Partners | QUARTERLY PROFILE

2nd Quarter 2019

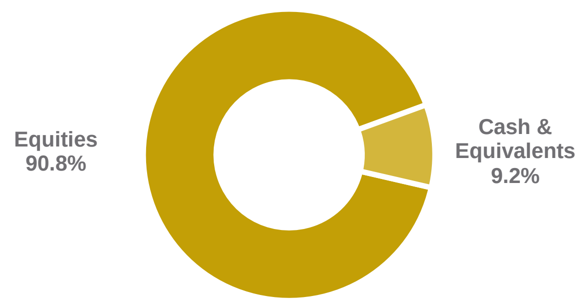
RAYMOND JAMES®

DIVIDEND PLUS+

PORTFOLIO OBJECTIVE

The objective of the portfolio is to provide equity investors with reliable and consistently growing dividend income with a secondary objective of capital appreciation. This is achieved by investing in a diversified portfolio of Canadian dividend paying stocks, REITs and income trusts.

ASSET ALLOCATION



MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
ENBRIDGE INC	6.55%
EMERA INC	5.86%
VERMILION ENERGY INC	5.33%
BROOKFIELD ASSET MGMT INC CL A	4.82%
BK OF NOVA SCOTIA	4.64%
INTERRENT REIT TR UT NEW	4.61%
RIOCAN REIT TR UT	4.30%
ROYAL BANK OF CDA	4.29%
ALLIED PPTYS REIT UN	4.21%
CDN PAC RLWY LTD	4.21%

2nd Quarter 2019	QTD	1YR	3YR	5YR	10YR
Raymond James Dividend Plus+*	**1.0%**	**3.2%**	**7.4%**	**7.9%**	**N/A**
S&P/TSX Dividend Aristocrats index	1.9%	7.1%	7.1%	4.7%	10.4%

*Return Data Source: Inception to present are RJ Partners Program composite, gross returns in C$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 100% S&P/TSX Dividend Aristocrats Index.

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PORTFOLIO REVIEW

While the first quarter saw a relentless advance in equity prices, the second quarter behaved more in line with history as the market experienced greater up and downside volatility. The source of this volatility was primarily a result of Trump escalating the trade war with China by raising the tariff rate to 25% on $200 bln worth of goods and threatening to place tariffs on the remaining $300 bln of Chinese exports to the US. Sentiment deteriorated further when Trump also threatened to slap a 5% tariff on all Mexican goods, placing the USMCA ratification at risk. Thankfully this threat was quickly reversed. On the commodity front, tensions in the Mideast helped oil prices recover after slipping 23% from the year's peak. The commodity came under pressure this quarter from rising US inventory levels and concerns surrounding the outlook for the global economy. However, the US's hardline on Iran, as well as news of Iran downing an unmanned US drone and allegedly bombing two oil tankers reversed the slide in oil prices. Unfortunately for the Canadian energy space the modest recovery in the commodity did little for share price performance within the embattled sector.

Greater economic uncertainty, with more evidence that the global economy is slowing, pushed global bond yields lower throughout the quarter. In fact, some US$11 trillion worth of bonds were trading with negative yields suggesting a certain amount of investor risk aversion. In the US, the market is now anticipating the US Federal Reserve will ease monetary conditions by implementing an "insurance" rate cut this year, a reversal from just 6 months ago when the market was anticipating a continuation in the tightening cycle.

Given the increased uncertainty, the portfolio remained defensively positioned by holding an overweight cash position and overweights in more defensive areas of the market. The primary source of underperformance was stock selection within cyclical sectors, particularly energy, which the portfolio relies on for income. During the quarter, the best performing positions included:

Canadian Pacific Railway Limited (CP-CA) was the best performing position in the portfolio advancing 12.3% during the quarter despite reporting Q1/19 EPS results that missed consensus. With cold weather being the main culprit for the below-consensus results, we looked past the miss and focused on management's positive guidance for the remainder of 2019. Management pointed to an operating ratio below 60% in Q2/19 and the rest of the year (compared to 69.3% in Q1), an impressive sequential recovery and one that the market rewarded with a higher share price during the quarter. The stock also treaded higher in Q2 in spite of downgrades by analysts on the Street on the back of current valuation levels and a more cautious macro outlook.

Franco-Nevada Corporation (FNV-CA) advanced 11.3% during Q2/19 with most of the gains attributed to the month of June. The precious metals royalty company surged 6.5% during the last month of the quarter on the back of gold bullion rising 8.3% as investor demand for the yellow metal resulted in its biggest one-month gain in three years. The commodity, up 9.3% in Q2, was largely driven by increased expectations for a US Fed rate cut. Sell-side expects double-digit EPS and sales growth for 2019 and 2020, trading below its five-year historical average forward PE valuation.

