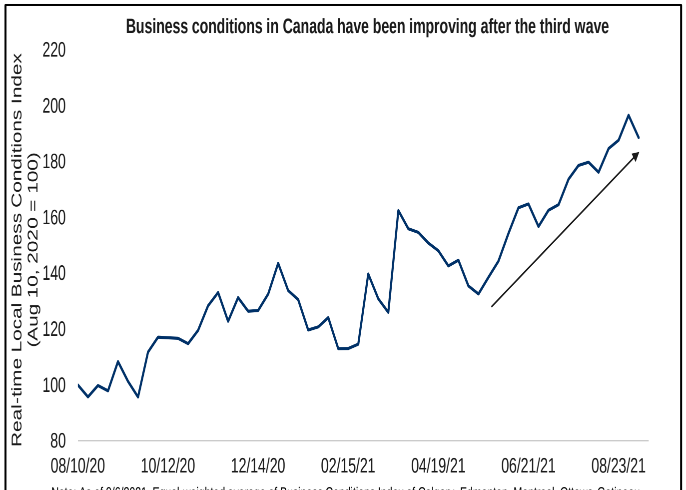
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
3rd Quarter 2021

Quarterly Commentary

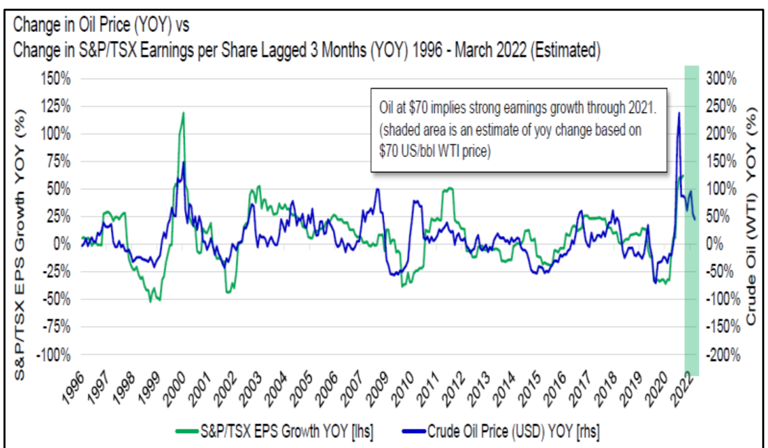
It's about Time

It's been quite some time since Canadians could brag a little about our economy. Business conditions have improved over the past few months, despite many hurdles. The pace of earnings revisions and absolute growth has been stronger for our Canadian markets than in the US. Earnings revisions by analysts are up 26% since Dec 2020, and are expected to edge even higher before year end. Estimates for 2022 are rising as well and remain above historical trends. Consensus for 2022 earnings growth is in the 6-10% range. Bank of Canada data also suggests our economy is running below its potential capacity, thus supportive of even higher output. So the prospects for growth remain compelling at a time when our markets also trade at reasonable valuations compared to those in the US. Hopefully it's Canada's time to shine, we've been sitting in the back seat for the past decade when compared to the US economy.



Note: As of 9/6/2021. Equal-weighted average of Business Conditions Index of Calgary, Edmonton, Montreal, Ottawa-Gatineau, Toronto, Vancouver and Winnipeg. Source: Statistics Canada, RBC GAM

"Petro" Canada



Source: Capital Markets Strategy, Bloomberg. As of September 30, 2021

For many years the health and wealth of Canada's economy has been tied to commodities. We are a resource rich nation of energy, grains, woods, and metals. In particular, energy dominates as our most valuable resource. The combined export value of oil, refined products, and natural gas in Canada is more than double the next closest export (cars).

Earnings growth for the Canadian stock market and the price of oil are tightly correlated. Recently with growing demand and supply shortages, the price of oil has been on the rise. Oil began the year at $48.40/bbl, and ended this quarter at $75.03/bbl, a 55% increase for the year-to-date. Years of political strife towards the energy industry and subsequent under investment have accentuated the supply problems. We do not know if oil will regain the pricing of old ($100+/bbl), but the higher prices typically contribute to strong S&P/TSX earnings growth which bodes well for the Canadian stocks in our portfolio.

