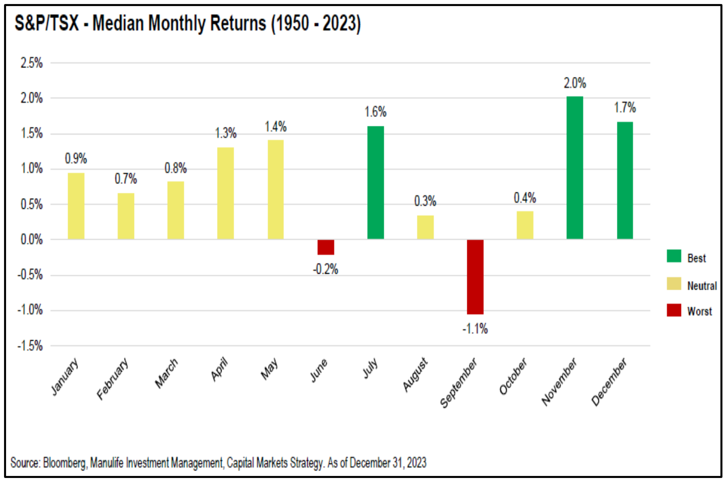
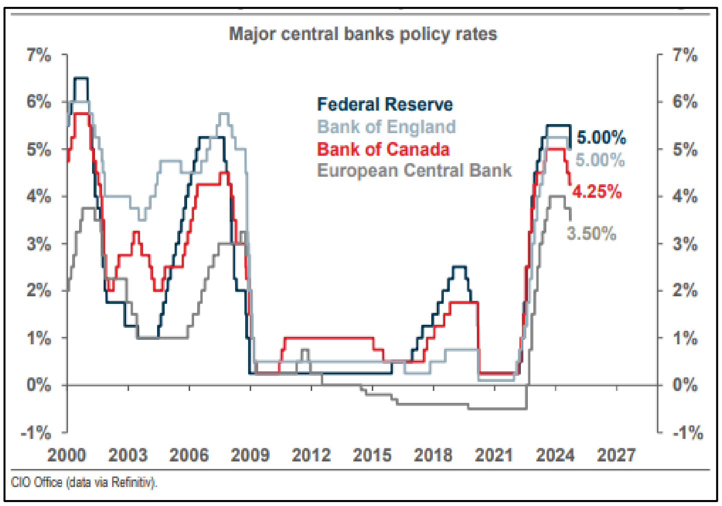
The Dividend Value Discipline™
3rd Quarter 2024

Quarterly Commentary

Bucking the Trend

The summer months tend to be a bit unsettled for the markets. We typically see lower trading volumes and below average returns. July can be a bright spot, while June and September are usually two of the worst months of the year. Fortunately for the markets and our Dividend Value portfolio they bucked the seasonal trend this year. The third quarter was surprisingly good and we now transition into the seasonally strongest months for the markets. The outlook for an economic soft-landing has been the main driver behind the improved outlook and performance. With falling inflation, central banks can continue to lower interest rates which is supportive for both the bond and equity markets.





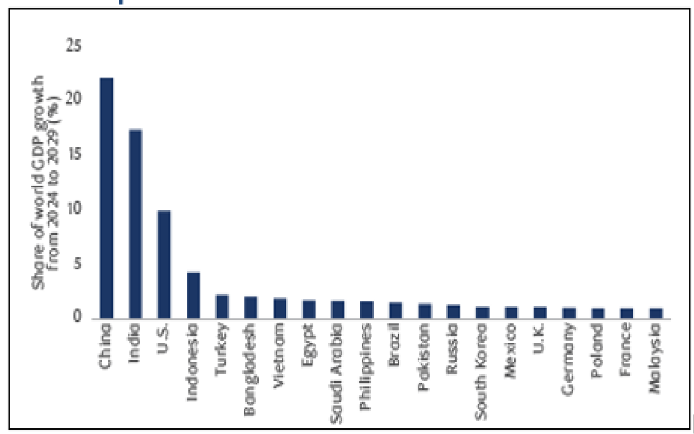
Well, It's About Time

In September the US Federal Reserve surprised the majority of economists with an oversized 50 basis point interest rate cut. This now aligns the US with most of the other major central banks that have already cut rates. This was the first cut since the post-pandemic phase of the US economy which saw inflation rise to levels not seen since the 1980's. With expectations of further cuts coming, this marks an end to the aggressive battle against inflation. Central banks now begin the process to normalize rates within their respective economies. For the US and Canada this is likely within the 2-3% range. This is welcome news for consumers who should see a few more dollars in their wallets as financing costs decline – just in time for the busiest retail season of the year.

