Points in Time

Q2 2018

MARKETS FAIRLY VALUED. Rising rates and trade war looming threats

WATCHING

Growth
- Consensus global growth remains at 3.0% - 3.5% for 2018 and extends into 2019
- First quarter Canadian GDP rose 1.3%, less than the 1.9% expected
- US GDP grew by 2.0% in Q1
- Europe peaked in late 2017 at 2.5% and has been trending down
- Growth in China remains in the 6.5% area

Inflation
- North American inflation is around 2.0%, but there is upside risk from wage growth and higher energy prices

Interest Rates
- Year-to-date, Canadian short rates up by 0.25% and US short rates up by 0.25% twice
- Interest rate difference, or spread, between the 2-year and 10-year US Treasury bonds narrowed from 50 to 30 basis points in Q1

Markets
- North American equity markets were range bound in the second quarter
- Market volatility appears to be linked to the ups and downs of the trade discussions
- Q2 total return of the S&P/TSX Composite Index was 6.8%; the S&P 500 Index returned 3.4% in US$ and 5.4% in CDN$ terms
- Bond markets were essentially flat at 0.5%

Sectors

Canada

Best Performing
- Energy +15.8%
- Health Care +14.3%

Worst Performing
- Utilities -0.4%
- Telecom Services +1.9%

U.S.

Best Performing
- Energy +12.7%
- Consumer Discretionary +7.8%

Worst Performing
- Industrials -3.7%
- Financials -3.6%

THINKING

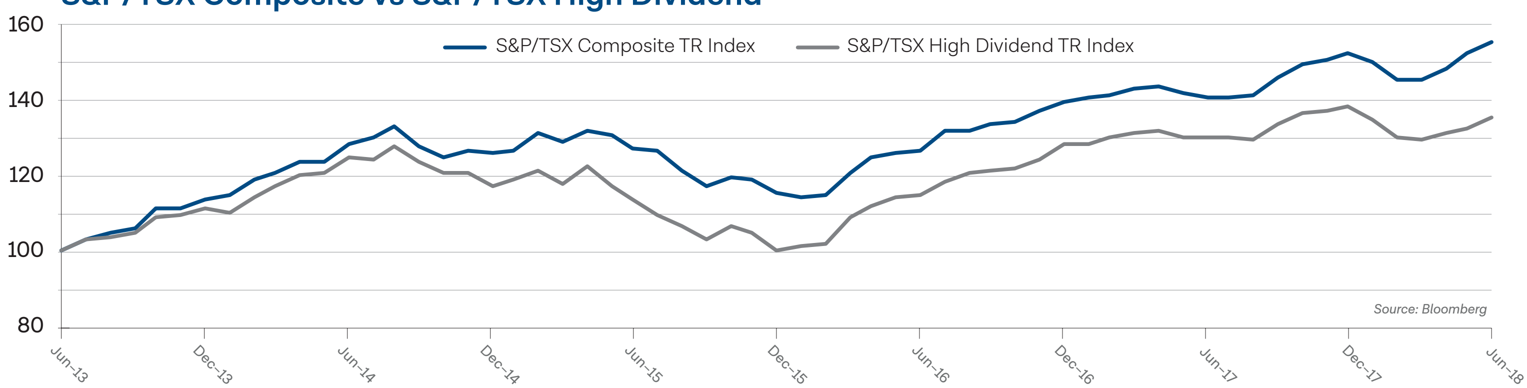
Growth
- The Canadian economic outlook is challenged given more restrictive mortgage lending rules, an extended consumer, flat export growth and an absence of growth in capital investment
- The to and fro of the Trump administration on trade policy, tariffs, duties, etc. is impacting global growth expectations

Inflation
- Barring an outright trade war with increased tariffs and duties, a significant rise is not anticipated

Interest Rates
- A dilemma for both central banks is the requirement for rates to move higher in order to have room to cut rates in a recession
- Bank of Canada is positioned for an additional 0.25% rate increase in 2018
- Expect US interest rates to increase two additional times

Markets
- Our thinking is consistent with last quarter
- Price earnings valuations peaked mid first quarter and have since trended down
- We continue to monitor recession flags:
  - Monetary conditions
  - Consumer spending/debt levels
  - Corporate earnings/debt levels

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



Leon Frazer & Associates
INVESTMENT COUNSEL

experience counts...
managing private clients' money for over 75 years

Dividend Growth Continues — over 60% of the companies increased dividends by a weighted average of 5.0%

DOING

Strategy

- Continue our transition to defensive stance
- Cash weightings have increased by not reinvesting income generated by equity positions that were trimmed
- Reviewing asset mix against Investment Policy Statements (IPS) for all clients

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 Equity Fund

- Emphasis remains on floating rate and rate reset issues, to mitigate the effect of rising interest rates

