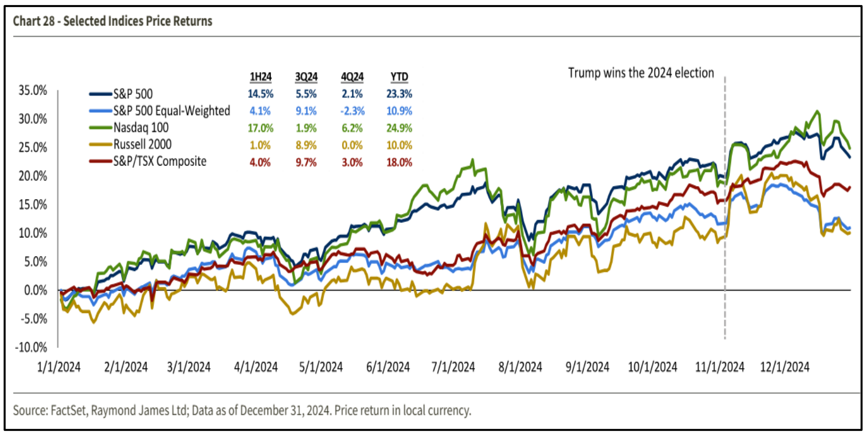
DIVIDEND VALUE PARTNERS | RAYMOND JAMES®

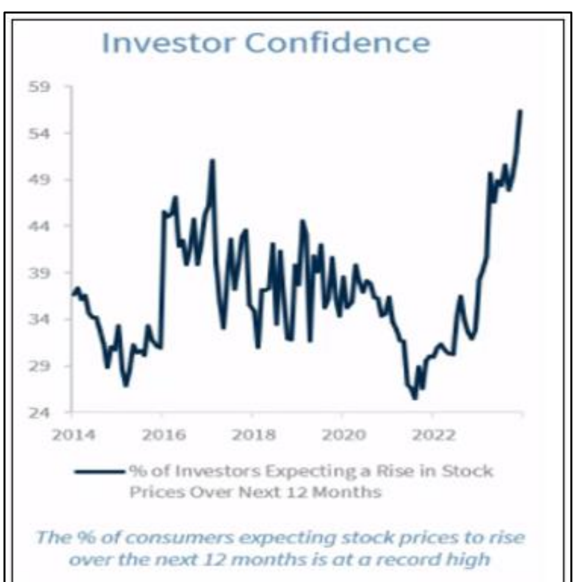
The Dividend Value Discipline™
4th Quarter 2024

Quarterly Commentary

Better than Expected



I think it's fair to say that the markets did much better than expected in 2024. At the beginning of the year economist/strategists were very cautious on the outlook with slim hopes of a soft-landing and a high probability of a recession on the way. Ongoing conflicts in the Middle East and Europe, uncertainty due to major elections, slowdown in China, sticky high inflation, and higher-for-longer interest rates were all talking points to suggest growth would be scarce. Thankfully the tepid growth expectations were exceeded in all but the first quarter, inflation eased, and interest rates declined across most developed markets. Consumer spending remained resilient throughout the year and business spending on artificial intelligence and data center infrastructure pushed much of the Nasdaq to new highs and pulled other parts of the market up along with it. All these factors led to much better investor optimism and returns for equities exceeded expectations while bonds edged out another positive year.

