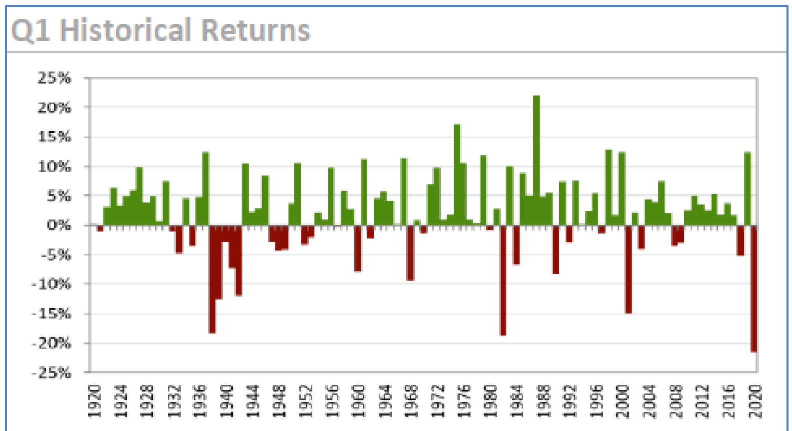
The Dividend Value Discipline™
1st Quarter 2020 Review

Quarterly Commentary

A Black Swan



Source: FactSet, Raymond James Ltd. As at March 31, 2020.

A black swan event is defined as an unpredictable or unforeseen event which has extreme consequences. We have seen a couple over the years and they usually involve wars or terrorist attacks, or currency and debt collapses. The current global health pandemic certainly qualifies as a black swan event and it's causing severe social and economic turmoil in its wake.

The impact of the virus is wide-ranging and comprehending the toll it has taken is complicated. According to CNN, the virus has spread to 211 countries and territories affecting over 2.5 million people. Many lives have been lost, many more have been affected in ways we could not have imagined only a few months ago. Nearly every country has closed its schools affecting 1.6 billion children. Countries are essentially closed. The airways are virtually grounded. Most of the world's population is in self-isolation. Unemployment has soared. Daily life has changed dramatically. The reaction of the financial markets saw the fastest decline on record and led to the worst start to the year since the 1930s.

The R Word

Source: RBC GAM, Bloomberg. Data as of Mar 31 2020. Reflects S&P 500 Index

We have been monitoring the major factors for a recession for years. A potential recession was a growing concern but still seemed years away. All that changed this quarter and it's all but certain the pandemic will cause a deep global economic recession.

The most recent recession we experienced followed the financial crisis of 2008. The severity of the decline in the S&P500 index was -56.8%, worse than the current decline in Q1 2020. The duration of the decline was 1.4 years. Previous to that in 1999 following the bursting of the tech bubble and a very long bull market, the economy fell into recession with a 49.1% decline which lasted 2.5 years. When considering all US bear markets, the average fall is 43.6% and they last 1.6 years. This suggests that a market bottom is more of a process rather than a point in time. We may have seen the market lows in March but there is likely more time and basing required before we see sustained improvement.

Eventually it gets better

Looking back at the ten worst quarters since 1950 gives us some perspective as to what we can expect going forward. History shows after major declines, the average subsequent one year return is +25%, three years later +58%, and five years later +98%.

			Subsequent returns		
10 worst quarters (since 1950)	Related event	Performance	1 year	3 years	5 years
Q3 1974	Oil embargo / stagflation	-25.2%	38%	73%	118%
Q4 1987	Black Monday	-22.5%	17%	49%	109%
Q4 2008	Financial crisis	-21.9%	26%	49%	128%
Q2 1962	Cuban Missile Crisis	-20.6%	31%	69%	95%
Q2 1970	Vietnam War	-18.0%	42%	57%	56%
Q3 2002	Tech Wreck	-17.3%	24%	59%	105%
Q3 2001	Elevated global tensions	-14.7%	-20%	13%	40%
Q3 2011	Eurozone debt crisis	-13.9%	30%	86%	113%
Q3 1990	Savings and loan crisis	-13.8%	31%	64%	121%
Q4 2018	U.S.-China Trade War	-13.5%	31%	?	?
Average			25%	58%	98%
Q1 2020	COVID-19 pandemic	-19.6%	?	?	?

