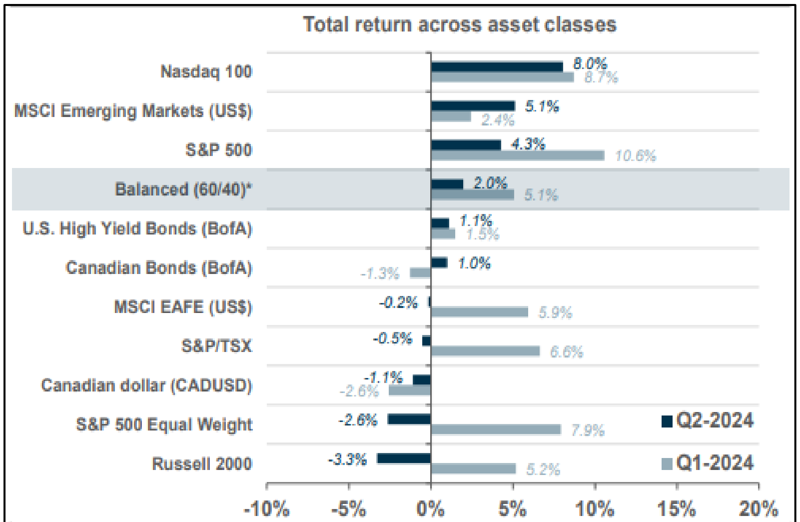
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

The Dividend Value Discipline™
2nd Quarter 2024

Quarterly Commentary

Sun, Cloud, With a Chance of Rain

Just like the weather through most of the spring, the markets ended the second quarter mixed. Canada's S&P/TSX slipped (-0.5%), while the U.S. and European markets were divided. Thanks to the strong start in Q1, the overall performance for most markets remains positive for the year-to-date. The continued market strength comes despite earlier expectations of significant interest rate cuts being tempered. The economic soft-landing scenario that began to take shape earlier in the year appears to be gaining credibility. Earnings for most companies remain positive and consumer spending (although more selective) is still relatively strong.



CIO Office (data via Refinitiv). * 21% S&P/TSX, 21% S&P 500, 12% MSCI EAFE, 6% MSCI EM, 40% ICE BofA Canada Universe, all in CAD.

Jurisdiction	Central bank action
Switzerland	Cut rates in March
Sweden	Cut rates in May
Canada	Cut rates in June
Eurozone	Cut rates in June
U.K.	August cut?
U.S.	September cut?
Japan	Hiking!

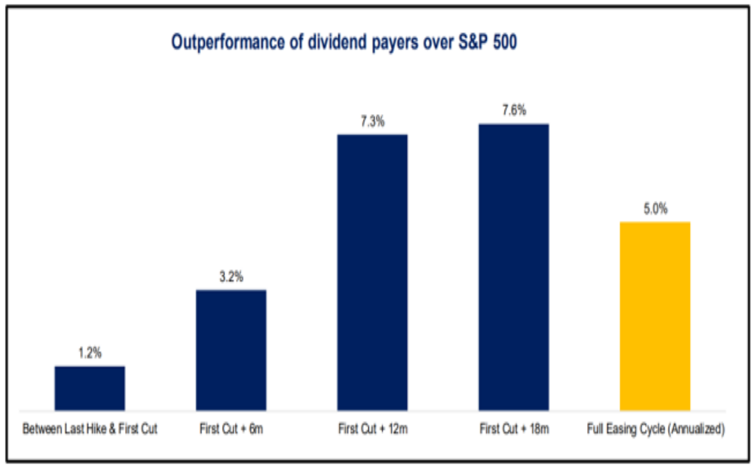
Note: As at 06/25/2024. Source: RBC GAM

Central Bank Divergence

For more than two years, inflation has eclipsed everything else when it comes to central bank policy. The second quarter saw a divergence in bank policies with the European Central Bank, Switzerland, Sweden, and Canada all cutting rates by 25 basis points. The improved inflation outlook within those regions along with softening labour markets has laid the groundwork for the shift. In Canada, inflation is now within target levels at 2.4% and still trending down. The U.S. is hovering around 3.3% and stabilizing (trending sideways). The U.S. Federal Reserve has more leeway to wait but has indicated its first cut may come in September. We expect the trend toward lower rates to continue, which should be supportive of our value orientated, dividend focused stocks in the second half of the year.

