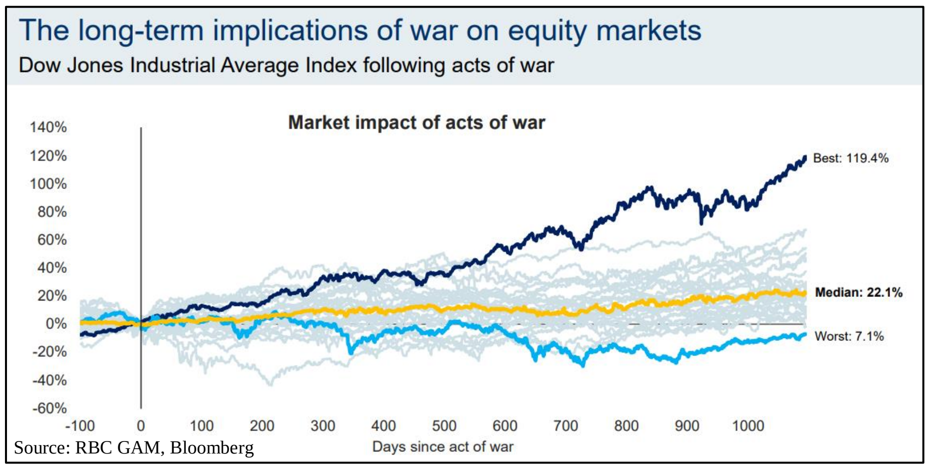
The Dividend Value Discipline™
1st Quarter 2022

Quarterly Commentary

An Act of War



We began the year with the expectation growth would be above average with healthy consumer demand and positive sentiment overall. Within a few short weeks the world has changed once again. The Russian invasion of the Ukraine created the largest European ground war in generations and a humanitarian crisis impacting millions of people. The conflict has wide-ranging geopolitical implications for the future of Europe, Western allies, Russia, and China. Foreign policy and globalization trends are rapidly shifting as countries unify and condemn Russia. It's been a tough quarter, but history shows acts of war often have little sustained impact on the overall stock market, economic growth, or corporate earnings. Financial markets tend to initially fall, then recover, and then gradually move higher in the ensuing months. Hopefully the markets will follow a similar path this time as well; only time will tell.

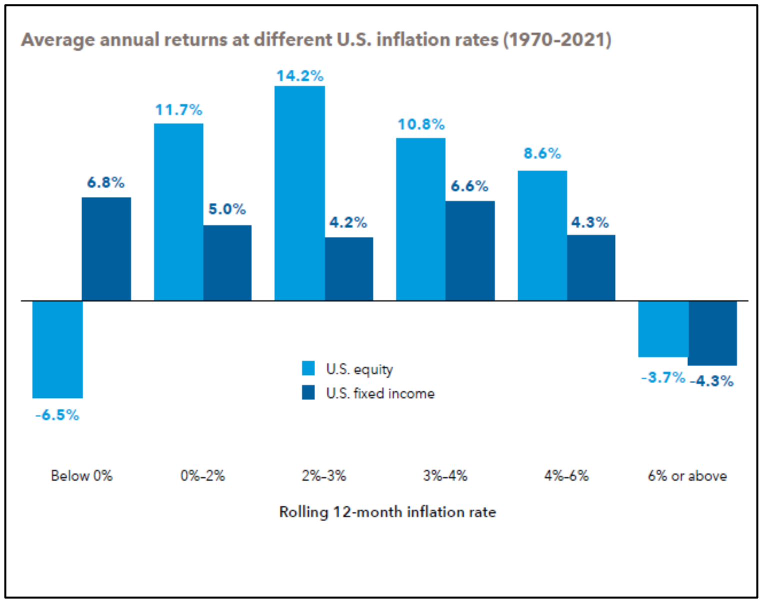
Resource Security

With the events that have transpired since the beginning of the Russian invasion, one thing that has become evident is the importance of resource security. Whether it is oil, gas, steel, fertilizer, or food, countries around the world are becoming acutely aware of their supply of resources. Russia is a major exporter of resources with roughly 51% of Russian exports by value delivered to European countries, while another 40% is delivered to Asia. Energy and other commodity prices have soared since the Russian supply of resources became restricted. We have written before about Canada's resource rich economy. Canada may benefit as a safe and reliable source of energy, grains, wood, and metals to Europe. Canada recently announced a new trade deal with the UK, and we expect more to come as European leaders look to replace Russian resources. New trade deals will have long-term positive effects for Canadian companies and our economy.

