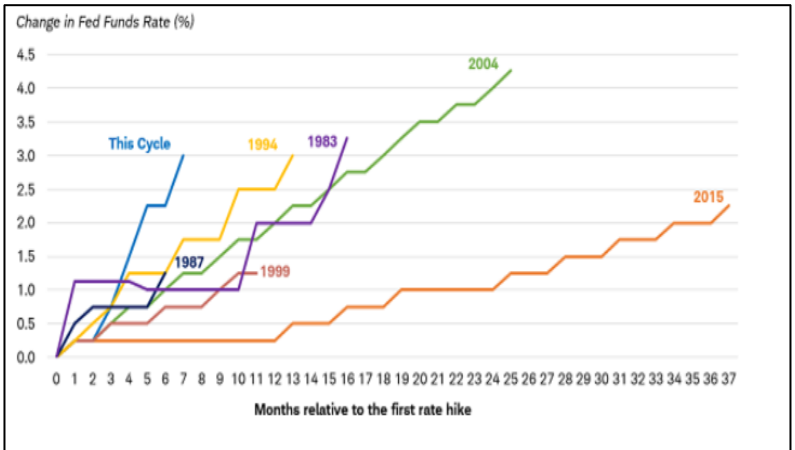
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
3rd Quarter 2022

Quarterly Commentary

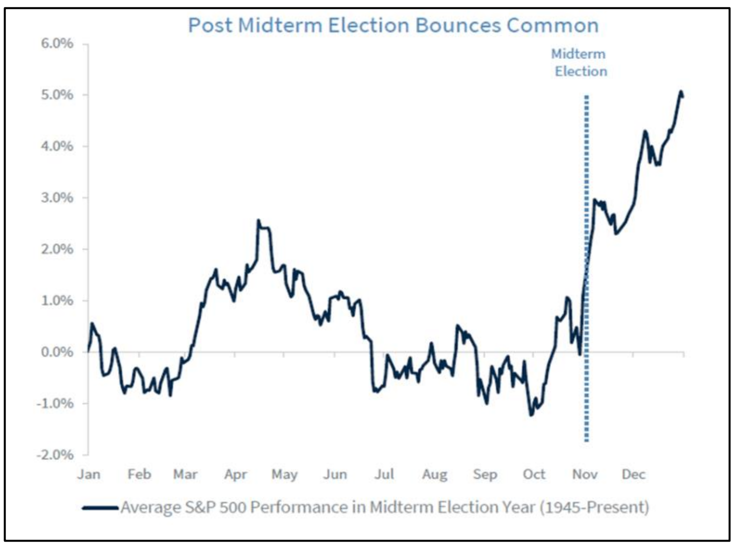
Fast & Furious

The rapid increase in interest rates is having a measured effect on many fronts this year. We have witnessed the fastest rise in rates in over 30 years. The Bank of Canada is now at 3.25% while the US Fed Funds rate is at 3.0%, with a clear expectation both will be higher by year end. The sharp increase is a result of central banks being behind the curve to fight high inflation which has remained sticky. This has wreaked havoc on financial markets and is now decelerating the global economic outlook. Within Canada and the US the impacts should be milder given the strength of our economies and consumers, but the expectation of a global recession in 2023 is becoming increasingly harder to avoid.



Note: Data is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy.
Source: Bloomberg, Federal Funds Target Rate - Upper Bound (FDTR Index), using monthly data. **Past performance is no guarantee of future results.**

As we shift into the final quarter, we will get one step closer to "peak" rates toward the end of year. Canada is likely to achieve this first at a lower peak than the US due to the high leverage within our housing market. As rates reach a top, this will be an important inflection point and likely mark the beginning of the end of this bear market.



