

Economic data softer as U.S. Federal Reserve leans towards rate cuts

WATCHING

Growth

- Slowing global economic growth with the risk of a recession
- In Canada, the outlook for GDP growth is expected to slow to 1.4% in 2019 from 1.8% in 2018
- Momentum in the U.S. also expected to moderate, with GDP growth for 2019 projected at 2.5% from 2.9% in 2018

Inflation

- North American inflation remains well contained, with Canadian CPI expected to come in at 1.9% in 2019 and U.S. CPI forecast to be 1.8% for 2019

Interest Rates

- 10-year bond yields in Germany and Japan have turned negative, raising concerns of global growth

- Ten-year rates in Canada and the U.S. continued to decline during the quarter
- The U.S. yield curve remains inverted, making the yield on the 3-month treasury bill higher than the yield on a 10-year government bond. This is unusual and draws more attention to the risk of a recession in the U.S.

Markets

- Total return for the S&P/TSX Composite Index in Q2 was 2.6%. The S&P 500 Index returned 4.3% in US\$ and 2.2% in CDN\$
- Declining bond yields in Canada produced a quarterly return of 2.5% for the Broad Composite Bond Index

Sectors

Canada

- Best Performing
- Information Technology +14.3%
 - Utilities +5.4%
- Worst Performing
- Health Care -9.3%
 - Energy -2.9%

U.S.

- Best Performing
- Financials +8.0%
 - Materials +6.3%
- Worst Performing
- Energy -2.8%
 - Health Care +1.4%

source: Bloomberg, as at June 30, 2019

THINKING

Growth

- While economic growth will moderate in 2019, it's too early to call for a recession
- Economic data came in softer in Q2 versus the start of the year

Inflation

- The inflation rate remains stable and on target, which allows central banks to remain flexible on monetary policy

Interest Rates

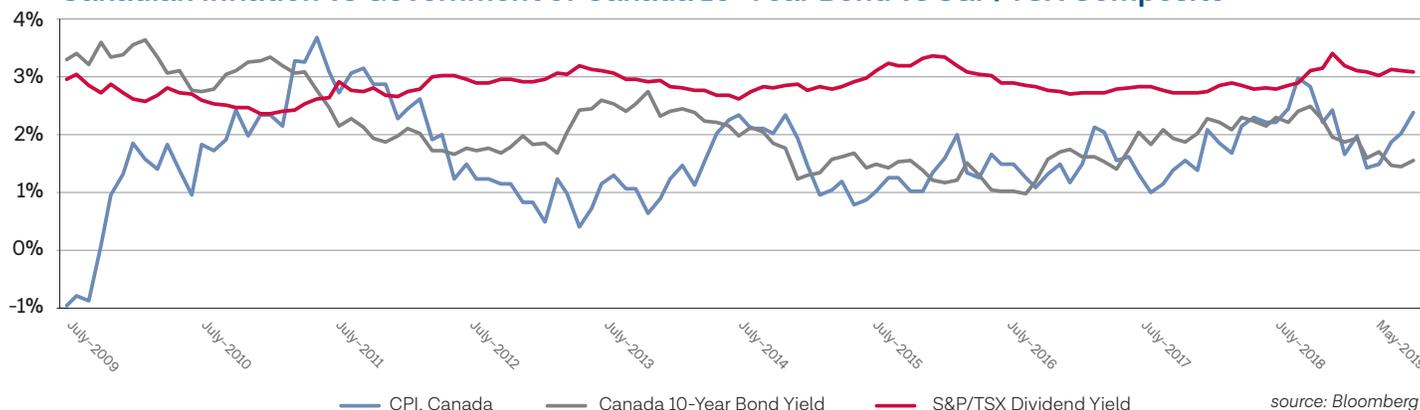
- The U.S. Federal Reserve indicated that the case for cutting rates has increased as the global economy has slowed

Markets

- After a strong rally in the first half of the year, equity markets will require stable to good data points on the economy and solid earnings reports from companies for the rally to continue

- Resolution to the China-U.S. trade war has been largely discounted by equity markets, although we still wait for a deal
- Price competition has erupted within the communications sector in Canada. Rogers has offered unlimited data plans. Bell and Telus have followed suit. This is a short to medium-term negative

Canadian Inflation vs Government of Canada 10-Year Bond vs S&P/TSX Composite



Strong dividend growth continues — over **57%** of the companies increased dividends by a weighted average of **5.1%**