Source: RBC GAM, Bloomberg. Data as of Jan 1 1950 to Mar 31 2020. S&P 500 TR (USD)

This is the first time in history the global economy has forcibly closed. There is limited historical reference to anything quite like this. An eventual positive outcome may take longer and it may be more subdued but eventually markets will rebound.

As painful as the short term may seem, the key to successful investing is to maintain a long term perspective. Right now it's best to leave your investments alone and wait.

The Road to Recovery

The world economy shut down and markets have declined sharply, so now what? There are a number of factors we need to see develop before things can improve. The markets will react to new developments and will anticipate the next move. At the end of March, the key criteria for a recovery looked like the chart below. At the time of writing this commentary (mid-April), we have seen more improvement.

Criteria	Achieved?
Significant disease containment efforts	Partially
Major government stimulus	Mostly
Decline in Italian new cases / day	Tentatively yes
Decline in U.S. new cases / day	No
Decline in global new cases / day	No
Decline in global new fatalities / day	No
Decline in global number of actively sick	No
Quarantining ends	No
Return to economic growth	No
Development of important therapeutic	No
Development of vaccine	No

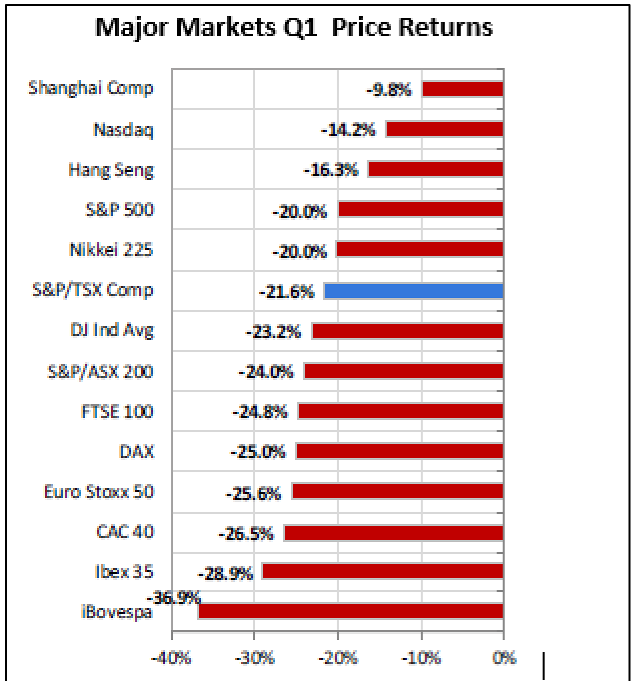
Source: RBC GAM

We now have higher containment efforts, more government stimulus, and definite declines in Italy's daily new cases. We are beginning to see a leveling of daily new cases in the US and of daily global new cases. We are beginning to see a leveling of daily deaths. There are also more than 70 active trials ongoing in the US with promising developments in therapies for treatment.

The narrative of COVID-19 is beginning to shift from rampant spread and lock-down, to containment, and now to how and when quarantine will end. We are seeing countries in Asia and Europe beginning to ease restrictions and reopen select parts of their economies.

This gives us hope and that's what the markets need to stage a recovery from the worst quarter we have seen in our careers. We do not expect a quick return to normal but a gradual unthawing of the lock-down over the next several months.