RANK	RUSSIA'S EXPORT PRODUCT	2021 VALUE (US$)	YOY
1	Crude oil	$110,119,384,000	+51.8%
2	Processed petroleum oils	$69,936,820,000	+54.2%
3	Coal, solid fuels made from coal	$17,560,283,000	+41.7%
4	Gold (unwrought)	$17,362,390,000	-6.3%
5	Iron/non-alloy steel products (semi-finished)	$9,176,394,000	+89%
6	Petroleum gases	$8,814,840,000	+12.4%
7	Platinum (unwrought)	$8,456,249,000	+7.8%
8	Wheat	$7,265,989,000	-8.2%
9	Aluminum (unwrought)	$7,077,754,000	+67.8%
10	Sawn wood	$6,048,523,000	+43.6%

Source: www.worldstopexports.com (2021)

Inflationary Times



Inflation is all over the news and the financial markets have become hyper-sensitive to its level. Historically both stocks (equity) and bonds (fixed income) can perform quite well if inflation is kept within a manageable range. Inflation has generally trended in the 2 - 3% range for the past decade which is the Bank of Canada's target level. It's only when inflation falls below zero (deflation) or rises above 6% that the performance of stocks and bonds run into more difficulty. The rolling 12 month returns for stocks and bonds when inflation is above 6% are -3.7% and -4.8% respectively.

With the March reading of inflation in Canada at 6.7%, and the US at 8.5%, the outlook for both stocks and bonds looks challenging. Most experts believe that inflation is peaking but we've thought that for several months now. Regardless of when inflation peaks, the bigger questions is will inflation remain systemically high? Raymond James expects Canadian and US inflation to average 5.5% and 5.8% for 2022 and then fall to 2.3% and 2.2% respectively in 2023. We should see inflation fall back within a normal range in about a year or so, which gives a much better outlook for both stocks and bonds.

Mixed Messages

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

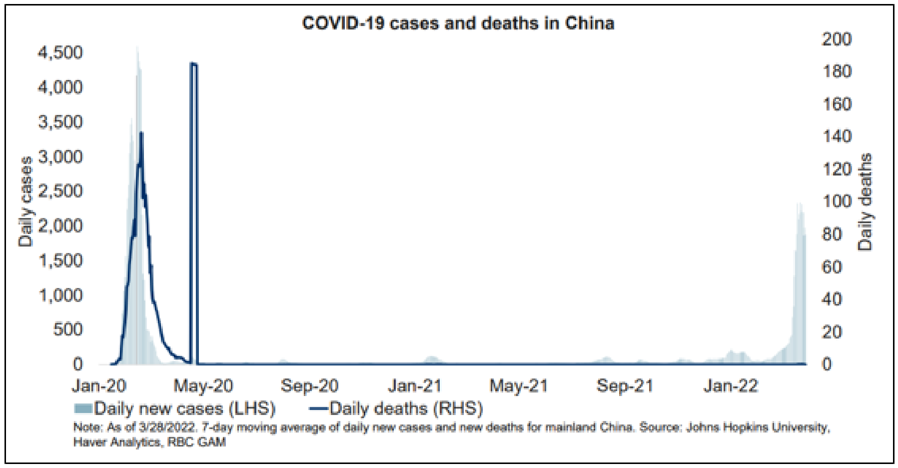
Source: Bloomberg, Capital Markets Strategy as of March 31, 2022

We posted the recession watch list last quarter, and so far we've seen more mixed messages. Both the yield curve and tightening financial conditions have added to recession worries. This is on top of the inflationary trend that was previously in place. Yet many parts of the economy still remain strong such as manufacturing, consumer spending, housing, and the labour market. These areas may begin to slow, but until we see further deterioration the risk of a 2022 recession remains low.

