DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
4th Quarter 2021

Quarterly Commentary

Looking back at 2021

2021 marked another tough year for health and wellness as the global pandemic continued to strain our medical systems and alter the way we work and live. From an investment perspective, 2021 was a very good year for most equity markets around the world. With the exception of Asian markets (China, Hong Kong) most other equity markets enjoyed double digit returns. Bond markets on the other hand were flat to slightly negative as the fear of higher interest rates loomed. The best sectors in Canada and the US were energy and real estate. The strength within the energy sector is probably a surprise to most, while the strength in real estate is probably no surprise to anyone. The worst and only negative sector in Canada was health care. It was the marijuana stocks included within that sector that did poorly. In the US, all eleven equity sectors had double digit returns, a truly outstanding year.

Market Quilt: Calendar Year Returns

	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
S&P/TSX Comp	21.7%	2.2%	19.1%	-11.6%	6.0%	17.5%	-11.1%	7.4%	9.6%	4.0%	-11.1%	14.4%
S&P 500 Comp	26.9%	16.3%	28.9%	-6.2%	19.4%	9.5%	-0.7%	11.4%	29.6%	13.4%	0.0%	12.8%
Dow Jones Ind Avg	18.7%	7.2%	22.3%	-5.6%	25.1%	13.4%	-2.2%	7.5%	26.5%	7.3%	5.5%	11.0%
NASDAQ Comp	21.4%	43.6%	35.2%	-3.9%	28.2%	7.5%	5.7%	13.4%	38.3%	15.9%	-1.8%	16.9%
90 Day T-Bill	0.2%	0.9%	1.6%	1.4%	0.6%	0.5%	0.6%	0.9%	1.0%	1.0%	1.0%	0.5%
Canada Bond	-2.5%	8.7%	6.9%	1.4%	2.5%	1.7%	3.5%	8.8%	-1.2%	3.6%	9.7%	6.7%
Canada ST Bonds	-0.9%	5.3%	3.1%	1.9%	0.1%	1.0%	2.6%	3.1%	1.7%	2.0%	4.7%	3.6%
Canada LT Bonds	-4.5%	11.9%	12.7%	0.3%	7.0%	2.5%	3.8%	17.5%	-6.2%	5.2%	18.1%	12.5%
Euro Stoxx 50	21.0%	-5.1%	24.8%	-14.3%	6.5%	0.7%	3.8%	1.2%	17.9%	13.8%	-17.1%	-5.8%
FTSE 100 (UK)	14.3%	-14.3%	12.1%	-12.5%	7.6%	14.4%	-4.9%	-2.7%	14.4%	5.8%	-5.6%	9.0%
CAC 40 (France)	28.9%	-7.1%	26.4%	-11.0%	9.3%	4.9%	8.5%	-0.5%	18.0%	15.2%	-17.0%	-3.3%
DAX (Germany)	15.8%	3.5%	25.5%	-18.3%	12.5%	6.9%	9.6%	2.7%	25.5%	29.1%	-14.7%	16.1%
IBEX 35 (Spain)	7.9%	-15.5%	11.8%	-15.0%	7.4%	-2.0%	-7.2%	3.7%	21.4%	-4.7%	-13.1%	-17.4%
CSI 300 (China)	-5.2%	27.2%	36.1%	-25.3%	21.8%	-11.3%	5.6%	51.7%	-7.6%	7.6%	-25.0%	-12.5%
HANG SENG (Hong Kong)	-14.1%	-3.4%	9.1%	-13.6%	36.0%	0.4%	-7.2%	1.3%	2.9%	22.9%	-20.0%	5.3%
NIKKEI 225 (Japan)	4.9%	16.0%	18.2%	-12.1%	19.1%	0.4%	9.1%	7.1%	56.7%	22.9%	-17.3%	-3.0%
TOPIX (Tokyo)	10.4%	4.8%	15.2%	-17.8%	19.7%	-1.9%	9.9%	8.1%	51.5%	18.0%	-18.9%	-1.0%
KOSPI (S. Korea)	3.6%	30.8%	7.7%	-17.3%	21.8%	3.3%	2.4%	-4.8%	0.7%	9.4%	-11.0%	21.9%
S&P/ASX 200 (Australia)	13.0%	-1.5%	18.4%	-6.9%	7.0%	7.0%	-2.1%	1.1%	15.1%	14.6%	-14.5%	-2.6%
BOVESPA (Brazil)	-11.9%	2.9%	31.6%	15.0%	26.9%	38.9%	-13.3%	-2.9%	-15.5%	7.4%	-18.1%	1.0%
BOLSA (Mexico)	20.9%	1.2%	4.6%	-15.6%	8.1%	6.2%	-0.4%	1.0%	-2.2%	17.9%	-3.8%	20.0%
S&P BSE Sensex (India)	22.0%	15.8%	14.4%	5.9%	27.9%	1.9%	-5.0%	29.9%	9.0%	25.7%	-24.6%	17.4%