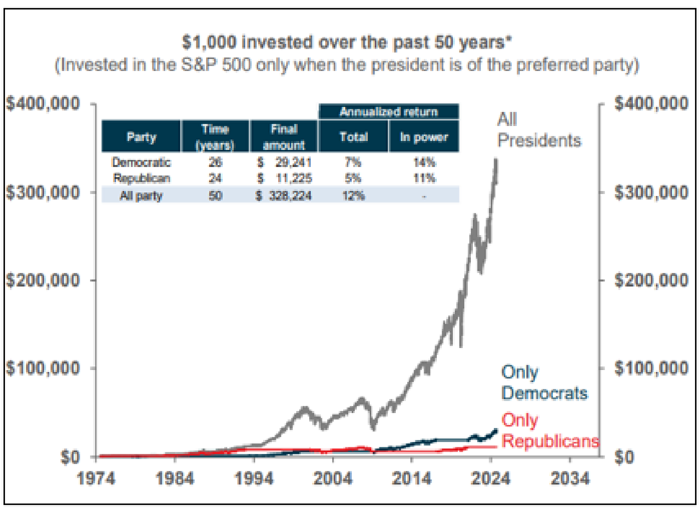
Stimulus Bazooka

China unleashed an unprecedented stimulus plan in late September. The move sent the Hang Seng index to its largest weekly gain since 1988, and the CSI300 index to its best week since November 2008. After nearly four years of moving from one crisis to another, the stimulus was focused on restoring confidence within the property and financial sectors. We do not hold any direct exposure to China, but when the world's second largest economy begins to aggressively stimulate one should take notice. China remains the top driver of world GDP growth, and the ripple effects for global companies and commodities could be meaningful. The stimulus effects will take time to work their way through the economy but it's clearly a step in the right direction.

China Top Driver of World Growth



Source: IMF World Economic Outlook, Apr 2024, Marcobond, RBC GAM. IMF forecast from 2024-2029.



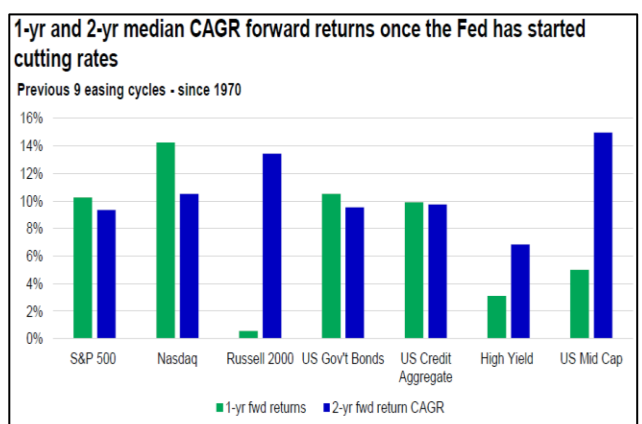
Source: COI Office (data via Refinitiv) as of Sept 2024, National Bank

It's Election Time

As we approach the next major US election in November, the fear and uncertainty of who will be in power begins to weigh on the minds of many. While there are differences between the agendas of each side, the US political system limits presidential power without congressional support. A divided government which necessitates political compromise is the most likely outcome. Over the past 50 years markets have been successful in continuing their upward trend regardless of the political party. An investor who stayed on the sidelines when a President was not of their political liking would find themselves severely behind an investor who simply stayed invested. Ultimately investors benefit from not letting politics interfere with their investments.

Don't Fight the Fed

There's an old market saying that's been a relatively effective guide to investment decision making over the years. "Don't fight the Fed," refers to the historical relationship between interest rates and overall asset prices. When interest rates are falling, borrowing costs are reduced which is stimulative for the economy. Looking at the previous nine easing cycles, once the Fed begins cutting rates, the following one-and-two year returns are all positive. This is true for large, mid, and small cap stocks along with government, corporate, and high yield bonds. With major economies around the world cutting rates, the forward looking returns for most assets classes looks favourable.



Source: Bloomberg, Manulife Investment Management, as of February 29, 2024. U.S. High Yield does not include the '74, '80, '81 and '84 rate-cut cycles. U.S. Mid Cap and Russell 2000 doesn't include the '74 rate-cut cycle. CAGR refers to compound annual growth rate

The Dividend Value Discipline Portfolio

The Dividend Value model portfolio returned +3.2% for the third quarter and is +11.5% for the year-to-date (net of fees, based on our model portfolio). At the end of September, the rolling average returns for the portfolio are: 1-year +16.9%, 3-year +6.7%, and 5-year +6.6%.