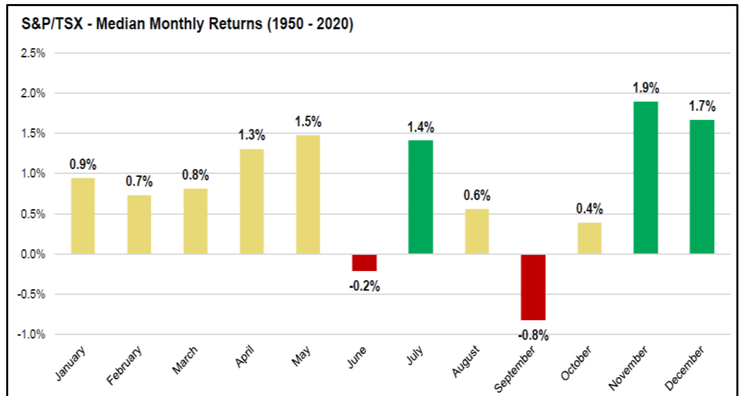
Mid-Term Bounce

The US will have its mid-term elections in early November with all 435 seats in the House of Representatives and 35 of the 100 Senate seats up for grabs.

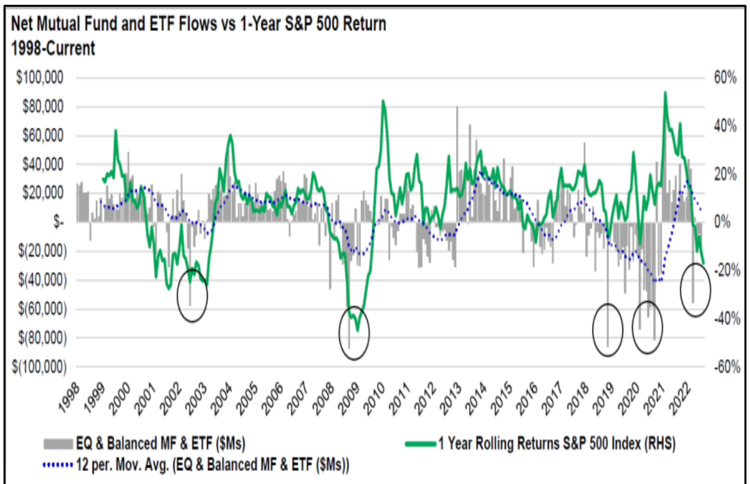
Since 1945 the S&P 500 has followed a pattern of weakness through the summer months leading to lows in October just prior to mid-term elections. Once elections are done, the clarity of knowing the government composition leads to a rally in November and December. The S&P500 has a perfect 18-0 record of positive performance from November to April in mid-term years since 1950.

This also aligns with the seasonally strongest months of the year, November and December. Over the past 70 years, November ranks #1 and December #2 as the best performing months of the year for both the Canadian and US equity markets. The seasonal strength usually continues right through until May.

Hopefully the US mid-term elections will kick-start some better market conditions to finish the year. We could certain use a rally given poor performance thus far.



Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of December 31, 2021



Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of September 30, 2022

Don't follow the crowd

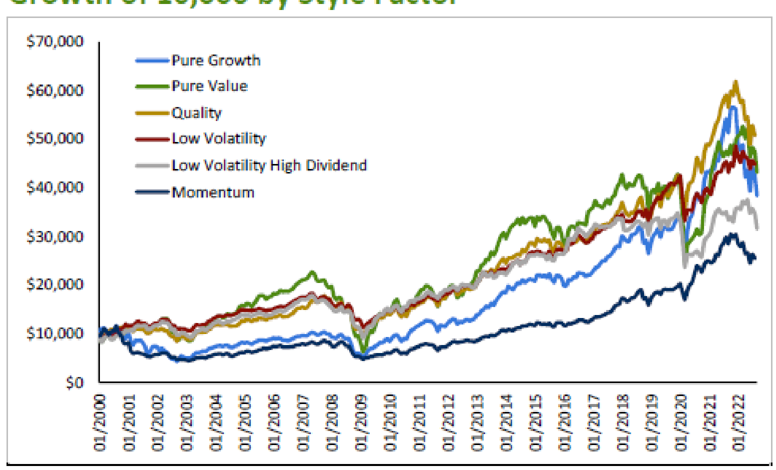
It's often cited that retail investors typically do the wrong thing at the wrong time. When markets are at their highs they buy the most, and when markets are at their lows they sell the most. During nearly every market correction we've seen this pattern. More recently, at the onset of the pandemic in 2020 we saw major outflows of money, and now again through this summer. The net mutual fund and ETF flows registered a large spiked down in June, right near the market lows for the year. Investing is a very emotional exercise and you must resist the temptation to follow the crowd. Warren Buffett famously said, "be fearful when others are greedy and be greedy when others are fearful." The "others" are fearful now.

