Points in Time

Q3 2018

USMCA (United States, Mexico, Canada Agreement): 2019 GAME CHANGER

WATCHING

Growth

- Global economic growth forecast 3.0% plus in 2018, slowing into 2019
- Slowing growth in Europe, China and some Emerging Markets
- In Canada, the outlook is far less robust, with approximately 2.0% growth in 2018 and 2019
- Momentum in the U.S. has picked up, expect 3.0% for 2018

Inflation

- North American inflation is running at 2.7% year-over-year, while the core rate (ex. food & energy) is at 2.2%. Higher wage growth and rising input costs are upside risks

Interest Rates

- Year-to-date, short rates in Canada are up by 0.50% and by 0.75% in the U.S.
- Ten-year rates are up 0.35% in Canada and 0.25% in the U.S.
- Interest rate difference, or spread, between the 2-year and 10-year U.S. Treasury bonds narrowed to 25 basis points in Q3

Markets

- Total return for the S&P/TSX Composite Index in Q3 was -0.6%; the S&P 500 Index returned 7.7% in US$ and 5.9% in CDN$
- After peaking in early July, the S&P/TSX trended down due to rising rates and the Trans Mountain Pipeline decision
- S&P 500 made new highs, driving a positive bias towards the Healthcare and Industrials sectors
- Rising interest rates had a modestly negative effect on the bond market, with returns of -1.0%

Sectors

Canada

Best Performing

- Health Care +31.4%
- Industrials +5.6%

Worst Performing

- Materials -12.9%
- Consumer Discretionary -8.0%

U.S.

Best Performing

- Health Care +14.5%
- Industrials +10.0%

Worst Performing

- Energy 0.6%
- Materials 0.4%

THINKING

Growth

- For the remainder of 2018, Canada faces modest employment growth, a stretched consumer and a slowing housing sector. Potential upside surprise in 2019 due to preliminary trade settlement
- U.S. confidence is at a multi-year high due to strong employment growth, market performance, decreased regulation and a $1.5 trillion deficit financed tax cut

Inflation

- Upside pressure on U.S. core inflation: full employment with more jobs than applicants, wage pressures and input costs on the rise
- Barring an outright trade war with increased tariffs and duties, a significant rise is not anticipated

Interest Rates

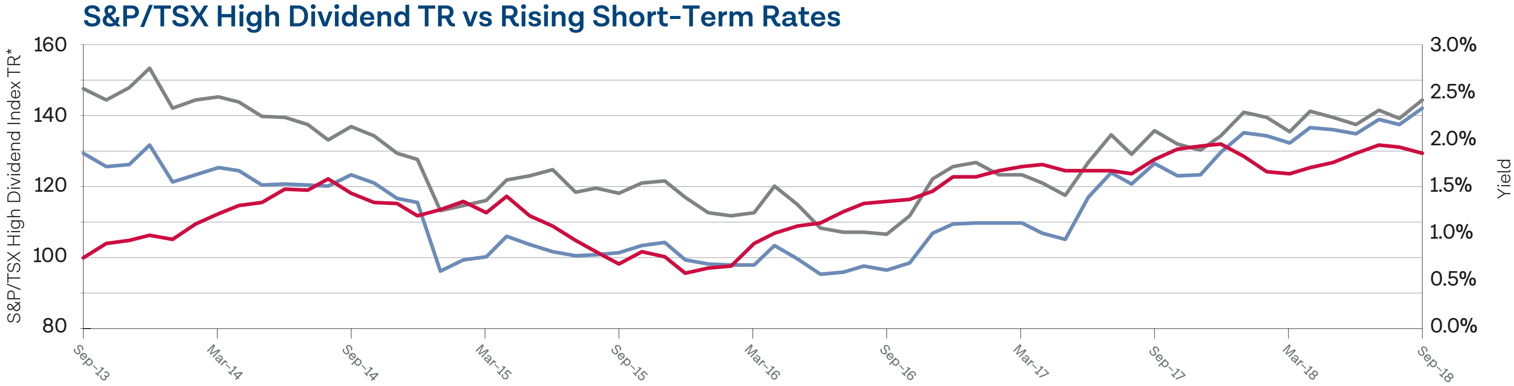
- Bank of Canada set to raise rates on October 25th. Preliminary trade agreement leads to a higher Canadian dollar and further interest rate increases in 2019
- One additional increase in U.S. rates in 2018. Expect 3 hikes in 2019 and more if inflation rises

