

Quarterly Market Update



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Expecting Volatility

As we move towards the end of the year, we continue to debate how this market cycle will end, between the soft landing, mild recession and deep recession scenarios. The path ahead is far from clear, and we see many opportunities for both negative and positive surprises as economic data is released, central bankers react, and markets adjust both short-term and long-term outlooks.

Key Points:

- **Base case:** Our base case is for mild recessions in both Canada and the U.S., and that inflation-fighting central banks will keep rates higher for longer than many might expect.
- **Value in bonds:** We believe that price declines in bonds is a buying opportunity. As a result, we have rebalanced our portfolios to increase fixed income exposure to take advantage of decade highs in expected rates of returns.
- **Diversify, diversify, diversify:** Diversification is always a good tool, and with a more attractive fixed income environment, is perhaps more welcome now than in previous years. Staying invested and being patient through market noise remains a solid piece of advice.

Bottom Line: Overall, we remind investors that volatility is inherent in public market investing and that it is important to maintain a long-term plan suited to one's specific goals and risk tolerance. Until we see a more normalized environment (the yield curve returns to upward sloping position from current inverted position), we should expect heightened volatility as investors digest somewhat conflicting messages as to how the economy, interest rates, and even different sectors, might fare over the next year.

****Please note that the commentary within this newsletter is related to the Langill & McHenry Investment Advisors Private Investment Management Group (PIMG) discretionary portfolios.**

Key Takeaways from Q3 2023:

Stocks

- North American stock markets ended Q3 of 2023 down (Q3 2023: Canada -2.2 per cent and the U.S. -3.3 per cent). The U.S. greenback was strong versus the Canadian loonie during the quarter (+2.5 per cent in Q3 2023), and so U.S. stock returns held by Canadian investors on a currency-adjusted basis were improved to -0.8 per cent.
- U.S. equities have outperformed Canadian equities by +9.7 per cent over the last 12 months. U.S. stocks are benefitting from a larger exposure to popular technology stocks (e.g., AAPL, META, etc) while the smaller exposure to commodities (energy, materials, etc) in the U.S., which was a tailwind in 2022, has been a source of strength for the U.S. market versus the Canadian market. In fact, looking out over a two-year timeframe, returns between the two markets are very similar (Canada = +1.8 per cent, U.S. = +1.4 per cent), in local currency annualized.
- Due to inflation concerns, monetary authorities have tightened policy to rein in demand and avoid inflation becoming entrenched. Despite the increase in policy interest rates and reduced stimulus by monetary authorities, corporate and household balance sheets are in excellent condition and should support the economy through a possible slowdown or expected mild recession in 2023/2024.

Bonds and Preferred Shares

- With stubbornly high inflation rates, it continues to be a challenging environment for Canadian bonds in Q3 2023, which returned -3.9 per cent and -1.5 per cent over the last 12 months. A resilient consumer, supply chain bottlenecks and stimulus measures put in place due to the Covid-19 economic shutdowns, have created historically high inflation that has resulted in rising interest rates. Rising interest rates are a negative for conventional bond prices.
- After a challenging 2022, Canadian preferred shares continue to face headwinds in 2023, as the expected path of interest rates continues to be nudged higher by monetary authorities. Preferred shares fell by -1.4 per cent in Q3 2023 and have fallen -4.5 per cent over the last 12 months.

Our Models

- Our **all-equity stock** portfolios, **Dividend Growth (DG)**, **Yield & Growth (Y&G)**, fell **-1.0 per cent** and fell **-0.9 per cent** in Q3 2023 and have risen **+19.9 per cent** and **+4.7 per cent** over the last 12 months, relative to our benchmark at -0.4 per cent and +14.6 per cent, respectively.
- Our **Capital Preservation bond** portfolios, **DG** and **Y&G** versions, fell **-2.1 per cent** and **-2.0 per cent** for Q3 2023 and over the last 12 months fell **-2.8 per cent** and fell **-4.8 per cent**, relative to our benchmark at -3.0 per cent and +1.2 per cent, respectively.
- For our **Completion and Small Completion ("Balanced Growth")** portfolios, in Q3 2023 they rose **+3.3 per cent** and fell **-1.9 per cent**, while over the last 12 months they rose by **+13.8 per cent** and **+4.6 per cent**, relative to our benchmark at -1.3 per cent and +9.1 per cent, respectively.
- The top performers in our stock portfolios for Q3 2023 were **Activision Blizzard, Inc. (ATVI)**, up **+12.3 per cent** in our DG portfolio, while **IBM Corporation (IBM)** rose **+9.8 per cent** to lead performance in our Y&G portfolio. In our "newer" Yield portfolio, **Suncor Energy (SU)** led all stocks rising **+21.6 per cent**. Laggards in our portfolios for Q3 2023 were **Xylem Inc (XYL)**, falling **-18.9 per cent** in our DG portfolio, while **J.M. Smucker Company (SJM)** fell **-20.8 per cent** in our Y&G portfolio. In our new Yield portfolio, **Walgreens Boots Alliance Inc. (WBA)**, declined **-20.5 per cent**.

