:
Suncor Energy (SU)

Sincerely, the Dividend Value Partners

Paul Siluch Financial Advisor Senior PM Raymond James Ltd.	Lisa Hill Financial Advisor Senior PM Raymond James Ltd.	Peter Mazzoni Financial Advisor Associate PM Raymond James Ltd.	Sharon Mitchell Financial Advisor Associate PM Raymond James Ltd.	Lincoln Jiang Financial Advisor Associate PM Raymond James Ltd.

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.
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. Raymond James Ltd. has provided investment banking services within the last 12 months with respect to the subject company.
Brookfield 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.