Equities

- Gradually reduce weighting in economically sensitive sectors such as Consumer Discretionary, Energy and Industrials
- Increase our weighting in more defensive sectors such as Financials, Telecommunications and Utilities
- Dividend growth continues in 2018
- Over 60% of the companies owned increased dividends by a weighted average of 5.0%

2018 Dividend Performance Summary (as at June 30, 2018)

Canadian Dividend Portfolio

Number of companies in the equity portfolio	26
Number of companies that declared an increased dividend	16
% of companies that declared an increased dividend	61.5%
Weighted average of dividend increases	4.8%
Consumer Price Index increase (YoY*)	2.2%
Equity portfolio dividend yield**	4.1%
S&P/TSX dividend yield	2.8%

Income Stability Portfolio

Number of companies in the equity portfolio	25
Number of companies that declared an increased dividend	18
% of companies that declared an increased dividend	72.0%
Weighted average of dividend increases	5.2%
Consumer Price Index increase (YoY*)	2.2%
Equity portfolio dividend yield***	4.2%
S&P/TSX dividend yield	2.8%

Top 5 Dividend Growers

Canadian Natural Resources	21.8%
Gildan Activewear	20.3%
TD Bank	11.7%
TransCanada Corp	10.4%
Canadian National Railway	10.3%

Top 5 Dividend Yielders

Altagas	7.9%
Enbridge Inc	5.8%
Vermilion Energy	5.8%
Russel Metals	5.7%
BCE Inc	5.7%

*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

A Closer Look: Pembina Pipeline Corporation

Pembina Pipeline Corp Fact Sheet:

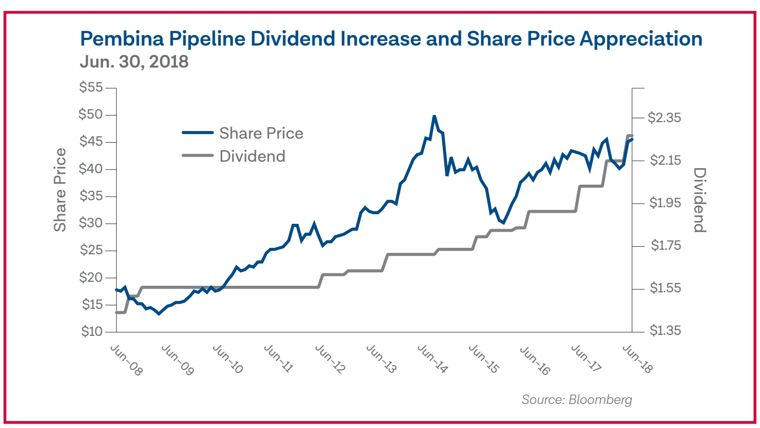
Trading Symbol:	PPL
Market Cap (Mil):	$22,700
Dividend Yield:	5.1%
Dividend Growth YoY:	5.6%
Sector:	Energy Services

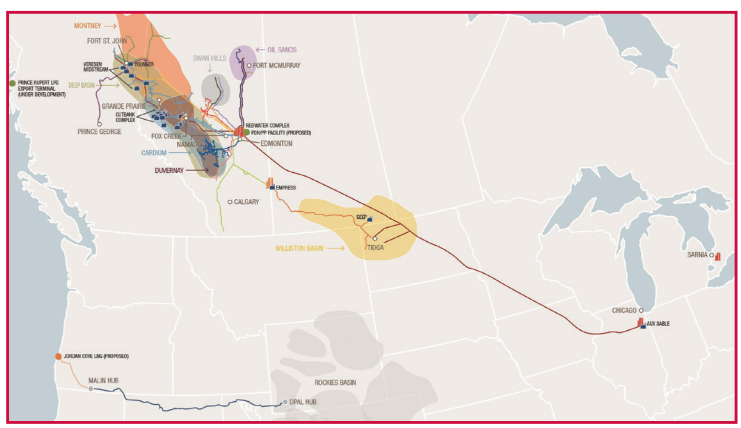
Snapshot:

- Pembina Pipeline Corporation, a Calgary-based transportation and midstream energy service provider, has served North America's energy industry for over 60 years
- Pembina's integrated pipeline, gas and oil processing facilities touch the majority of the hydrocarbon value chain, offering a full spectrum of midstream and marketing services
- Approximately 85% of Pembina's revenue is highly recurring fee-based (take-on-pay, cost-of-service, fee-for-service) which is less commodity sensitive than the 15% of revenue exposed to commodity prices
- The company employs a self-funding business model, with a dividend payout ratio of between 55% and 60%
- Pembina's shares currently yield 5.1% and trade at a small premium multiple (18.5x) to its peers given its strong balance sheet and self-funded organic growth
- Pembina became public as a royalty trust in 1997 and converted to a corporation in 2010. It has paid a dividend each year since 1997. Over the past five years, the dividend has increased 7.5% per year annualized and 5.6% in 2018. Our expectation is that dividend growth will be in the mid-single digits

Growth Projects:

