

Recovery supported by stable economic data and dovish central banks

WATCHING

Growth

- Slowing global economic growth with the risk of a recession
- In Canada, the outlook for GDP growth is expected to slow to 1.5% 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 1.7% in 2019 and U.S. CPI forecast to be 1.9% 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. also declined meaningfully during the quarter
- The U.S. yield curve 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 Q1 was 13.3%, recapturing all the losses of 2018. The S&P 500 Index returned 13.6% in US\$ and 11.2% in CDN\$
- The S&P 500 also made a strong recovery from the widespread decline witnessed last quarter
- Declining bond yields in Canada produced a quarterly return of 3.9% for the Universe Bond Index

Sectors

Canada

Best Performing

- Information Technology +20.2%
- Pipelines +19.7%

Worst Performing

- Materials +8.5%
- Consumer Discretionary +9.8%

U.S.

Best Performing

- Information Technology +19.9%
- Real Estate +17.5%

Worst Performing

- Health Care +6.6%
- Financials +8.6%

source: Bloomberg, as at March 31, 2019

THINKING

Growth

- While economic growth will moderate in 2019, it's too early to call for a recession
- Economic data and management commentary suggests a recession is not imminent

Inflation

- Unless the inflation rate picks up significantly, the U.S. Federal Reserve has given indications that rates will be on hold for the rest of 2019

Interest Rates

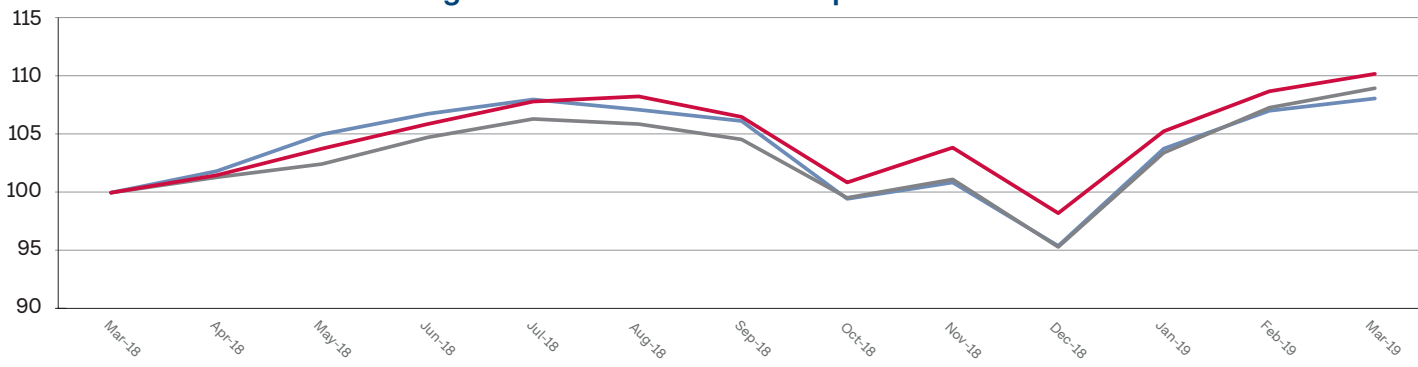
- Both the Bank of Canada and the U.S. Federal Reserve are expected to be patient with rate hikes due to slower growth expectations and a benign inflation environment

Markets

- After a strong rally in Q1, 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
- If growth in China has stabilized and shows signs of improvement from government stimulus, this will serve as a catalyst for stocks in 2019

S&P/TSX TR vs S&P/TSX High Dividend TR vs LFA Composite TR



source: Bloomberg

Strong dividend growth continues — over 44% of the companies increased dividends by a weighted average of 4.1%

DOING

Strategy

- Focus on risk management in the portfolios and finding good quality businesses with sound balance sheets and attractive dividend characteristics

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

- Positions that have performed well may be trimmed in order to reduce exposure and to provide cash to purchase new positions
- We have identified several stocks which we wish to have exposure to. New positions will increase both stock and sector diversification, leading to reduced volatility

2019 Dividend Performance Summary

Canadian Dividend Portfolio

Number of companies in the equity portfolio	27
Number of companies that declared an increased dividend	12
% of companies that declared an increased dividend	44.4%
Weighted average of dividend increases	4.1%
Consumer Price Index increase (YoY*)	1.5%
Equity portfolio dividend yield**	4.2%
S&P/TSX dividend yield	2.9%