Supply Chain Meltdown

Source: Barron's , Oct 4, 2021

Have we hit peak supply chain fears? It's hard to think how this issue can be more prevalent. News feeds are filled with stories about supply chain problems, from the lack of semi-conductor chips, to trucking labour shortages, to a pile-up of cargo ships parked off the Port of Los Angeles. All of this is the result of shutting down the world economy during the pandemic and then trying to turn it back on.

Perhaps the end is drawing near, recently Toyota said they will ramp output in Q4 as auto part availability has improved. GM announced there will be no auto plant closures due to the global chip shortage come Nov 1st. Critical manufacturing centers in Vietnam and China are reopening after Covid shut downs. Rates on China-US shipping lanes have come off their highs. President Biden announced the Port of Los Angeles will run operations 24/7 to alleviate the backlog. The Port of Long Beach is also running 24/7 and together they handle 40% of the shipping containers imported into the US. Major transport companies such as FDX and UPS have committed extra resources to alleviate congestion, along with multiple retailers such as Walmart, Home Depot, Samsung, and Target all announcing actions to ease supply chain strains. With so many now focused on the problem, perhaps progress will be made as we pass the seasonal peak in shipping demand ahead of the holiday season.

Power to the People

Source: Hamilton Lane, The Daily Shot, Oct 19, 2021

Despite all the worries that continue to circulate, consumer strength has really been a bright spot. Record net worth, higher wages, and improving employment supports higher spending moving forward. According to the US Commerce Department, it's estimated US households are sitting on $1.6 trillion in savings, which is well above pre-pandemic levels. Consumers armed with stimulous payments and rising wages have stepped up spending. Retail Sales rose 13.9% in September from a year ago. A recent Deloitte holiday retail survey showed retail executives expect 73% of shoppers to spend more, or significantly more, this holiday season. With online purchases expected to be up double digits, and shopping to begin 1-2 weeks earlier than normal.

With about 70% of the US economy driven by consumer spending, and 60% here in Canada, it's difficult to imagine the economy will falter in the near term. The strength for both goods and services remains high, which is elevating estimates into 2022. This should continue to benefit the overall equity markets at least for the next couple of quarters. We know some of the consumer stimulous will taper off, but for now consumers are in good shape ahead of the all important Christmas shopping season.

September Woes

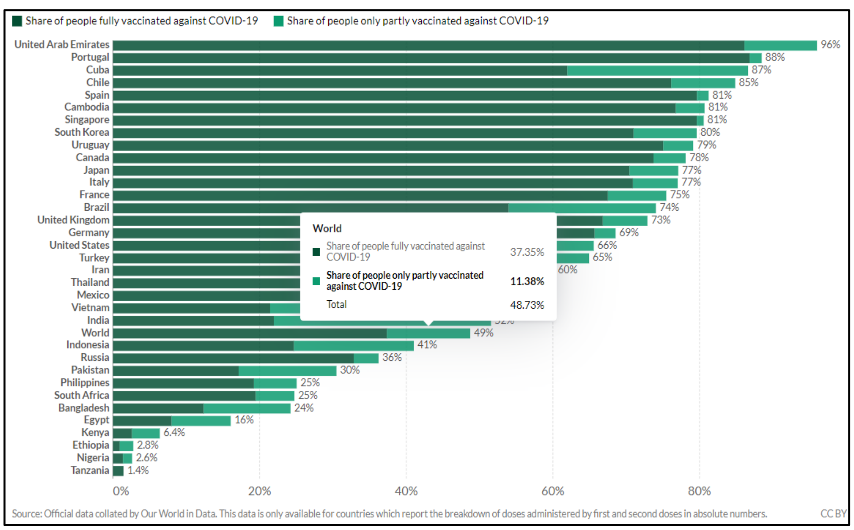
Let's just say September has a bad reputation when it comes to the markets. Statistically it's the worst month of the year for investors with an average return of -0.67% for the S&P500 since 1960. This September was no exception with most equity markets around the world ending squarely in the red. What made matters worse was that bond markets also fell during the month, with the FTSE Canada Bond Universe down 1.4%. Bonds markets have been weaker due to higher inflation fears.