Dividend Payers and Easing Cycles

Over the past four easing cycles (when interest rates fall), dividend paying stocks have historically outperformed the overall market. From the time of the last interest rate hike to the first cut (like we've recently seen in Canada), the outperformance is marginal (+1.2%). As time moves forward from the first rate cut, the outperformance gradually increases with 6-months +3.2%, 12-months +7.3%, 18-months +7.6%, and the full cycle annualized average at +5.0% over the broader market returns. If history is our guide, then dividend stocks should outperform through the next easing cycle and our portfolio is well positioned to benefit.



Source: RBC DS, Bloomberg. As of March 7, 2024. Data reflects the last four easing cycles: 1995, 2001, 2007, and 2019.

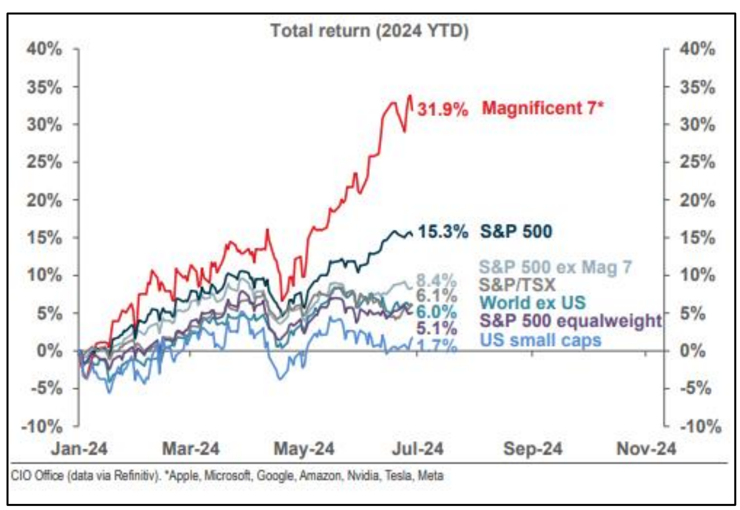
Source: RBC Global Asset Management, April 2024, Statistics Canada, Haver Analytics, RBC GAM

Canadian Retail

Retail sales in Canada continues their post-Covid downward trajectory. Whenever we've hit these levels in the past, a recession has not been too far off. Consumers in Canada are no doubt feeling the pinch. With the rise of inflation pushing food costs (and everything else) higher, along with higher mortgage rates, there are simply less dollars available to spend. We can see the result in companies like Lululemon, a retail darling for many years, whose shares are down sharply for the year-to-date. Many retailers are struggling to balance higher costs with slower sales. Lower interest rates will help, hopefully it's not too little too late.

Big Tech

The big technology companies are still dominating and skewing the overall U.S. S&P 500 higher than many of its global peers. If not for the Magnificent 7 stocks, the U.S. market would be much weaker for the year. The performance gap between the S&P 500 and its equally weighted alternative index is at levels not seen since the early 2000s. We would expect to see some reversion to the mean, which would see a rotation out of big tech names and into the other 493 stocks within the S&P 500 index. A rotation would be viewed as a healthy move, broadening the overall participation within the market and helping support current valuation levels.



CIO Office (data via Refinitiv). *Apple, Microsoft, Google, Amazon, Nvidia, Tesla, Meta

The Dividend Value Discipline Portfolio

Equities	Level	Currency	1 Mo	3 Mo	6 Mo	YTD
Canada						
S&P/TSX Composite	21,876	CAD	-1.42	-0.53	6.05	6.05
S&P/TSX 60	1,305	CAD	-1.77	-1.34	4.90	4.90
United States						
S&P 500	5,460	USD	3.59	4.28	15.29	15.29
Dow Jones Ind Avg	39,119	USD	1.23	-1.27	4.79	4.79
NASDAQ Composite	17,733	USD	6.03	8.47	18.57	18.57
Russel 2000	2,048	USD	-0.93	-3.28	1.73	1.73
MSCI Europe						
MSCI Europe ex UK		CAD	-1.45	0.56	10.34	10.34
MSCI UK		CAD	-1.04	3.63	7.83	7.83
MSCI France		CAD	-6.26	-6.25	1.59	1.59
MSCI Germany		CAD	-0.48	0.01	9.61	9.61
MSCI Italy		CAD	-3.65	-1.98	14.15	14.15
MSCI Greece		CAD	-1.15	-0.43	8.42	8.42
MSCI EM						
MSCI China		CAD	-1.93	7.05	5.22	5.22
MSCI Brazil		CAD	1.88	-2.51	-6.90	-6.90
MSCI India		CAD	6.93	10.34	17.35	17.35
MSCI Asia						
MSCI Asia ex Japan		CAD	4.22	7.99	12.86	12.86
MSCI Japan		CAD	1.65	1.78	21.46	21.46
MSCI Korea		CAD	8.24	1.16	7.63	7.63

Source: Morningstar as of June 30th, 2024

The Dividend Value model portfolio returned +1.0% for the second quarter and is +8.0% for the year-to-date (net of fees, based on our model portfolio). At the end of June, the rolling average returns for the portfolio are: 1-year +12.3%, 3-year +5.8%, and 5-year +6.3%.