Emera Incorporated (EMA-CA) gained 8.3% in Q2 on the back of solid Q1/19 results in May with the diversified utility reporting adjusted EPS of $0.95 versus FactSet estimates of $0.84. Our focus during the quarter was on the company's $6.5 bln capital plan, which is expected to drive ~6% annual rate base growth going forward, especially on EMA's ability to fund its plan through cost-effective and non-dilutive measures, including asset sales. In March, the utility announced the sale of its Maine utility and New England Gas Generation facility, eliminating the need for discrete common equity offering to fund its capital plan.

Algonquin Power & Utilities Corp. (AQN-CA) gained 6.8% in Q2, despite reporting quarterly results that missed consensus on both top and bottom lines. Investors largely looked past the results in favour of the company's organic growth trajectory, which is supporting 10% dividend growth. We expect the company to deliver double digit EPS growth next year along with high single digit sales growth despite the stock currently trading below its historical average forward PE valuation.

Transactions

April & May
No Trade

June
Trimmed Suncor Energy (SU-T); added to Open Text (OTEX-T) and Park Lawn (PLC-T).

OUTLOOK

The global economy has clearly entered a slowdown, to which policy makers have responded by easing monetary conditions (more on this later). The level of global PMIs slipped below 50 last quarter with the breadth of the slowdown widespread. A reading below 50 indicates a contraction in manufacturing activity and, while the US PMI remained above 50, is not an island upon itself. Over the past 6 months, economic activity has clearly slowed. While we believe the source of the slowdown is rooted in central banks tightening monetary conditions over the past few years, uncertainty surrounding global trade has also contributed to the deceleration and lack of business investment. On the positive side, there are indications the current slowdown will be modest and temporary. First, financial conditions remain loose, allowing continued access to credit for corporations and consumers. One of the factors that can curb an expansion is the drying up of credit, which we are not currently seeing. Second, employment conditions remain robust as the US economy added an average of 172,000 non-farm jobs over the past 6 months. Wage growth has also moderated to 3.1% yoy from a 3.4% peak this year, but nonetheless pointing to a relatively healthy labour market.

The Canadian economy has been on a bit of a hot streak of late. GDP is on track to grow by 2.8% annualized in the second quarter, more than double the BoC's April forecast of 1.3%. The Canadian housing market, which has been an area of concern for the BoC, is showing signs of stabilizing buoyed by strong new home sales in Toronto. A drop in mortgage rates has also encouraged a modest pickup in lending growth. In May, consumer prices data hit an annual rate of 2.4% and the core measure achieved its highest level since 2012. However, the growth outlook is anticipated to moderate in H2/19. Manufacturing data in Canada is closely mirroring the deterioration we are seeing across the globe (Markit's Canada manufacturing June PMI rose only marginally m-o-m to 49.2). Survey data suggests inflation will soften in the coming months and structural issues in the energy patch continue to dampen business investment. During the BoC's most recent policy meeting, the Bank adopted a more cautious tone citing concerns about global growth prospects, noting that "trade conflicts…are curbing manufacturing activity and business investment and pushing down commodity prices." While odds of a BoC rate cut this year have declined, Poloz's concerns closely echoes the message from Fed Chair Jerome Powell's semi-annual testimony to the US Congress.

Nonetheless, the Canadian market managed to print a fresh new high in Q2, although it quickly gave back the high water mark and has struggled to break higher over the past few weeks. One factor holding back the broader index is the continued overhang on the energy sector. Unfortunately, the passage of the highly anticipated Trans Mountain expansion project did little for the Canadian energy sector, perhaps due to the approval of both Bill C-48 (to restrict oil tanker movement along BC's northern coast) and Bill C-69 (to change how major infrastructure projects are reviewed and approved) which raise more questions for the beleaguered industry.

We anticipate market volatility to remain heightened throughout H2/19 as headlines on US/China relations, Fed policy, the concerns surrounding the global growth outlook, geopolitical events including US/Iran, the debt ceiling, 2020 election rhetoric and Brexit could provide plenty of reasons for the markets to swing wildly. We are also in the 3rd year of the Presidential cycle which, if markets follows the typical pattern, would indicate a strong H1 and weak-to-moderate H2.

Given the number of headline risks in the market, we anticipate additional bouts of volatility, but barring a more significant deterioration in economic data markets should continue to climb the wall of worry. Further, the notable shift in central bank positioning with global monetary conditions now easing, we anticipate global economic growth will find a firmer footing in the coming quarters.