Global GDP growth has become more uneven than originally expected in 2022. Overall global growth has been revised lower, with the brunt of the revisions largely concentrated across Europe, Asia, and Emerging Markets. China in particular has seen a significant slowdown. In North America, the outlook remains positive with the economy set to grow above trend even as financial conditions tighten.

Covid-19 Update

As we learn to live with Covid, restrictions have fallen across Canada, the US, and Europe. Canada's number of new cases has stabilized, while Europe and the US are starting to see increases once again. The Omicron BA.2 sub-variant of Covid-19 is now the dominant strain globally and has become as major problem in China.



Source: RBC GAM, Bloomberg.

The BA.2 strain began to spike in China in February and has become their worst crisis since the beginning of the pandemic. As we know, the Omicron strain is highly transmissible but is less severe. China has a strict zero-Covid strategy that aims to suppress outbreaks and transmission by using border controls, mass testing, quarantines, and stringent lockdowns. Recently the city of Shanghai went into lock-down, a city of almost 25 million people, that's three times the size of New York or 2/3rds of Canada's total population.

The economic effect of shutting down Shanghai is significant. It's a major consumer, manufacturing, and financial center and home to the world's busiest port and third busiest cargo airport. It's a major semiconductor and car production hub and home to major companies like Apple, Samsung, Procter & Gamble, J&J, GE, Nike, Panasonic, Philips to name a few. Shanghai is only one among several cities dealing with partial or full lockdowns. According to estimates by Nomura, the combined cities have approximately $193 million residents that contribute $3.6 trillion worth of GDP.

Two years later and Covid-19 continues to disrupt industry, supply chains, inflation, and the global economy. Thankfully the effects locally are almost non-existent now, and hopefully they remain that way.

The Dividend Value Portfolio

The Dividend Value model portfolio returned +1.4% (net of fees) for the first quarter of 2022. The rolling 6-month return is now +7.4%, 9-month +8.2%, 1-year +13.5%, 3yr +8.0%, and 5yr +6.8% (net of fees).

Performance through January was slightly negative (-0.5%), while February and March were both positive months for the portfolio (+0.1%% and +1.8% respectively). The Canadian stock market was the best performing developed market in world in Q1, while the US, Europe, and Asian were mostly down.

The Canadian stock portfolio performed very well through Q1 with a return of +9.8%. All but one of our Canadian stocks (Canadian Apartment REIT) had positive returns. We saw the biggest gains through the commodity related names Suncor (+32.3%), Nutrien (+33.8%), TC Energy (+21.6%), Finning Intl (+19.1%), Gibson Energy (+13.4%), and Franco Nevada (+13.9%). Strong commodity pricing and inflationary pressures continue to persist within the economy favouring these stocks. This quarter we added Definity Financial (DFY) a new publically traded insurance company, sold Manulife Financial (MFC), and took some profits by trimming Nutrien (NTR).

Equities

	Currency	Level	1 Mo	3 Mo
Canada				
S&P/TSX Comp	CAD	21,890	3.6%	3.1%
S&P/TSX Comp TR	CAD	82,915	4.0%	3.8%
S&P/TSX 60 Comp	CAD	1,323	3.5%	2.8%
S&P/TSX Small Cap	CAD	836	3.6%	7.9%
United States				
S&P 500 Comp	USD	4,530	3.6%	-4.9%
S&P 500 Comp TR	USD	9,527	3.7%	-4.6%
Dow Jones Ind Avg	USD	34,678	2.3%	-4.6%
NASDAQ Comp	USD	14,221	3.4%	-9.1%
S&P 600 Small Cap	USD	1,319	0.2%	-5.9%
International				
Euro Stoxx 50	EUR	3,903	-0.6%	-9.2%
FTSE 100 (UK)	GBP	7,516	0.8%	1.8%
CAC 40 (France)	EUR	6,660	0.0%	-6.9%
DAX (Germany)	EUR	14,415	-0.3%	-9.3%
IBEX 35 (Spain)	EUR	8,445	-0.4%	-3.1%
CSI 300 (China)	CNY	4,223	-7.8%	-14.5%
HANG SENG (Hong Kong)	HKD	21,997	-3.2%	-6.0%
NIKKEI 225 (Japan)	JPY	27,821	4.9%	-3.4%
TOPIX (Tokyo)	JPY	1,946	3.2%	-2.3%
KOSPI (S. Korea)	KRW	2,758	2.2%	-7.4%
S&P/ASX 200 (Australia)	AUD	7,500	6.4%	0.7%
BOVESPA (Brazil)	BRL	119,999	6.1%	14.5%
BOLSA (Mexico)	MXN	56,537	5.9%	6.1%
S&P BSE Sensex (India)	INR	58,569	4.1%	0.5%
ETFs				
World	USD		2.9%	-5.3%
All Country World	USD		1.9%	-5.7%
EAFE	USD		0.5%	-6.5%
Emerging Markets	USD		-3.4%	-7.6%
Europe	USD		0.2%	-7.6%