Markets

USMCA

- Positive for Canadian economic growth and investor psychology
- Provides greater access to the Canadian dairy market, a quota system for Canadian auto exports into the U.S. market and preservation of the key trade dispute resolution system
- Trade agreement and the announcement of Shell's $30 billion LNG Canada plant should improve world view of Canadian energy infrastructure projects

S&P/TSX High Dividend TR vs Rising Short-Term Rates



*September 2013 = 100

Source: Bloomberg

Dividend Growth Continues — over 69% of the companies increased dividends by a weighted average of 5.5%

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 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, Communication Services and Utilities
- Dividend growth continues in 2018
- Over 69% of the companies owned increased dividends by a weighted average of 5.5%

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

Canadian Dividend Portfolio

Number of companies in the equity portfolio	26
Number of companies that declared an increased dividend	18
% of companies that declared an increased dividend	69.2%
Weighted average of dividend increases	5.5%
Consumer Price Index increase (YoY*)	2.8%
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	20
% of companies that declared an increased dividend	80.0%
Weighted average of dividend increases	5.9%
Consumer Price Index increase (YoY*)	2.8%
Equity portfolio dividend yield***	4.3%
S&P/TSX dividend yield	2.9%

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	10.4%
Vermilion Energy	6.4%
Enbridge Inc	6.3%
Emera	5.9%
BCE Inc	5.8%

*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

Intact Financial Fact Sheet:

Trading Symbol:	IFC
Market Cap (Mil):	15,000
Dividend Yield:	2.6%
Dividend Growth YoY:	9.4%
Sector:	Financial

Introduction

- Intact is the largest provider of property and casualty (P&C) insurance in Canada, with a 17% market share and almost $10B in total annual premiums
- Intact has over 13,000 full and part-time employees who serve more than five million personal, business, public sector and institutional clients in offices throughout North America
- In Canada, Intact distributes insurance under the Intact Insurance brand using a wide network of brokers, including BrokerLink, its wholly-owned subsidiary, and directly to consumers, through belairdirect
- Direct premiums written per segment are: personal auto 39%, personal property 21%, commercial lines Canada 25% and commercial lines U.S. 15%
- Intact has increased its dividend every year since 2004, at an average rate of 10% per year. Over the past 5 years, the dividend has also increased by 10% per year

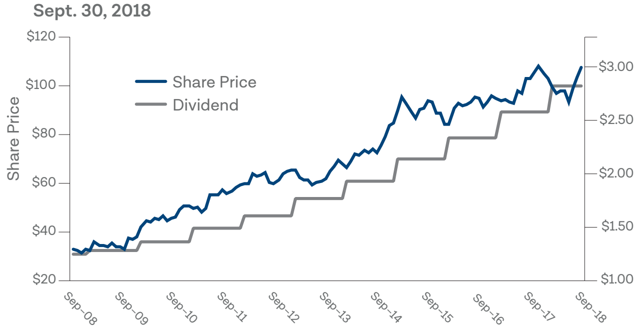
Strengths

- The company has historically produced top quartile insurance combined ratios
- As with all P&C companies, Intact is able to invest their float (the amount of money on hand at any given moment that an insurer has collected in insurance premiums, but has not paid out in claims) to earn dividends, income and capital gains
- As bond yields increase, Intact's bond portfolio will be reinvested in higher yielding bonds
- Intact uses technology for business improvements, including proprietary databases to improve pricing segmentation and risk exposure, and the use of geocoding versus postal codes in pricing for risk of water damage claims. Intact is the leader in technology P&C insurance investment in Canada, in areas such as software, data science, telematics, mobile applications and artificial intelligence
- The company has historically been conservative at estimating claims reserves and takes a prudent risk management approach to reinsurance
- Intact has strong internal claims management and company-owned service centers