- We made some changes in our models in Q3 2023, regarding specific securities held in portfolios:
 - We tactically moved all our portfolios from neutrally positioned to **underweight equity by approximately five per cent and reallocated to fixed income with the proceeds**. This move is consistent with our cautious stance on the market in the near term.
 - In our Y&G model, we had a **Canadian Western Bank** bond mature in September. As a result, we took the matured proceeds and reinvested in a 9-year **Brookfield Infrastructure** bond maturing in September 2032 (**Brookfield Infrastructure Inc. 2.855% 01SEP32**).
 - In our new Yield (Y) model, we made one change in the quarter. We sold **3M Co. (MMM)** and purchased **Pfizer Inc. (PFE)** with the proceeds.
 - No changes were made to our DG, Y&G, Completion or Small Completion portfolios during Q3 2023.

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PIMG Model Portfolio Performance

As of 30SEP2023

Mandate	1-week	1-month	3-mos	6-mos	Year to Date	1-year	2022	2021
Capital Preservation DG Model	-0.1%	-0.7%	-2.1%	-3.1%	-1.3%	-2.8%	-7.1%	-0.7%
Capital Preservation Y&G & Yield Model	-0.4%	-1.1%	-2.0%	-3.8%	-2.8%	-4.8%	-10.3%	0.2%
Completion Capital Preservation Model	0.0%	-0.1%	-0.8%	-0.9%	-0.2%	-1.5%	-9.6%	1.1%
Small Completion Capital Preservation Model	-1.1%	-1.5%	-2.7%	-2.0%	-0.6%	0.1%	-9.0%	-1.7%
Capital Preservation Benchmark	0.2%	-2.2%	-3.0%	-4.3%	-1.5%	-1.2%	-11.7%	-2.8%
Balanced Growth DG Model	-0.3%	-2.0%	-1.5%	1.3%	7.0%	12.8%	-5.0%	15.2%
Balanced Growth Y&G Model	-1.4%	-2.0%	-1.8%	-3.9%	-3.5%	1.5%	-0.5%	15.6%
Balanced Growth Yield Model	-0.3%	-2.1%	-1.3%	-2.5%	-6.9%	na	na	na
Completion Balanced Growth Model	-1.2%	-1.5%	3.3%	6.9%	9.2%	13.8%	-11.0%	18.2%
Small Completion Balanced Growth Model	-0.8%	-2.7%	-1.9%	-0.2%	3.3%	4.6%	-12.0%	10.2%
Balanced Growth Benchmark	-0.6%	-3.6%	-1.3%	1.2%	5.4%	9.1%	-10.4%	16.3%
All Equity DG Model	-0.3%	-2.2%	-1.0%	3.6%	10.8%	19.9%	-5.0%	21.6%
All Equity Y&G Model	-1.9%	-0.9%	-0.9%	-3.1%	-3.0%	4.7%	2.7%	22.9%
Completion All Equity Model	-1.9%	-1.9%	6.0%	10.5%	12.3%	18.7%	-13.0%	25.5%
Small Completion All Equity Model	-0.5%	-2.9%	0.0%	2.5%	6.3%	11.2%	-14.6%	13.9%
All Equity Benchmark	-1.0%	-4.3%	-0.4%	4.2%	9.1%	14.6%	-9.7%	26.6%

****Note: All Equity Benchmark is 60% iShares Core S&P500 ETF (IVV) & 40% iShares Core S&P/TSX Capped Composite Index ETF (XIC), Capital Preservation Benchmark is 100% iShares Core Canadian Universe Bond Index ETF (XBB), Balanced Growth Benchmark is 35% XBB, 26% XIC and 39% IVV.