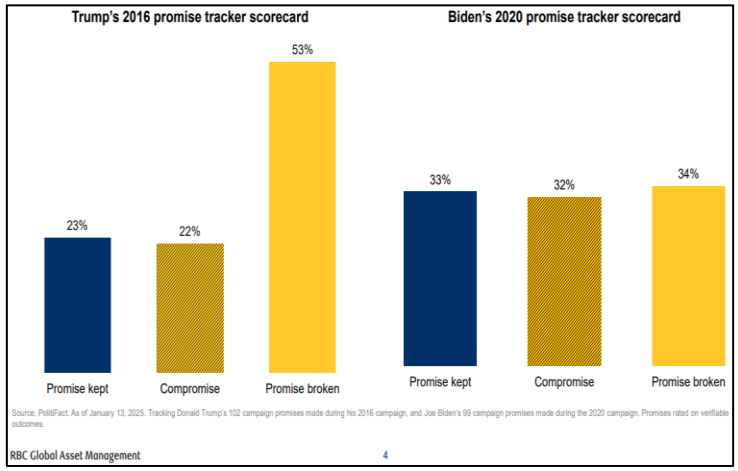


Source: FactSet – Raymond James Dec 31st, 2024

Over-Optimism

Sir John Templeton once said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." With the uncertainty of the US election now over, investor confidence in the US has soared. Small business confidence improved dramatically, CEOs are enthusiastic, and consumer confidence is on the upswing. From Templeton's perspective this would put the bull market in the "mature" stage. The picture isn't quite so rosy in Canada, but there are signs things are beginning to improve. Business confidence picked up towards the end of year and earnings growth for our markets is expected to be around 8-10%. A change in the political landscape in Canada may also help improve business sentiment. With a healthy dose of skepticism still remaining within our economy, perhaps Canada is still in the "growth" stage.

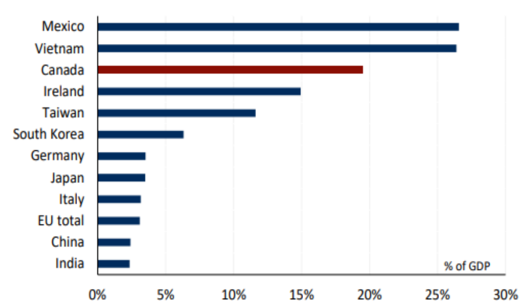
Politics and Promises



2024 was a year of political change around the world, but none more dramatic than in the U.S. It should be no surprise that much of what politicians say during campaigns is rarely achieved. There are many forces that get in the way, and ultimately a lot of compromise is needed. During his first term, Trump kept 23% of his pledges, while Biden was marginally better at 33%. Once in power, leaders also spend considerable time and effort undoing their predecessors' policies. So, whether you're hopeful or fearful about election promises, the likeliest outcome is that not much happens at all.

Tariffs and Trade

Chart 8 - Export Dependence on the U.S. as a Percentage of Each Country's GDP



Source: Statistics Canada, U.S. Census Bureau, Raymond James Ltd.; For the year ending December 31, 2023.

There's been a lot of talk about tariffs with the new Trump administration. The top 5 countries most reliant on trade with the US are Mexico, Vietnam, Canada, Ireland, and Taiwan. Canada is third overall with nearly 20% of our GDP dependent on the US. Historically, tariffs have not been good for growth. Total global trade, industrial production, and GDP growth have all slowed when there are trade tensions, tariffs, and restrictive policies. The longer tariffs last, the more detrimental the impacts are on overall growth. It's still too early to tell what the outcome will be, but if tariffs are levied we'd expect Canada will slow and additional monetary easing will be necessary to offset the impacts.

Themes for 2025

It's the time of year when many strategists compile their best picks and thoughts on the year ahead. Raymond James recently released their top ten themes for 2025. The overriding question is whether U.S. economic momentum can continue. After back-to-back strong years, the outlook now favors more moderate returns. Looking back at their 2024 predictions, the results were good with about 85% accuracy. To their credit they were more optimistic than most last year, and now they are more cautious than most to start 2025.

Top 10 Themes for 2025:

1. **Over-Optimism**: there's lots of good news priced into the markets - a signal for caution.
2. **US Economy**: believes the US economic expansion will continue throughout this year.
3. **Monetary Policy:** the Fed's dual mandates (stable prices, full employment) appear achievable.
4. **Fixed Income**: likely to see range-bound interest rates; demand for bonds remains healthy.
5. **US Equities**: expensive US valuations suggest positive but muted returns
6. **Sectors**: focus on the sectors with long-term positive trends (technology, healthcare, industrials).
7. **Mid-Cap Equities**: a sweet spot: stronger growth than small caps, better valuations than large caps.
8. **International Equities:** the US remains the strongest area globally.
9. **Risk Management:** choose higher quality within your bond and stock selections.
10. **Asset Allocation**: be diversified to mitigate risk in your portfolios.

The Dividend Value Discipline Portfolio

The Dividend Value model portfolio returned +3.4% for the fourth quarter and is +15.2% for 2024 (net of fees, based on our model portfolio). At the end of December, the rolling average returns for the portfolio are: 1-year +15.2%, 3-year +5.9%, and 5-year +6.6%.

A typical balanced portfolio (as measured by the Morningstar Canadian Equity Balanced category) returned 1.9% in Q4 and was +14.2% for the calendar year. We trailed slightly after 3 quarters, but caught up this quarter, primarily due to strong equity performance and finished ahead by 1.5% for the quarter and 1.0% for 2024.