Income Stability Portfolio

Number of companies in the equity portfolio	24
Number of companies that declared an increased dividend	11
% of companies that declared an increased dividend	45.8%
Weighted average of dividend increases	3.9%
Consumer Price Index increase (YoY*)	1.5%
Equity portfolio dividend yield***	3.7%
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	8.3%
Freehold Royalties	7.5%
Russel Metals	6.5%
Enbridge	6.1%
BCE	5.4%

* Statistics Canada, as at February 28, 2019

** 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

A Closer Look: Canadian Tire Corporation



Canadian Tire Fact Sheet:

Trading Symbol:	CTC.A
Market Cap (Mil):	\$9,452
Dividend Yield:	2.9%
Dividend Growth YoY:	15.3%
Sector:	Consumer Discretionary

Introduction

- Canadian Tire is a family of businesses that includes a retail segment, a financial services division and CT Real Estate Investment Trust
- Founded in 1922, Canadian Tire has been operating as one of Canada's most recognized and trusted brands for over 95 years
- Operates ~1,700 retail and gasoline outlets across Canada and around the world
- Retail banners include PartSource, SportChek, Mark's, Atmosphere, Sports Experts and Hockey Life

Strengths

- One of the most iconic brands in Canada, with a store network that serves over 90% of Canada's population
- More than 80% of the population shops at Canadian Tire stores every year, with the vast majority of Canadians located 15 minutes from a Canadian Tire store
- Loyalty program, Triangle Rewards, has over 11 million members and 2.1 million active cardholders
- Portfolio of owned brands (Motomaster, Mastercraft Woods, CANVAS, PADERNO, NOMA, Helly Hansen) provide competitive advantage and platform for growth
- Superior real estate locations and national store network
- Strong balance sheet and credit rating
- Prudent capital allocation framework that has delivered consistent annual dividend growth for over 30 years
- Network of dealer-owned stores enables focus on local community and needs

Future Growth Opportunities

- Grow new product pipeline through owned and national brands
- Helly Hansen acquisition opens opportunity for international footprint and strengthens the company's ability to distribute current and future owned brands
- Focus on eCommerce opportunity and drive customer traffic and develop customer connections through Triangle Rewards data insights

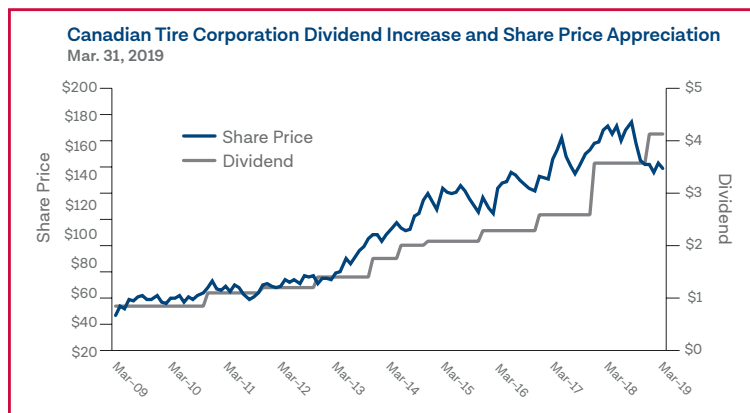
Core Business is Retail

	2018 Revenue
Retail	\$12.8B
Canadian Tire	\$7.2B
Petroleum	\$2.0B
FGL Sports	\$2.0B
Mark's	\$1.2B
Helly Hansen	\$0.3B
Financial Services	\$1.3B
CT REIT	\$0.5B