Source: FactSet, Morningstar, Raymond James Ltd. All return numbers greater than one year are annualized. Performance as at December 31, 2021.

Growth Still Ahead

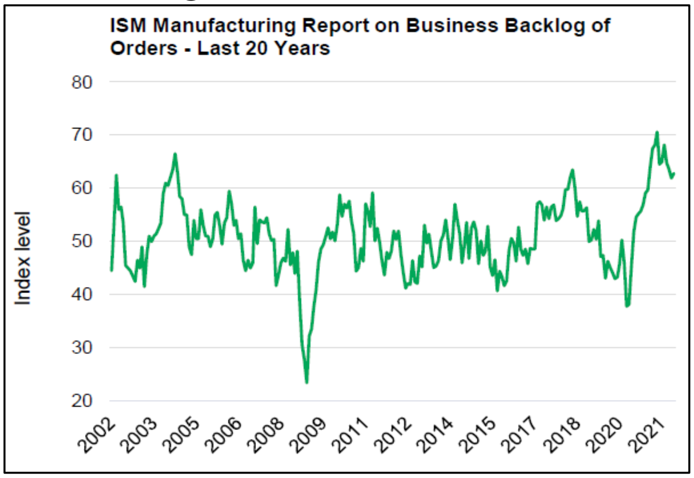
Last year served up the perfect recipe for outsized economic growth with excessive government stimulus, low interest rates, and strong consumer demand, and that's exactly what we got. It was the fastest economic recovery ever seen. We won't see the same level of growth again, but 2022 still looks promising. The US economy is expected to grow at 3.1%, while the Canadian economy is expected to be even stronger at 3.7%. Canada has more exposure to cyclical industries that tend to do better during inflationary cycles. Although not as high as 2021, those figures surpass the long term averages for Canada and the US of 2.2%. Estimates

Real GDP Growth Forecasts Remain Above Trend

Real GDP Growth (% YoY)	Ave. 2000-2017	2021	2022
World (CE China Estimate)	**3.8%**	**5.9%**	**4.0%**
Advanced Economies	**1.8%**	**5.0%**	**3.6%**
US	2.2%	5.6%	3.1%
Canada	2.2%	4.6%	3.7%
Euro	1.3%	5.1%	3.5%
UK	2.1%	6.8%	4.8%
Japan	1.5%	1.8%	3.5%
Australia	2.6%	4.4%	5.0%
Emerging Economies	**5.2%**	**6.5%**	**4.6%**
China (CE Estimates)	7.5%	9.0%	3.5%
India	7.5%	7.6%	10.6%
Russia	2.0%	4.3%	2.8%
Brazil	1.4%	4.7%	0.5%

Source: Capital Economics; Raymond James Ltd. Data as of December 20, 2021 for GDP growth are tracking above average for most major developed regions. The outlook for emerging markets is a bit more mixed. Fallout from China's property sector sparked by the insolvency of Evergrande Group, led to a significant slowdown in foreign investment. China is the only major market that is increasing government stimulus and lowering interest rates. Growth estimates for China are currently below average but expect friendlier economic conditions to help boost prosperity in 2022 as it's an important election year within the country.