	Currency	Level	1 Mo
Canada			
S&P/TSX Comp	CAD	20,070	-2.5%
S&P/TSX Comp TR	CAD	75,009	-2.2%
S&P/TSX 60 Comp	CAD	1,203	-2.3%
S&P/TSX Small Cap	CAD	755	-0.3%
United States			
S&P 500 Comp	USD	4,308	-4.8%
S&P 500 Comp TR	USD	8,995	-4.7%
Dow Jones Ind Avg	USD	33,844	-4.3%
NASDAQ Comp	USD	14,449	-5.3%
S&P 600 Small Cap	USD	1,332	-2.6%
International			
Euro Stoxx 50	EUR	4,048	-3.5%
FTSE 100 (UK)	GBP	7,086	-0.5%
CAC 40 (France)	EUR	6,520	-2.4%
DAX (Germany)	EUR	15,261	-3.6%
IBEX 35 (Spain)	EUR	8,796	-0.6%
CSI 300 (China)	CNY	4,866	1.3%
HANG SENG (Hong Kong)	HKD	24,576	-5.0%
NIKKEI 225 (Japan)	JPY	29,453	4.9%
TOPIX (Tokyo)	JPY	2,030	3.5%
KOSPI (S. Korea)	KRW	3,069	-4.1%
S&P/ASX 200 (Australia)	AUD	7,332	-2.7%
BOVESPA (Brazil)	BRL	110,979	-6.6%
BOLSA (Mexico)	MXN	51,386	-3.6%
S&P BSE Sensex (India)	INR	59,126	2.7%

Source: FactSet, Morningstar, Raymond James as of Sept 30, 2021

There was no singular event that caused the market sell off. The same fears and worries have persisted all year (Covid-19, supply chains, inflation, labour shortages). The US Debt Ceiling debate in September had more bark than bite, and there was the Canadian election, which just seemed to annoy everyone, but everything remained relatively the same.

We think the sell off was just a reset for the markets after seven straight months of positive returns without a dip. We know stimulus programs will start to wind down and eventually interest rates will need to move up but for now the outlook remains favourable for stocks and we do not think this is cause to worry. Looking forward, November and December are typically two of the best months of the year to be invested.



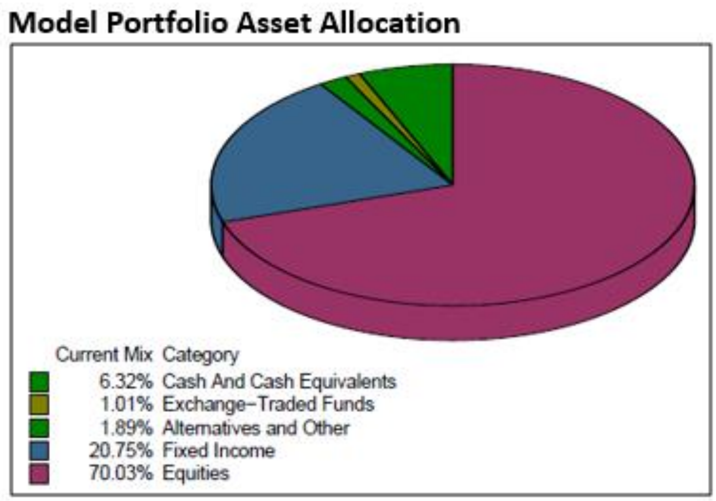
Covid-19 Update

Since last quarter, another 3.08 billion vaccine doses have been administered worldwide, bringing the total to 6.88 billion. At the end of June only 13.5% of the world population was fully vaccination; that number has now risen to 37.3%, and 48.7% if you include those who are partially vaccinated. Many governments and businesses are now mandating vaccinations which has helped increase overall vaccination rates. After a surge in the Delta variant, daily new cases are now on the decline worldwide. Canada continues to make progress and ranks highest among the G7 nations for vaccinations.

The winter flu season will be the next big test moving forward as reopening efforts progress allowing for larger crowds and fewer restrictions. Meanwhile, a low dose (33%) version of the Pfizer Covid-19 vaccine was recently approved by the FDA in the US for children between the ages of 5-11; hopefully Canada will follow suite. Booster shots have also been approved in British Columbia starting in January 2022, one of the first jurisdictions in North America to commit to full booster shots. With additional booster shots and more children hopefully vaccinated soon, Canada remains vigilant in its efforts to suppress and mitigate the impact of Covid-19.