Compared to the peer balanced portfolio (Morningstar's Canadian Equity Balanced category), we lagged the benchmark which returned +6.7% in Q3, losing ground for the year after outperforming for the first half of the year. The benchmark return is ahead by half a percent, at +12.0% for the year-to-date. We didn't have many stocks that lost money, but owned less of the ones that did the best.

The Canadian markets outperformed the U.S. in the 3rd quarter, driven mostly by utilities, energy, and pipelines. Overall for the year, Canada still lags behind the U.S. (S&P 500, Nasdaq 100) and global (MSCI EAFE) markets. Our greatest contributors for the year remain south of the border, with Costco, Alphabet, and Apple leading the way.

The Canadian stocks within our portfolio were very strong during the quarter, up about 8%, though that trailed the TSX (+ 10.5%). Three companies – Canadian Apartment Property REIT (multi-family real estate), Definity (insurance), and TC Energy (utility & pipelines) all had 20%+ returns. We wish we owned more. Our biggest loser for the quarter was Nutrien (fertilizer), though it was down only 5%. Our belief is that Nutrien's competitive advantage in wholesale and retail fertilizer will bear fruit, despite the commodity slump.

After a strong first half – up 12% - our U.S. stocks were more tepid this quarter – gaining only 1%. With the benefit of foresight into October, many of our weakest stocks in the 3rd quarter have rebounded. The biggest detractor to performance – being the largest weight and weakest return – was Alphabet (Google). It was down nearly 9% for the quarter. Thankfully it is up so far in October, erasing those losses. Our best performers were Abbvie (pharma), Molson Coors (beer), and Apple (fruit – just kidding) with returns of 16%, 14% and 11% respectively.

Our bond portfolio started the year at +3.2% and added another 3.7% this quarter. This was slightly behind the overall Canadian Bond Universe for the quarter, and strongly ahead at +6.9% vs +4.4% for the first nine months. We saw continued strong outperformance from our preferred share mandate (NBC Pref Equity Income +12.3% Q1, +4.1% Q2, and +5.57% Q3), and good returns from our hedged fixed income fund, up 2%. We took the opportunity to trim some of the preferred shares, which were up 23% YTD.

Looking ahead, we maintain a balanced approach as markets navigate through multiple crosscurrents. The Fed's pivot to rate cuts has injected fresh optimism into markets. While the U.S. election will undoubtedly add some drama to 2024, we're sticking to our proven playbook. Maintaining exposure to quality companies with strong balance sheets and competitive advantages, while selectively taking advantage of opportunities in both equity and fixed income markets when valuations become attractive.

In summary, while we've had a strong double-digit return so far in 2024, we remain focused on businesses that can sustain their competitive position and dividend growth through various market cycles, given the uncertain economic outlook. While near-term volatility may persist, we believe our disciplined approach to investing in dividend-paying companies helps preserve and grow your capital.

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

Q3 Dividend Changes (Quarterly)			
Canadian Apartment REIT	Increased from $0.12 to $0.125 monthly	**Fortis, Inc.**	Increased from $0.59 to $0.615
Saputo Inc	Increased from $0.185 to $0.19	**Mullen Group**	Increased from $0.06 to $0.07 monthly
Bank of Montreal	Increased from $1.51 to $1.55	**TC-Energy**	Spin-off of South Bow (SOBO)
Microsoft*	Increased from $0.75 to $0.83	**JPMorgan Chase***	Increase from $1.15 to $1.25

*in USD

Quarterly Performance

Mandate	3-mos	1-yr	3-yr	5-yr	10-yr
Dividend Value Portfolio	3.2%	16.9%	6.7%	6.6%	6.2%
Dividend Value Benchmark	6.7%	20.3%	5.8%	6.8%	5.2%
S&P/TSX Composite Total Return	10.5%	26.7%	9.5%	10.9%	8.1%
DJ Canada Select Value	10.7%	21.5%	8.7%	7.7%	4.3%
iShares Canadian Dividend Aristocrats	15.4%	31.3%	9.3%	10.2%	7.9%
FTSE-TMX Universe Bond	4.7%	12.9%	-0.1%	0.6%	2.3%

The above performance data is current as of Sept 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:

The following securities were topped-up this quarter:
Pfizer (PFE)
Finning international (FTT-T)

The following securities were sold this quarter:

The following securities were trimmed this quarter:
Costco (COST)
Gibson Energy (GEI-T)
National Bank Preferred Equity Income fund

Sincerely, the Dividend Value Partners

Paul Siluch
Financial Advisor
Senior Portfolio Manager

Peter Mazzoni
Financial Advisor
Associate Portfolio Manager

Sharon Mitchell, CFP®
Financial Advisor
Portfolio Manager

Lincoln Jiang, CFA®
Financial Advisor
Associate Portfolio Manager

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.