Source: FactSet, Morningstar, Raymond James Ltds as of March 31, 2022

Our US stocks had a tougher time in Q1 finishing down 1.6% overall. All three major US markets were negative for the quarter: S&P500 -4.6%, NASDAQ -9.1%, and Dow Jones -4.6%. Only 2 of 11 sectors (Energy and Utilities) in the US were positive for the quarter. Our three hardest hit stocks were JP Morgan (-12.4%), Walt Disney (-11.8%), and Taiwan Semiconductors (-12.9%) while we saw outsized performance from Abbvie (+20.1%) and Molson Coors (+15.9%). We took some profits and trimmed our Apple position in early January and trimmed profits from Abbvie. We also added to our Taiwan Semiconductor position this quarter.

The bond portfolio had a difficult Q1 with an overall return of -4.3%. The overall FTSE Canada Bond Universe was -7.0% while the US Aggregate Bond market was -9.5%. The high inflationary numbers and steep rise in bond yields made for a very challenging quarter. The outlook for bonds remains weak with multiple interest rate hikes expected through 2022 and 2023. Both the Bank of Canada and the US Federal Reserve have been late to raise rates to fight inflation and now they are set to catch-up.

Despite the high volatility and overall difficult markets during Q1 we are relatively pleased with the portfolio performance. Our focus on dividends and value helped avoid the worst hit areas of the market. Although the Russian/Ukraine war was an unexpected global event which elevated concerns, much of the negativity is likely priced into the market. Canada and the US are still set to grow by 3.8% and 3.1% respectively in 2022, well above the 20-year trend of 1.8%. Canada's outlook in particular looks encouraging with its safe and reliable source of resources. We are seeing slower growth in Europe and Asia due to their headline risk (war and Covid), but expect some improvement on both fronts as the year progresses. With one difficult quarter behind us, we hope the worst of the market volatility is over but we remain cautious.

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, 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.

Q1 Dividend Changes (Quarterly)			
Definity Financial	Initiated dividend of $0.175	**Gibson Energy**	Increased from $0.35 to $0.37
Costco Wholesale	Increased from $0.79 to $0.90	**TC Energy**	Increased from $0.87 to $0.90
		Molson Coors Beverage	Increased from $0.34 to $0.38

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	1.4%	13.5%	8.0%	6.8%	7.2%
Dividend Value Benchmark	-0.9%	9.5%	8.6%	6.2%	6.8%
S&P/TSX Composite Total Return	3.8%	20.2%	14.1%	10.3%	9.1%
DJ Canada Select Value	11.2%	28.3%	11.9%	6.7%	5.7%
iShares Canadian Dividend Aristocrats	5.4%	18.9%	12.8%	8.6%	8.1%
FTSE-TMX Universe Bond	-7.0%	-4.5%	0.4%	1.6%	2.5%

The above performance data is current as of March 31, 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:
Definity Financial (DFY)

The following securities were topped-up this quarter:
Taiwan Semiconductor MFG (TSM)

The following securities were sold this quarter:
Manulife Financial (MFC)

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

Sincerely, the Dividend Value Partners

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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.
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.