The Dividend Value Portfolio

The Dividend Value model portfolio returned +0.7% (net of fees) for the third quarter of 2021. This puts the year-to-date return at +8.9%, the rolling 1yr performance at +17.5%, 3yr +5.5%, and 5yr +6.8% (net of fees).



As of Sept 30, 2021

July and August were both positive months for the portfolio's performance (+0.9% and +1.9% respectively), but the September slide in the overall markets negated much of the progress. September's portfolio performance was down 2.2%, which was in-line with the fall in the Canadian markets, and less than half the fall in the US S&P500 and global markets.

After a strong Q2, the Canadian stock portfolio took a breather in Q3 and ended slightly lower at -0.6%. The biggest winner and biggest loser this quarter were two commodity related names. Suncor fell just over 10% while Nutrien was up just over 10%. Before you fret about Suncor's quarterly loss, the stock is up 31.5% for the year-to-date, it's comparatively inexpensive, and likely poised to move higher following the strength within the energy sector. Inflationary pressures continue to persist within in the economy favouring cyclical stocks. This quarter we added to our holdings of Finning International (FTT), the world's largest Caterpillar dealer and service provider.

Our US stocks finished Q3 basically flat -0.04% but the US dollar improved slightly over the Canadian dollar (+2.3%) which was beneficial. The performance of our big technology names (Alphabet +6.3%, Apple +3.5%, and Microsoft +4.3%) all beat the overall Nasdaq market performance at -0.4% (in USD). Activision Blizzard (ATVI) had a tough quarter both on guidance and management (HR) issues. Healthcare names (AbbVie and Merck) fell back this quarter due to the surge in the Covid-19 Delta variant, while Costco had another very strong quarter. We sold US Bancorp after a strong recovery across the financial sector and purchased Molson Coors (TAP), a reopening story as major sporting events and restaurants swing back into gear.

The bond portfolio was slightly positive through Q3 at +0.5% which outperformed the overall FTSE Canada Universe benchmark at -0.5%. Four of the seven mandates had positive performance, while three had negative performance. The outlook for bonds remains challenging with persistent high inflation and interest rate hikes likely to begin in 2022. We still anticipate bond yields could move higher as the interest rate forecast comes into clearer focus.

After a very good first half, we saw a pause and reset for the markets in Q3. We've seen overall volatility increase as inflation fears persist and bond yields push higher. Both Canada and the US will see reduced monetary support ahead, which is a precursor to eventual higher interest rates. Growth prospects for the economy and markets remain above trend for the remainder of the year and into 2022. Strong consumer demand continues to be a positive force for the markets while supply chain issues are pushing growth potential into 2022. Seasonally the fourth quarter tends to be positive overall, so we are hopeful markets can finish strong into the year end.

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 third quarter, six Dividend Value stocks increased their dividends. No dividend cuts were announced this quarter for stocks in your portfolio.

Q3 Dividend Changes (Quarterly)			
Canadian Apartment REIT	Increased from $0.115 to $0.121*	**Molson Coors**	Increased from $0.00 to $0.34
JPMorgan Chase	Increased from $0.90 to $1.00	**Fortis**	Increased from $0.505 to $0.535
Finning International	Increased from $0.205 to $0.225	**Microsoft**	Increased from $0.56 to $0.62

*Monthly dividend

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	0.7%	17.5%	5.5%	6.8%	7.2%
Dividend Value Benchmark	0.4%	19.2%	7.6%	6.6%	7.3%
S&P/TSX Composite Total Return	0.2%	28.0%	11.1%	9.6%	8.8%
DJ Canada Select Value	-1.3%	35.6%	3.6%	4.1%	4.4%
iShares Canadian Dividend Aristocrats	1.4%	35.3%	10.6%	8.8%	8.6%
FTSE-TMX Universe Bond	-0.5%	-3.3%	4.3%	2.3%	3.3%

The above performance data is current as of Sept 30, 2021. 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:
Molson Coors (TAP)

The following securities were topped-up this quarter:
Finning International (FTT)

The following securities were sold this quarter:
US Bancorp (USB)

The following securities were trimmed this quarter:

Sincerely,

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

This Quarterly Market Comment has been prepared by Paul Siluch, Lisa Hill, Peter Mazzoni, Sharon Mitchell, and Lincoln Jiang and expresses the opinions of the author 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
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.