Quality Matters

Over the past 20 years owning quality as an investment style has outperformed all other factors. The term quality can be subjective, but for us this means companies that are not over-priced, do not carry excessive debt, have durable business models, have stable cash flow, and the ability to pay and increase dividends.

During times of high uncertainty holding quality stocks helps reduce overall volatility. Investing in companies that can weather through economic hardships and then thrive when the economy recovers is essential to long-term success. And if you're curious about which style has done the worst, it's Momentum. Chasing the next fad or hyped-up story usually doesn't end well in the investment world.

Growth of 10,000 by Style Factor



Source: FactSet; Raymond James Ltd.; Data range from January 1, 2000 to September 26, 2022. Each style factor is represented by its corresponding S&P Dow Jones Index.

The Dividend Value Portfolio

The Dividend Value model portfolio returned -1.2% (net of fees) for the third quarter of 2022. The rolling 6-month return is -9.8%, 9-month -8.5%, 1-year -3.1%, 3yr +3.3%, and 5yr +4.3% (net of fees).

There is nothing comforting about the returns we've seen in the markets this year. The table on the right shows how tough it's been for equity markets all around the world. Bond markets are also down 11.8% in Canada and down 17.9% outside of Canada for the year.

Equities

	Currency	Level	1 Mo	3 Mo	6 Mo	YTD
Canada						
S&P/TSX Comp	CAD	18,444	-4.6%	-2.2%	-15.7%	-13.1%
S&P/TSX Comp TR	CAD	70,967	-4.3%	-1.4%	-14.4%	-11.1%
S&P/TSX 60 Comp	CAD	1,117	-4.2%	-2.6%	-15.5%	-13.2%
S&P/TSX Small Cap	CAD	638	-7.3%	-3.0%	-23.6%	-17.6%
United States						
S&P 500 Comp	USD	3,586	-9.3%	-5.3%	-20.9%	-24.8%
S&P 500 Comp TR	USD	7,603	-9.2%	-4.9%	-20.2%	-23.9%
Dow Jones Ind Avg	USD	28,726	-8.8%	-6.7%	-17.2%	-20.9%
NASDAQ Comp	USD	10,576	-10.5%	-4.1%	-25.6%	-32.4%
S&P 600 Small Cap	USD	1,065	-10.1%	-5.6%	-19.2%	-24.0%
International						
Euro Stoxx 50	EUR	3,318	-5.7%	-4.0%	-15.0%	-22.8%
FTSE 100 (UK)	GBP	6,894	-5.4%	-3.8%	-8.3%	-6.6%
CAC 40 (France)	EUR	5,762	-5.9%	-2.7%	-13.5%	-19.4%
DAX (Germany)	EUR	12,114	-5.6%	-5.2%	-16.0%	-23.7%
IBEX 35 (Spain)	EUR	7,367	-6.6%	-9.0%	-12.8%	-15.5%
CSI 300 (China)	CNY	3,805	-6.7%	-15.2%	-9.9%	-23.0%
HANG SENG (Hong Kong)	HKD	17,223	-13.7%	-21.2%	-21.7%	-26.4%
NIKKEI 225 (Japan)	JPY	25,937	-7.7%	-1.7%	-6.8%	-9.9%
TOPIX (Tokyo)	JPY	1,836	-6.5%	-1.9%	-5.7%	-7.8%
KOSPI (S. Korea)	KRW	2,155	-12.8%	-7.6%	-21.8%	-27.6%
S&P/ASX 200 (Australia)	AUD	6,474	-7.3%	-1.4%	-13.7%	-13.0%
BOVESPA (Brazil)	BRL	110,037	0.5%	11.7%	-8.3%	5.0%
BOLSA (Mexico)	MXN	44,627	-0.7%	-6.1%	-21.1%	-16.2%
S&P BSE Sensex (India)	INR	57,427	-3.5%	8.3%	-1.9%	-1.4%
ETFs						
World	USD		-9.4%	-6.5%	-22.0%	-26.1%
All Country World	USD		-9.4%	-7.2%	-22.0%	-26.4%
EAFE	USD		-9.2%	-10.4%	-23.9%	-28.8%
Emerging Markets	USD		-11.5%	-13.0%	-22.7%	-28.6%
Europe	USD		-9.2%	-11.6%	-24.8%	-30.6%