- The company has secured growth projects under construction of $2.0 billion, consisting of pipeline expansions, storage facilities, gas processing/fractionation and expanded mid-stream infrastructure, with in-service dates from 2018 to 2022
- The $250 million Prince Rupert Export Terminal for LPG (propane) offers efficient shipping routes to the Americas and Asia, which are new markets for Canadian LPG. The LPG will be sourced from Pembina's Redwater Complex and shipped by rail to Prince Rupert. Subject to permitting, the terminal is expected to be in service mid-2020
- Pembina estimates it has approximately $3.5 billion of uncommitted expansion projects at various stages of development
- As part of the Veresen acquisition in 2017, the company bought a 50% interest in the Alliance (natural gas) pipeline from Edmonton to Chicago. The expected cost of the expansion project is $2.0 billion; $1 billion net to Pembina with a final decision expected late 2018 and in-season date in late 2021
- Two additional projects are in the early stages, with combined estimated costs of approximately $10 billion:
    - The Jordan Cove LNG project in Oregon would consist of a gas liquification and export facility utilizing Western Canadian and US Rockies Basin gas, with Asia as the prime market
    - The other proposed joint venture with Kuwait Petrochemical Corp. is a chemical plant near Edmonton, which would utilize propane as feedstock
- Both projects are early stage, dependent upon financing, end market partners, regulatory and environmental approvals, but illustrate Pembina's goal to enhance their value chain and find new markets for Canadian energy resources





http://www.pembina.com/investor-centre/presentations-and-events

Source: Company website & Bloomberg as at June 30, 2018

Pay it Forward: The Family Navigation Project at Sunnybrook

Improving the mental health of young people in Canada is a collective responsibility that requires action on multiple fronts – from parents, educators, health professionals and community organizations. Although an estimated 1.2 million children and youth in Canada are affected by mental illnesses, less than 20 per cent will receive appropriate treatment. Further, by age 25, approximately 20 per cent of Canadians will develop a mental illness. Increased access to the appropriate services and support is needed, including early identification, primary care, specialized treatment, ongoing support and long-term care.

The Family Navigation Project (FNP) at Sunnybrook Health Sciences Centre, a non-profit program designed to provide navigation of the mental health and addictions service system, is committed to supporting families and their youth (ages 13-26) in the path to recovery and optimum functioning. It is also a personal philanthropic endeavour of Leon Frazer's President, Dona Eull-Schultz.

As a mother, watching her children and their friends navigate the difficult waters of adolescence, it became obvious to Dona there were shortcomings in the education and medical systems in helping teenagers cope with mental health issues. She recognized the complexity of not only accepting the "stigma" of mental health, but the difficulty parents in crisis face in finding the appropriate resources in a complicated medical system. As such, Dona became the key driver in what is now known as the Family Navigation Project.

Dona enlisted the expertise of Dr. Anthony Levitt, formerly Sunnybrook's Psychiatrist-in-Chief, to help identify a solution for parents and kids in crisis. Now Chief of the Hurvitz Brain Sciences Centre and also the Medical Director of the FNP, Dr. Levitt has spent years channeling time and energy into hearing and responding to families' need for navigation. He has heard countless stories from families and youth of how there was no place to turn when they were in a mental health and/or addictions crisis or they weren't getting the help that they needed. "Parents have told us they've waited months for help, only to be told they're in the wrong line," said Dr. Levitt.

The Family Navigation Project was initially set to be launched in early 2014 following the first RBC Race for the Kids in 2013. After hearing about this brand new program, however, many families began calling Sunnybrook, wanting immediate access to the service. In response to the demand, the FNP began working with families in November 2013. Last year, the program helped over 728 families and this year is predicted to help between 800-900 families.

Experienced clinical navigators work with families to help them navigate the health care and related services system, connect to appropriate and credible assessment and treatment resources, receive assistance in as timely a way as possible and negotiate any challenging situations that may arise. Navigators collaborate with families and their youth with mental health and/or addiction issues to understand their unique needs and match them with the supports and services necessary to enhance their health and family functioning.

How can you help? Participate and/or fundraise in the annual RBC Race for the Kids on September 15, 2018, become a donor or refer the FNP to youth and families of youth with mental health or addiction challenges. With your support the Family Navigation Project at Sunnybrook will help more young people find the mental health care they so desperately need.

To find out more about the Family Navigation Project or to donate to this worthwhile cause, visit **www.sunnybrook.ca/familynavigation**.

Do you have a special cause to which you would like to bring more attention? You've heard my story – I invite you to share yours by submitting a brief description of your personal philanthropic cause to Tess Karahotzitis at tkarahotzitis@leonfrazer.com. Each quarter we will highlight one "pay it forward" story, so you can share with the Leon Frazer community the good you are doing in yours.

Looking forward to hearing from you.
Dona Eull-Schultz
President

Staying Connected

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Calgary
Vancouver

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