DOING

Strategy

- We have adjusted the weights of several stocks in the Canadian Dividend and Income Stability portfolios to better reflect stock-specific risk

Fixed Income

JOV Leon Frazer Bond Fund

- Emphasis remains on governments and quality rated corporates
- To reduce volatility, the duration (interest rate sensitivity) remains shorter than that of the benchmark

JOV Leon Frazer Preferred Fund

- Continue to have a balance of rate resets and fixed rate perpetuals to mitigate volatility in interest rates

Equities

- We expect to add a couple of new names to the Canadian Dividend and Income Stability portfolios in the coming quarter

2019 Dividend Performance Summary

Canadian Dividend Portfolio

Number of companies in the equity portfolio	28
Number of companies that declared an increased dividend	16
% of companies that declared an increased dividend	57.1%
Weighted average of dividend increases	5.1%
Consumer Price Index Increase (YoY*)	2.4%
Equity portfolio dividend yield**	4.2%
S&P/TSX dividend yield	2.9%

Income Stability Portfolio

Number of companies in the equity portfolio	25
Number of companies that declared an increased dividend	17
% of companies that declared an increased dividend	68.0%
Weighted average of dividend increases	5.3%
Consumer Price Index Increase (YoY*)	2.4%
Equity portfolio dividend yield***	3.9%
S&P/TSX dividend yield	2.9%

Top 5 Dividend Growers

Gildan Activewear	19.1%
Canadian National Railway	18.1%
Suncor Energy	16.7%
Canadian National Resources	11.9%
Toronto Dominion Bank	10.4%

Top 5 Dividend Yielders

Vermilion Energy	9.8%
Freehold Royalties	7.5%
Russel Metals	6.9%
Enbridge	6.3%
Canadian Imperial Bank of Commerce	5.5%

* Estimate

** The dividend yield is based on the Leon Frazer Canadian Dividend Fund using the target weight for cash

*** The dividend yield is based on the Leon Frazer Income Stability Fund using the target weight for cash

source: Leon Frazer & Associates, June 30, 2019



A Closer Look: Agnico Eagle Mines Limited



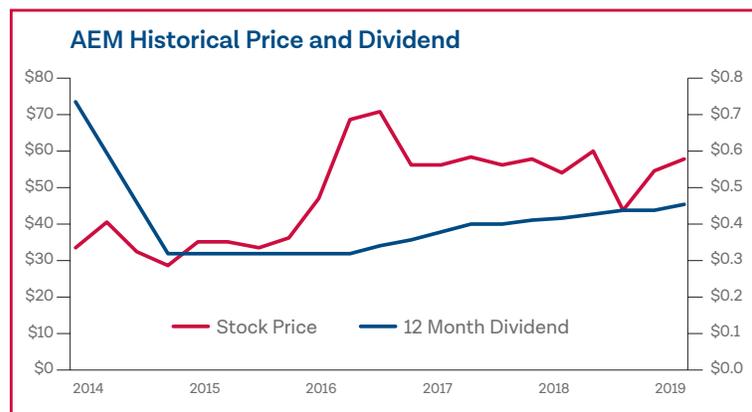
AGNICO EAGLE

Introduction

- Agnico Eagle, a senior Canadian gold mining company, has produced precious metals since 1957
- Its mines are located in Canada, Finland and Mexico, with exploration activities in each of these countries, as well as in the United States and Sweden
- They currently produce 1.75 million ounces of gold, and 5 million ounces of silver annually
- The company and its shareholders have full exposure to gold prices due to its long-standing policy of no forward gold sales
- Their business strategy is to consistently increase gold production, ultimately growing operating free cash flow and allowing them to grow their dividend
- An important element of their strategy is to operate in low political risk, mining-friendly jurisdictions
- They are very mindful of operating in a socially responsible manner. From an investor's point of view, this greatly reduces headline risk with respect to both health and safety, as well as environmental concerns
- Agnico Eagle has declared a cash dividend every year since 1983

Growth

- Production is expected to increase from 1.75 million ounces currently to 2.05 million ounces by 2021
- All-in sustaining cost* per ounce is estimated to decrease from \$877 in 2018 to \$865 by 2020
- Production increases are the result of expansions of existing resources and not M&A activity, with project approvals extending to 2023
- Senior management is committed to continue growing the dividend through 2020



source: Bloomberg

Agnico Eagle Fact Sheet:

Trading Symbol:	AEM
Market Cap (Mil):	\$14,504
Dividend Yield:	1.0%
Dividend Growth YoY:	12.8%
Sector:	Materials