A typical balanced portfolio with 40% bonds and 60% equity returned 2.0% in Q2 and is +5.1% for the year-to-date, according to Morningstar.

The Canadian markets lagged behind the U.S. markets (S&P 500, Nasdaq 100), and behind global (MSCI EAFE) markets. The U.S. markets remain the most profitable and continue to outperform.

The Canadian stocks within our portfolio were slightly negative in the second quarter, about level with the TSX (-0.5%). We saw weakness in banking as worries on real estate loss provisions and capital requirements continue to impact BMO and TD. The bright spot was Saputo, which you may recall we added in the 1st quarter, up nearly 16% for the quarter. We sold Brookfield Infrastructure and bought CP – now called Canadian Pacific Kansas City – this quarter and are up on the purchase so far. CP's merger with Kansas City creates the first single-line rail network connecting Canada, the United States, and Mexico, which we are excited about.

After a strong Q1 – up 11% - our U.S. stocks were more tepid this quarter – gaining about 1.5%. Some of our strongest performers last quarter, like Disney (up 36% Q1, down 19% Q2), were the biggest laggards. The U.S. economy remains the best house, but in an increasingly stressful neighbourhood, as the rest of the world begins to wrestle with lower growth. Our technology stocks (Apple, Alphabet, and Microsoft) were strong contributors at +23%, +20%, and +7% respectively. The U.S. dollar was a positive influence on overall performance this quarter by ~1%. This quarter, we added a small position in Pfizer, as valuations became extremely compelling, and we believe their oncology platform has tremendous growth going forward.

Our bond portfolio started the year at +2.2% and added another 1.0% this quarter. This was slightly ahead of the overall Canadian Bond Universe for the quarter, and strongly ahead at +3.2% vs -0.4% for the first six months. We saw continued strong outperformance from our preferred share mandate (NBC Pref Equity Income +12.3% Q1, +4.1% Q2), and good returns from our hedged fixed income fund, up 2%.

The market has continued its strength through the first half of 2024, though momentum is slowing. The U.S. economy remains the primary driver of returns, while Canada's growth continues to lag. Technology, particularly the mega-cap names, continue to lead the rest of the market. We remain cautious going forward. Inflation and interest rates are key focuses, with consumer sentiment going forward perhaps the most important x-factor. We have seen some worrying numbers recently coming from typical bellwethers in the space (Nike had its worst quarter in over a decade and is down 60% from its peak in 2021).

In summary, while we've had a solid first half of 2024, we remain vigilant about potential challenges in the second half of the year.

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 second quarter, five Dividend Value stocks increased their dividends, and there are fourteen for the year-to-date. No dividend cuts were announced this quarter for stocks in your portfolio.

Q2 Dividend Changes (Quarterly)			
Telus Corp.	Increased from $0.38 to $0.39	***Apple Inc.**	Increased from $0.24 to $0.25
***Pepsi**	Increased from $1.27 to $1.36	***Walt Disney**	Increased from $0.30 to $0.45
		***Nintendo ADR**	Increased from $0.09 to $0.14

*in USD

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	1.0%	12.3%	5.8%	6.3%	5.9%
Dividend Value Benchmark	-0.0%	9.6%	3.8%	5.7%	4.5%
S&P/TSX Composite Total Return	-0.5%	12.1%	6.0%	9.3%	6.9%
DJ Canada Select Value	-2.3%	8.0%	4.6%	6.0%	3.1%
iShares Canadian Dividend Aristocrats	-1.0%	9.0%	4.7%	8.2%	6.4%
FTSE-TMX Universe Bond	0.9%	3.7%	-1.8%	-0.1%	1.9%

The above performance data is current as of June 30th, 2024. 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:
Pfizer Inc.
Canadian Pacific Kansas City

The following securities were sold this quarter:
Brookfield Infrastructure

The following securities were topped-up this quarter:
TD Bank

The following securities were trimmed this quarter:
AbbVie Inc
JPMorgan Chase & Co

Sincerely, the Dividend Value Partners

Paul Siluch	Peter Mazzoni	Sharon Mitchell	Lincoln Jiang
Financial Advisor	Financial Advisor	Financial Advisor	Financial Advisor
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 authors 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
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.