The Dividend Value Portfolio

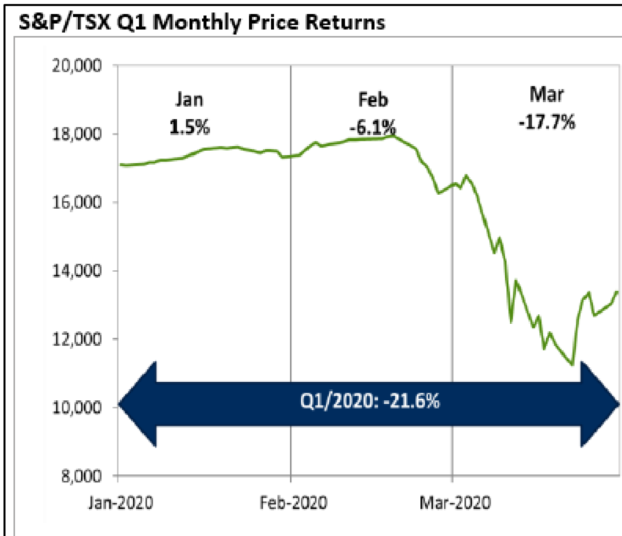


Source: Bloomberg, Raymond James Ltd. As of Mar 31st, 2020

The Dividend Value model portfolio returned -14.16% for the first quarter (net of all fees). This compares to our benchmark returns of -14.4% for the quarter. This is by far the worst quarterly performance the portfolio has ever experienced. There was no escaping the down turn, every market in the world was negative.

The large negative drawdown took its toll on the long term performance as well. The rolling 12 month performance is -7.86% and the benchmark returned -9.5%. The 3-year portfolio performance is +0.60% versus our benchmark of -1.4%, and the 5-year portfolio performance is +2.43% versus our benchmark of +0.9%.

The Canadian S&P/TSX fell 20.9% on a total return basis during the quarter, or -21.6% if you just consider price. All sectors were negative but, of the three pillars in the market, financials were down 21.9%, energy was down 38.2%, and materials were down 19.1%. Our exposure to energy and materials are quite low, but we felt the full sting within the financial sector. We know the big banks are well capitalized and will rally back in time. This quarter we sold our position in Alimentation Couche-Tard and invested part of the proceeds in Choice Property REIT. This is the landlord to Loblaws and other grocery stores across Canada. The dividend yield upgrade was about 5.0% between the two stocks. We also initiated a position in the iShares Core MSCI Cdn Quality Dividend ETF.



Source: FactSet, Raymond James Ltd. As at March 31, 2020.

The US S&P500 market was about on par with Canada with a return of -19.6% on a total return basis, or -20.0% on price. We sold our position in UnitedHealth Group and added most of the proceeds into Pepsi. We figured we'll all be snacking and drinking far more in the months ahead. We also initiated a new position in the Vanguard Dividend Appreciation ETF. We took some profits early in the quarter and trimmed our Apple position given its strong performance.

The bond portfolio was also negatively affected in Q1. The extreme fear in the markets led to a lack of liquidity for many bond sectors. This pressure has begun to ease, but bonds will also need time to repair.

The duration of the ongoing lock down is the biggest question at hand. The move to support the global economy by Central banks has been enormous and swift. Our lives will be changed forever and we will adjust to the new reality. There will be companies that adapt and thrive in this new environment and we are hard at work identifying what will work best for your portfolio.

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 first quarter, four of our Dividend Value stocks increased their dividends.

Q1 Dividend Changes (Quarterly)			
Manulife Financial	Increased from 0.25 to 0.28	**Suncor**	Increased from 0.42 to 0.465
TD Bank	Increased from 0.74 to 0.79	**TC Energy**	Increased from 0.75 to 0.81

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	-14.2%	-7.9%	0.6%	2.4%	5.3%
Dividend Value Benchmark	-14.4 %	-9.5%	-1.4%	0.9%	4.0%
S&P/TSX Composite Total Return	-20.9%	-14.2%	-1.9%	0.9%	4.1%
S&P/TSX Preferred Share Total Return	-22.8%	-21.0%	-8.0%	-4.4%	-0.4%
MSCI EAFE (Cdn$) Total Return	-16.3%	-11.8%	-2.5%	-1.1%	3.2%
FTSE-TMX Universe Bond Total Return	1.6%	4.5%	3.7%	2.7%	4.3%

The above performance data is current as of Mar 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:
Choice Property Reit (CHP.un)
iShares Core MSCI Cdn Quality Dividend (XDIV)
Vanguard Dividend Appreciation (VIG)

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

The following securities were sold this quarter:
Alimentation Couche-Tard (ATD.b)
UnitedHealth Group (UNH)

The following securities were trimmed this quarter:
Apple (AAPL)

Sincerely,

Paul Siluch	Lisa Hill	Peter Mazzoni
Senior VP, Portfolio Manager	Senior VP, Portfolio Manager	Financial Advisor
Raymond James Ltd.	Raymond James Ltd.	Raymond James Ltd.

Company Name	Disclosure
Manulife Financial	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.