Strengths

- Capital spending is expected to decline significantly as the company moves to reap the harvest of recent investments, such as their large expansion in Nunavut
- The increased free cash flow through 2019 will be used to repay debt and increase the dividend
- Their long-term project pipeline will allow them to continue executing with steadily increasing annual, non-M&A driven production
- The management team has a consistent record of exceeding annual gold production forecasts for the past 7 years
- Agnico Eagle is actively pursuing ESG (Environmental, Social, Governance)
- In keeping with this, the company produces and reports data on GHG emissions, water usage, worker health and safety, and community involvement. They won 6 of the 8 sustainable mining awards given by the Mining Association of Canada in 2018

*All-in sustaining cost includes all production costs, as well as estimated remediation, exploration and capex costs related to sustaining production

source: Bloomberg, Agnico Eagle Mines



source: Agnico Eagle Mines, June 2019

Message from the Vice President & Senior Portfolio Manager

It gives me great pleasure to be writing to you as the Senior Portfolio Manager for Leon Frazer & Associates. I'm honoured to be at the helm of a process whose dividend investment philosophy has effectively served the needs of its clients since 1939, and I look forward to continuing this traditional approach to wealth management.

Your financial success is more than just an accumulation of assets. It represents a lifetime of effort and accomplishments. As such, I consider it a privilege to be entrusted with the task of working for you to help ensure your financial well-being.

As the Canadian Dividend Fund Manager for Industrial Alliance Investment Management, I have spent my previous 16 years successfully managing portfolios in this space. I am no stranger to selecting quality stocks which consistently pay and grow their dividends.

My approach is rooted in stock selection, using a discounted cash flow methodology. Not only is it important to identify companies that are well managed and will increase their dividends, it is equally important

to determine the appropriate risk to take with each. This discipline of managing risk within the portfolio is something that I believe is important to the success of our clients, and is in the best tradition of the Leon Frazer philosophy.

In the 80 years since its inception, I am but the fourth Senior Portfolio Manager at Leon Frazer. This kind of stability speaks as much to the nature of the Leon Frazer client, as it does to the Leon Frazer approach. I greatly look forward to working for you as we continue building on this incredible record of Canadian investment success.

If you have any questions or concerns, please feel free to contact me at 416-585-5740, or at glamothe@leonfrazer.com

Sincerely,

Gil Lamothe, CFA

Vice President & Senior Portfolio Manager

Leon Frazer & Associates

Paying it Forward: Making a Difference, One Child at a Time

The Gobi Gallop, the world's longest annual charity horseback ride, is a 10-day, 700 kilometer horseback trek across Mongolia, with views of some of the most stunning scenery on the planet. Participants from around the world come together to ride and raise money for the Children of the Peak Sanctuary, a kindergarten located in the Ger district of Mongolia's capital city, Ulaanbaatar.

LIFE IN MONGOLIA'S GER DISTRICT

Gers, traditional Mongolian nomadic felt tents, are home to a significant part of the Mongolian population. Nearly 800,000 people live in Ulaanbaatar's Ger district alone. The poor living conditions these people face are concerning. Though they lack access to drinking water, proper sewage or internal heating, many are reluctant to leave behind their unique, millennia-old way of living. To support themselves, ger dwellers scavenge in nearby massive garbage dumps. The whole family participates, including children, as a means of survival.

The Gobi Gallop supports the Children of the Peak Sanctuary, an initiative of the Veloo Foundation, as a full fifty percent of each rider's entrance fee goes directly to help the three-to-five-year-old children

who attend this kindergarten. These children would otherwise be home alone, often in a ger without food or heat, or with their parents, scavenging in a nearby garbage dump.

Leon Frazer client, Sandra Coombe, was looking for an adventure when she discovered the Gobi Gallop. Sandra has been riding horses for decades, so it was the perfect fit of an incredible journey and a chance to make a difference. Only 10 riders are chosen to take part in the annual event, making it a very competitive selection process. Says Sandra, "One of my values in life is to give back, and I thought, here, I get to do something that I love and give back to the global community while doing it."

WANT TO HELP?

Though this epic challenge might not be for you, it's still possible to contribute. To learn more about the Gobi Gallop and the good work being done by the Veloo Foundation, a registered Canadian and U.S. charity, go to www.veloofoundation.com. To help Sandra surpass her sponsorship goals, visit her fundraising page at:

www.veloofoundation.com/sandras-gg-fundraising-page.html

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