A recurring theme this year (and for many years), the Canadian markets lagged behind the U.S. markets (S&P 500, Nasdaq 100). Canada did have a strong year, up 21%, and finished ahead of the broad international (MSCI EAFE – up 12%) markets. The U.S. market as a percentage of the world index is at its highest level in history (70% of the index), which is a testament to American corporate strength but also raises concerns about overconcentration.

The Canadian stocks within our portfolio were negative in the fourth quarter (about -1.5%), behind the TSX (+3.5%). A few of our top performers earlier in the year stumbled this quarter, with Canadian Apartment REIT, Finning, Saputo, and Telus posting negative results. This was somewhat mitigated by stronger performance from Bank of Montreal, Gibson, Definity, and TC Energy. Overall, it was a challenging quarter for some of our Canadian companies as there was some volatility following the US election and the announcement of potential tariffs.

US stocks also rebounded from a weaker Q3 (if you recall, Canadian stocks outperformed the US last quarter), mostly due to animal spirits (aka investor sentiment) and corporate enthusiasm following the election. The biggest detractor last quarter was Alphabet (Google), but it increased +21% to finish the year, and its large weighting meant it was the single largest positive contributor in the fourth quarter. Our other best performers were Disney (+23%), JP Morgan (+22%), and Visa (+22%), some of the bluest of blue-chip companies out there. These are in Canadian dollars and assisted from a US dollar tailwind.

Our fixed income portfolio was modestly positive this quarter (about +0.8%), and this was ahead of the overall Canadian Bond Universe for the quarter (-0.04%). A major source of this outperformance was currency related, as we held some of our cash in USD instead of Canadian bonds. Our US T-Bill position was up 7.6% for the quarter (or in other words, the Loonie weakened by about 7%). We saw continued strong outperformance from our preferred share mandate, which we trimmed last quarter (NBC Pref Equity Income +4.5% for Q4, +29% for the year), and good returns from our hedged fixed income fund, up 2% in Q4 and 8.5% for the year. In total, our fixed income was up about +7.8%, well ahead of the +4.4% for the benchmark.

Looking ahead, we maintain our disciplined approach as we enter 2025, building on a strong 15% return and benchmark outperformance in 2024. While the market's reaction to the U.S. election has been generally positive, we remain mindful of Sir John Templeton's wisdom about market cycles and the potential risks from proposed tariffs and trade policies. In this environment of elevated optimism and policy uncertainty, we continue to focus on businesses that can maintain their competitive positions and grow their dividends.

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, **ten** Dividend Value stocks increased their dividends, and there were **thirty-one** increases for 2024. No dividend cuts were announced this quarter for stocks in your portfolio.

Q4 Dividend Changes (Quarterly)			
Nutrien	Increased from $0.73 to $0.77	**TD Bank**	Increased from $1.02 to $1.05
Suncor Energy	Increased from $0.545 to $0.57	**Telus**	Increased from $0.39 to $0.40
***AbbVie**	Increased from $1.55 to $1.64	***Nintendo**	Increased from $0.09 to $0.14
***Merck**	Increased from $0.77 to $0.81	***Walt Disney**	Increased from $0.45 to $0.50
***Visa**	Increased from $0.52 to $0.57	***Pfizer**	Increased from $0.42 to $0.43

*in USD

Quarterly Performance

Mandate	**3-mos**	**1-yr**	**3-yr**	**5-yr**	**10-yr**
Dividend Value Portfolio	3.4%	15.2%	5.9%	6.6%	6.3%
Dividend Value Benchmark	1.9%	14.2%	4.7%	6.7%	5.4%
S&P/TSX Composite Total Return	3.8%	21.7%	8.6%	11.1%	8.6%
DJ Canada Select Value	2.4%	16.6%	6.6%	7.9%	4.9%
iShares Canadian Dividend Aristocrats	1.5%	20.9%	8.6%	9.5%	7.7%
FTSE-TMX Universe Bond	-0.0%	4.2%	-0.6%	0.8%	2.0%

The above performance data is current as of Dec 31st, 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 sold this quarter:
South Bow Corp (TC Energy Spin-off)

The following securities were topped-up this quarter:
Canadian Apartment REIT (CAR.UN-T)

The following securities were trimmed this quarter:

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.

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.