Order Backlogs



Orders backlogs are at historic highs and business inventories-to-sales are near record lows. Although it's a little frustrating from a consumer standpoint, the fact that business backlog levels are so high is a sign consumer demand remains strong. Sales are simply coming in faster than inventories can be restocked. We know this issue is related to the ongoing supply chain constraints that will hopefully improve as Omicron subsides. The backlog suggests manufacturing activity will remain elevated into 2022 to replenish inventories. Manufacturing levels are a key leading indicator of economic growth. It's a positive sign for business in the months ahead, as long as supply chains do not make the situation worse before it gets better.

The Downside to Growth

With higher growth comes higher inflation, and with higher inflation comes higher interest rates. Interest rates form the cost base from which we borrow money. Whether it's businesses borrowing to expand, governments borrowing to spend, or individuals borrowing to buy homes, the cost for every dollar borrowed is going up. As borrowing costs rise, it means there is less money in your wallets to spend on goods and services and this slows growth. It will be a delicate balancing act for the Bank of Canada and the US Federal Reserve to temper inflation by raising interest rates without stifling the current economic recovery and future growth. The US Federal Reserve has been very transparent in its communication to the financial markets, while the Bank of Canada has been fairly tight lipped. The task at hand is to determine just how much inflation is transitory versus permanent and adjust interest rates accordingly. Markets are very sensitive to interest rates so expect this process to create higher volatility in the months ahead.

Monetary Policy to be Less Accommodative in 2022/23

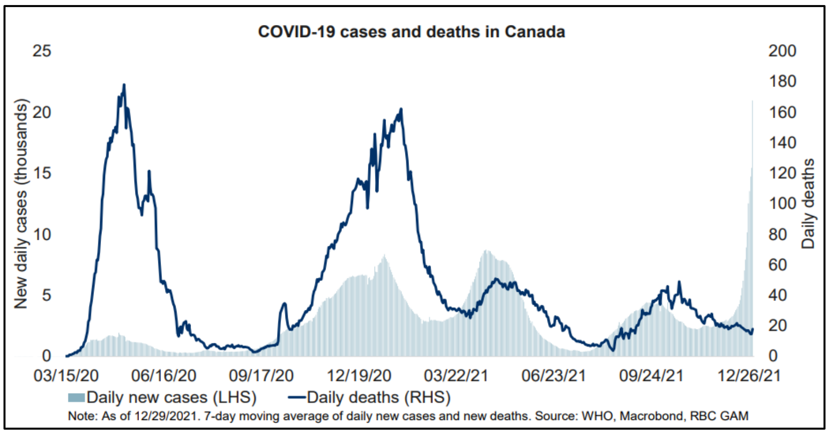
Interest Rate Forecasts	2021	2022	2023
Advanced Economies			
US	0.3%	0.8%	1.8%
Canada	0.3%	1.0%	1.3%
Euro	-0.5%	-0.5%	-0.5%
UK	0.3%	0.8%	1.0%
Japan	-0.1%	-0.1%	-0.1%
Australia	0.1%	0.1%	0.8%
Emerging Economies			
China	2.1%	1.7%	1.7%
India	4.0%	4.5%	5.0%
Russia	8.5%	9.0%	7.8%
Brazil	9.3%	11.5%	9.5%

Source: Capital Economics; Data as of December 20, 2021

Recession Watch

Signs of a Recession	Present Today
Inverted Yield Curve	No
ISM Manufacturing PMI Below 45	No
Positive Inflationary Trends	Yes
Tighter Financial Conditions	No
Housing Starts Declining	No
Labour Market Weakening	No
Leading Economic Indicators Negative	No

There are typically a few leading indicators for recessions, with the most prevalent being an inverted yield curve. Despite worries about inflation and higher interest rates, most other recessionary signals are not present today. With the current risks low, a recession in 2022 is unlikely. Bear markets, which are measured by market declines of 20% or more, generally coincide with recessions. So the risks of bear market conditions in the markets are also low moving forward. Keep in mind during mid-cycle markets, which is where we are now, we see the highest probability of market corrections (declines of ~10%) with the average drawdown being 13.0%. Corrections are normal part of market cycles, and often provide an opportunity for investors to put cash to work.