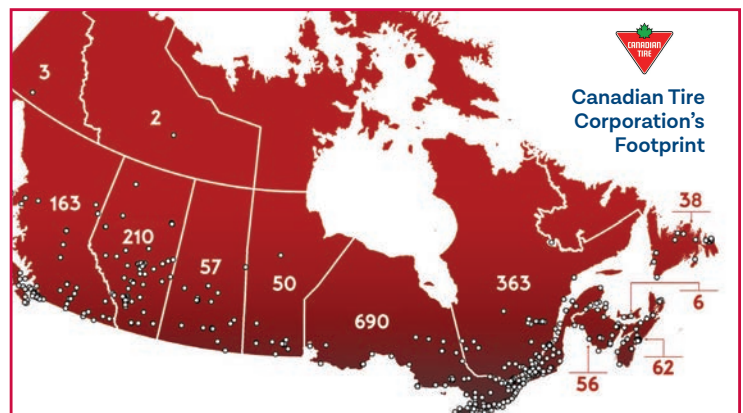
5-Year Annualized Financial Metrics

Revenue growth	3.6%
EBITDA growth	6.6%
EPS growth	9.0%
Dividend per share growth	20.2%

source: Bloomberg, December 31, 2018



source: Bloomberg



source: www.corp.canadiantire.ca, December 2018

Message from the CEO

We are pleased to share some exciting news about Leon Frazer & Associates. Last June, Douglas Kee announced his plans to retire this spring. As Managing Director and Chief Investment Officer, Doug has been a key member of the Leon Frazer investment team, responsible for overseeing the day-to-day investment management and trading functions of the firm. In anticipation of Doug's retirement, we have been building our internal talent pool to provide a seamless transition to you, our valued clients.

Leon Frazer continues to adhere to the same investment principles, values and philosophy first instilled when our doors opened in 1939. Our mantra is simple: protect your money, then grow it. In his tenure, Doug and the investment management team have followed the same tried and true investment process in managing the Leon Frazer Canadian Dividend Mandates. That process will stay intact as Doug passes on the reins to our new Vice President & Senior Portfolio Manager, Gilbert Lamothe.

Gil joins us from Industrial Alliance Investment Management, where he was responsible for the management of \$2.7 billion in assets, primarily in dividend-focused mandates. Gil brings 30 years of investment experience, with a dividend growth strategy that closely mirrors the Leon Frazer investment style.

We would like to also take this opportunity to introduce two other key members of the investment management team. With 25 years of industry experience, our incoming Chief Investment Officer, Lih Wang, will lead the team and oversee all investment activities, including portfolio construction, asset allocation and strategic partnerships. Associate Portfolio Manager, Scott Cuthbert, brings 15 years of investment experience to the team, including working closely with Doug on our dividend mandates.

Delivering value to our clients remains the primary objective of the firm. We pride ourselves on providing independent investment expertise and we are proud to have been able to offer counsel to many generations of clients and look forward to continuing this tradition.

Paying it Forward: Live Different – Making a Positive Difference

Live Different, a registered Canadian charity, is passionate about making a difference in the world. The organization is committed to inspiring people to embrace hope and change. Through motivational presentations in Canada and humanitarian volunteer opportunities in the Dominican Republic, Mexico, Haiti and Thailand, the charity aims to make the world a safer, better and more hopeful place for those in greatest need.

Live Different's development model combines sustainable community development practices with integrated volunteering. Their build projects focus on mutual empowerment, with volunteers working alongside community members to fulfill basic human needs.

Being Part of the Change

Valerie Pippy, Senior Vice President and Financial Consultant at our sister company, T.E. Wealth, can personally attest to the impact Live Different has made on her. Through Val's efforts, lives in Canada, Haiti and the Dominican Republic have been significantly changed.

Val was first introduced to Live Different when she spent 10 days in the Dominican Republic as part of a T.E. Wealth-sponsored Project Build. Upon returning home, Val was motivated to do more and began organizing a build for her family and friends to experience together. Val's first Memorial Build provided two families in the Dominican Republic with quality housing and over 300 school children in Haiti with a nutritious meal each week for the entire school year.

This spring, Val organized yet another build, organizing a crew of 30 members, including two of her clients. She is already making plans for her return next year, with the goal of building three homes.



Getting Involved

You, too, can play a role in bringing change to the lives of families and communities. Making a meaningful and lasting difference in the lives of others often simply begins with saying "yes." Visit www.livedifferent.com to find out how you can be part of that change.

Staying Connected

Our Offices: Toronto
Calgary
Vancouver

Call us toll-free at 1-800-418-7518
E-mail us at info@leonfrazer.com
Visit us at www.leonfrazer.com

 Like us on
facebook.com/leonfrazerandassociates
 Follow us on LinkedIn

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