Source: FactSet, Morningstar, Raymond James Ltd as of Sept 30th, 2022

The Canadian stock portfolio was down 4.2% overall this quarter. Most of the Canadian stocks were down but we did see some respite in names like Definity Financial, Brookfield Infrastructure, Nutrien, and TD Bank. Inflationary pressures continue to persist and tight energy markets continue to support the energy sector. This quarter we added to our existing positions of Suncor Energy (SU) and Gibson Energy (GEI).

Our US stock portfolio was down 4.3% this quarter. Of the 13 US positions, only Apple and CVS Health managed positive returns. All major US markets were negative for the quarter so it was difficult to defend against losses. With slowing production and a negative outlook for global semiconductors, we sold our position in Taiwan Semiconductors (TSM) this quarter. We also took some profits and trimmed our CVS Health (CVS).

The bond portfolio lost a little ground this quarter down -1.74%. The overall FTSE Canada Bond Universe was +0.5%, the US Aggregate Bond market was down 4.7%, and the Barclays Global Aggregate bond index was down 3.9%. The 10-year bond yield continues to rise and is at, or close to, new highs which reflects worries in the markets. Bond yields are now becoming attractive again, but there's simply more sellers than buyers pushing prices lower. The outlook for bonds remains weak with multiple interest rate hikes still expected before year end and into 2023.

The dividend value portfolio continues to defend against this market downturn. The year-to-date total return is down 8.5% compared to the Canadian TSX market down 11.1%, the US S&P500 down 23.9%, and the Canadian Bond Universe down 11.8%. The companies we hold can withstand recessionary pressures and will bounce back once the economic environment improves. Our stocks continue to pay dividends with some even increasing their dividends since the beginning of the year.

We are cautious moving forward as market volatility remains high and we expect this to continue as global economies head towards recession in 2023. We are getting closer to peak interest rates in Canada and the US but we still expect a few more hikes in the months ahead. It takes time for companies and economies to adjust to higher rates which slows future growth. Market bottoms also take time and we going through that process now. We will have plenty of opportunity to put more cash to work once markets begin to stabilize.

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

Q3 Dividend Changes (Quarterly)			
Algonquin Power	Increased from $0.17 to $0.18	**Fortis**	Increased from $0.535 to $0.565
Microsoft	Increased from $0.62 to $0.68	**Visa**	Increased from $0.375 to $0.45

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	-1.2%	-3.1%	3.3%	4.3%	6.2%
Dividend Value Benchmark	-1.2%	-7.9%	2.6%	2.8%	4.8%
S&P/TSX Composite Total Return	-1.4%	-5.4%	6.6%	6.5%	7.3%
DJ Canada Select Value	-4.0%	1.8%	4.7%	3.1%	4.2%
iShares Canadian Dividend Aristocrats	-4.2%	-6.6%	4.6%	5.6%	6.6%
FTSE-TMX Universe Bond	0.5%	-10.5%	-2.5%	0.7%	1.7%

The above performance data is current as of Sept 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:
Taiwan Semiconductor MFG (TSM)

The following securities were topped-up this quarter:
Suncor Energy (SU)
Gibson Energy (GEI)

The following securities were trimmed this quarter:
CVS Health (CVS)

Sincerely, the Dividend Value Partners

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.

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.