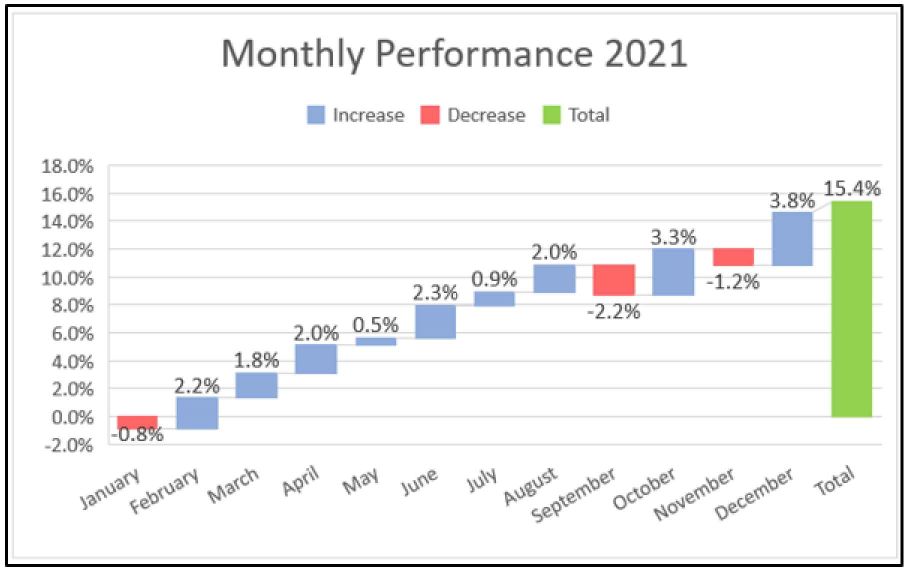
Covid-19 Update

Covid-19's grip on the global economy is beginning to loosen, even as the Omicron variant spikes across Canada and other parts of the world. Regions that first experienced Omicron's rapid spread, such as South Africa and the UK, are now seeing new case numbers decline quickly. Fortunately, the impact of Omicron on hospitalization and deaths has been less severe than previous strains.

To aid in the fight, booster vaccines are now widely available across Canada and the US. In Canada, approximately 41% of people 18yrs and older have now received their booster shot. The US Centers for Disease Control and Prevention said a third dose of mRNA vaccines such as Pfizer/BioNTech or Moderna provide 90% protection against hospitalizations. Canada also recently approved the low dose version of the Pfizer vaccine for children between the ages of 5 and 12. Approximately 51% of kids in this age group have now received their first dose. Pfizer also announced the start of clinical trials on their Omicron specific vaccine and expects to have enough clinical data to present findings to US regulators in March.

The expectation from Canada's top doctor, Theresa Tam, is that the current Omicron wave is pushing the pandemic towards an endemic state. This means due to the highly infectious nature of Omicron, it will soon become common across the population and our overall immunity will lessen the impact of the virus. As we now approach the third year of the pandemic, we hope we see the endemic state later this year where we can effectively live and work alongside Covid-19 with its diminishing impact on society.

The Dividend Value Portfolio



Dividend Value Model Cumulative Returns 2021

As of Dec 31, 2021

The Dividend Value model portfolio returned +5.94% (net of fees) for the fourth quarter of 2021 which was ahead of our benchmark of +4.58%. For the year, the portfolio was +15.4% and just slightly behind our benchmark of +16.0%. This puts the rolling 3-year performance at +10.1%, and the rolling 5yr at +7.0% (net of fees).

Performance was mixed through the quarter with October up 3.28%, November down 1.17%, and December finishing strong up +3.79%. For the full year, the portfolio saw positive performance in 9 out of past 12 months.