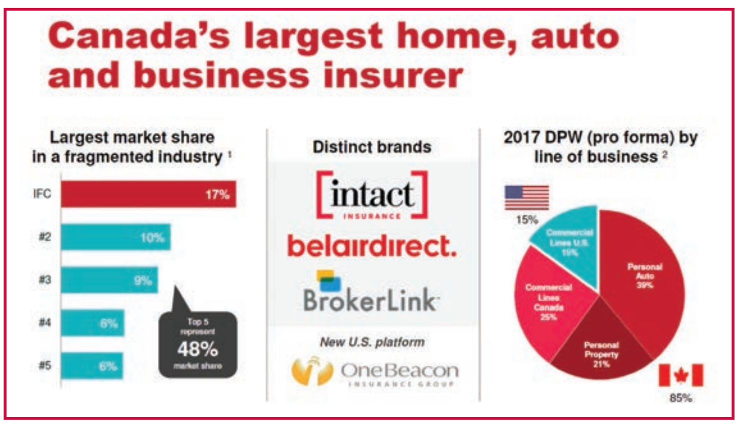
U.S. Platform – North American Specialty

- OneBeacon Insurance Group, purchased for $2.3B in 2017, provides specialty insurance products through independent agencies, brokers, wholesalers and managing general agencies
- OneBeacon offers a U.S. growth platform for Intact to expand their North American specialty lines, especially cross border
- OneBeacon increases Intact's diversification in areas such as geographic insurance and U.S. investment exposure, while reducing exposure to the regulated auto insurance market
- Acquisition Metrics, P/BV: 1.65x, P/E: 16x

Intact Financial Dividend Increase and Share Price Appreciation
Sept. 30, 2018



Source: Bloomberg



[1] All market share data as at December 31, 2017.

[2] DPW (pro forma) for 2017 are comprised of the DPW of P&C Canada and the DPW (pro forma) of P&C U.S., using an exchange rate of 1.30.

Source: Intact Investor Presentation

Paying it Forward: Operation Grow – Growing More Than Produce

For over thirty years, Huronia Transition Homes (HTH) in Simcoe County has helped thousands of women reclaim their lives from the hardships of abuse, violence and sexual assault by providing shelter, support and counselling. In 2017, after years of brainstorming and planning, HTH launched a unique social enterprise initiative called Operation Grow. One of the first programs of its kind in the violence against women sector, Operation Grow balances environmental, economic and social pillars to address the impacts of poverty, food scarcity and isolation for women with a lived experience of violence.

WHAT IS OPERATION GROW?

Operation Grow operates as a community hub to address the predominant social issues identified by women in the HTH community: social isolation, food insecurity and poverty. The vision for the program came directly from the women who use the support of HTH. The women repeatedly asked for employability skills, more food and hope for a brighter future. They were looking for ways to break away from the trauma in their lives, which is often further compounded by poverty. Approximately 80% of the women HTH serves live in poverty; in some cases, even 3rd generation cycles of violence and poverty.

Using an agricultural method called vertical farming, produce is grown hydroponically, in vertical columns, using state of the art greenhouse technology. This environmentally friendly farming method allows for high-yield, year-round production, using 70-80% less water and no pesticides, herbicides or fertilizers. The result is a sustainable, efficient, and ethical method of producing food.

ADDRESSING THE NEEDS OF WOMEN IMPACTED BY VIOLENCE

Operation Grow addresses not only the demand for local fresh quality produce, but also employs the very women HTH serves. Women are paid to work in the greenhouse, as well as at the retail store located in downtown Midland where the produce and other goods are sold. Produce is distributed locally in both retail and wholesale markets at competitive prices and also sold at a reduced cost to low-income women. Revenue from sales is used to sustain the programs and services of HTH, including a community kitchen with cooking and nutrition workshops, yoga and meditation programs for stress release therapy and employment training programs.

Operation Grow contributes to the overall vitality of the lives of women who have experienced violence, by providing opportunities for greater economic freedom, building real-life skills, increasing confidence and self-esteem, and reducing food scarcity.

HOW YOU CAN HELP

Interested in learning more? Visit www.operationgrow.ca to find out more details about this exciting venture. Want to know how you can help? If you live in the area, consider shopping at the retail store, or better yet, make a financial donation on the Operation Grow website and help end the cycle of violence against women.

Do you have a special cause to which you would like to bring more attention? 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 "paying 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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