The Canadian equity portfolio performed well during Q4 up 8.5% overall. This put the full year Canadian stock returns at 19.1%. Many of our stocks benefitted from the value rotation in the markets. Financials did well in Canada during Q4 and our banks (TD, BMO) were up 8.6% and 16.6% respectively. The new additions to the portfolio, Finning International (FTT) and Brookfield Infrastructure (BIPC) also performed well, up 7.9% and 20.4% respectively. Inflationary pressures continue to persist within the economy which favour cyclically orientated stocks. This quarter we sold our position in iShares Core MSCI Canadian Quality ETF (XDIV) in favour of buying Brookfield Infrastructure (BIPC). We bought Brookfield twice throughout the quarter, initiating a position in October and topping it up at the end of November. We sold our position in Roger's Communication (RCI.b) in favour of buying Gibson Energy which has improving industry dynamics and a higher dividend.

The US stock portfolio also had a strong Q4 finishing up 10.6%. The US dollar fell slightly compared to the Canadian dollar (-0.3%) which was insignificant this quarter. The full year performance of the US stocks was +18.5% overall. This quarter we saw strong performances out of Apple (AAPL) up 25.6% and Microsoft (MSFT) up 19.5%. We saw some of the value names also perform well with CVS Health (CVS) up 22.1%, ABBVIE (ABBV) up 26.7%, and Pepsi (PEP) up 15.5%. Disney (DIS) was the worst name as Covid-19 continued to affect theme park performance. We sold our position in Activision Blizzard (ATVI) due to management issues in favour of buying Taiwan Semiconductor Manufacturing (TSM). TSM is poised to do well with leading industry technology and a global shortage in semiconductors.

The bond portfolio finished flat in Q4 with a return of +0.2%. The full year performance was also muted at +2.1% overall. Comparing this to the FTSE Canada Universe benchmark which was +1.5% in Q4 and -2.5% for the full year, our bond portfolio did relatively well. Due to strong inflation numbers and the outlook for higher interest rates, it's likely bond returns will remain subdued in 2022.

Overall, 2021 was a very good year for the Dividend Value Discipline portfolio and we are happy with the performance given the level of risk we take. Our focus on companies that provide dividends and offer relative value is coming back into favour within the current environment. Growth prospects remain above trend and consumers remain healthy, both of which should be tailwinds for the markets. The impact of the pandemic, inflation, and interest rates are the main concerns moving forward. Regardless of market moves in the short term, we will stick to our disciplined approach and focus on the long term.

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

Q4 Dividend Changes (Quarterly)			
Bank of Montreal	Increased from $1.06 to $1.33	**Suncor Energy**	Increased from $0.21 to $0.42
Franco-Nevada	Increased from $0.30 to $0.32	**Telus Corp**	Increased from $0.32 to $0.33
AbbVie, Inc.	Increased from $1.30 to $1.41	**CVS Health**	Increased from $0.50 to $0.55
Merck & Co.	Increased from $0.65 to $0.69	**Stryker Co.**	Increased from $0.63 to $0.69
Visa Inc.	Increased from $0.32 to $0.37		

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	5.9%	15.4%	10.1%	7.0%	7.4%
Dividend Value Benchmark	4.6%	16.0%	12.0%	7.0%	7.4%
S&P/TSX Composite Total Return	6.5%	25.1%	17.5%	10.0%	9.1%
DJ Canada Select Value	7.4%	30.1%	11.4%	4.8%	5.2%
iShares Canadian Dividend Aristocrats	3.5%	26.0%	15.8%	8.6%	8.9%
FTSE-TMX Universe Bond	1.5%	-2.5%	4.2%	3.3%	3.3%

The above performance data is current as of Dec 31, 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:
Brookfield Infrastructure (BIPC)
Taiwan Semiconductor Manufacturing (TSM)
Gibson Energy (GEI)

The following securities were sold this quarter:
Activision Blizzard (ATVI)
iShares Core MSCI Cdn Quality ETF (XDIV)
Roger's Communication (RCI.b)

The following securities were topped-up this quarter:
Brookfield Infrastructure (BIPC)

The following securities were trimmed this quarter:

Sincerely,

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Raymond James Ltd.

Lisa Hill
Senior VP, PM
Raymond James Ltd.

Peter Mazzoni
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Raymond James Ltd.

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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.
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.