***Note: Net Returns in CAD\$. Periods over one year are annualized. Time-weighted rates of return reported.

**Note: PIMG fees are withdrawn from accounts monthly on the second last week of the month.

*Source: FactSet and Croesus Composites

Langill & McHenry Investment Advisors of Raymond James
PIMG Model Portfolio Performance
As of 30SEP2023

Mandate	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Capital Preservation DG Model	-2.1%	-1.5%	2.6%	-0.6%	0.0%	-2.6%	-4.0%	-0.3%
Capital Preservation Y&G Model	-2.0%	-2.0%	1.4%	-0.8%	-2.5%	-3.5%	-3.9%	-0.3%
Completion Capital Preservation Model	-0.8%	-0.5%	1.2%	0.5%	-2.6%	-4.3%	-3.6%	-0.3%
Small Completion Capital Preservation Model	-2.7%	0.1%	1.9%	1.9%	-1.1%	-4.5%	-5.5%	0.0%
Capital Preservation Benchmark	-3.0%	-0.7%	3.1%	0.5%	0.4%	-5.5%	-7.1%	1.3%
Balanced Growth DG Model	-1.5%	2.1%	7.6%	7.0%	-0.6%	-7.7%	-3.3%	6.3%
Balanced Growth Y&G Model	-1.8%	-2.3%	1.6%	6.7%	-2.9%	-5.5%	1.6%	4.9%
Balanced Growth Yield Model	-1.3%	-2.3%	-2.8%	na	na	na	na	na
Completion Balanced Growth Model	3.3%	2.9%	3.7%	5.7%	-2.2%	-9.9%	-4.4%	8.4%
Small Completion Balanced Growth Model	-1.9%	0.7%	5.1%	5.0%	-0.6%	-10.0%	-6.4%	4.1%
Balanced Growth Benchmark	-1.3%	2.5%	5.1%	4.1%	-0.2%	-10.8%	-3.6%	5.7%
All Equity DG Model	-1.0%	3.7%	9.5%	10.1%	-0.9%	-10.2%	-3.1%	8.9%
All Equity Y&G Model	-0.9%	-2.8%	1.6%	9.8%	-3.2%	-7.8%	4.8%	6.7%
Completion All Equity Model	6.0%	3.4%	3.7%	7.3%	-1.8%	-17.4%	-4.2%	11.8%
Small Completion All Equity Model	0.0%	1.4%	5.6%	6.2%	-0.7%	-13.5%	-6.4%	5.1%
All Equity Benchmark	-0.4%	4.2%	6.2%	6.0%	-0.6%	-13.6%	-1.8%	8.0%

****Note: All Equity Benchmark is 60% iShares Core S&P500 ETF (IVV) & 40% iShares Core S&P/TSX Capped Composite Index ETF (XIC), Capital Preservation Benchmark is

100% iShares Core Canadian Universe Bond Index ETF (XBB), Balanced Growth Benchmark is 35% XBB, 26% XIC and 39% IVV.

***Note: Net Returns in CAD\$. Periods over one year are annualized. Time-weighted rates of return reported.

*Source: FactSet and Croesus Composites

"Dividend Growth (DG)" Stocks We Own:

Dividend Growth (DG) All Equity Portfolio (2023-09-30)

Issue Name	Portfolio Weight	Last Quarter Total Return %	Dividend Yield	Price/Earnings	Price/Book	5 Yr EPS Growth
Equity						
Automatic Data Processing Inc	4.8%	10.0%	2.0%	26.8	28.7	11.9
Nordson Corp	4.8%	-9.8%	1.3%	24.1	5.4	8.3
Tractor Supply Company	4.8%	-7.7%	2.1%	19.5	10.7	22.5
Empire Co. Ltd. Class A	4.8%	-1.3%	1.9%	12.2	1.8	16.8
Intact Financial Corporation	4.8%	-2.7%	2.2%	19.1	2.5	29.5
Lowe's Cos Inc	4.8%	-7.5%	2.3%	14.1	nmf	37.6
Morgan Stanley	4.8%	-3.5%	4.7%	12.8	1.3	6.8
Jamieson Wellness, Inc.	4.8%	-18.2%	3.2%	15.2	2.3	16.4
UnitedHealth Group Incorporated	4.8%	5.3%	1.4%	21.2	6.4	14.8
Watsco Inc Cl A	4.8%	-0.3%	2.8%	25.1	7.2	24.1
Xylem Inc.	4.8%	-18.9%	1.4%	25.6	4.8	- 10.3
Waste Management Inc Del	4.8%	-11.7%	1.8%	26.4	9.4	4.9
Stella-Jones Inc.	4.8%	-3.9%	1.3%	14.8	2.8	18.6
Wheaton Precious Metals Corp	4.8%	-3.4%	1.4%	39.5	3.0	11.5
Activision Blizzard, Inc.	4.8%	12.3%	1.0%	22.0	3.8	- 5.4
Broadcom Inc.	4.8%	-3.7%	2.1%	20.6	16.0	- 2.5
Enghouse Systems Limited	4.8%	-6.2%	2.8%	25.2	3.5	12.5
Comcast Corporation Class A	4.8%	7.5%	2.7%	11.3	2.2	- 16.8
Quebecor Inc. Class B	4.8%	-10.0%	4.3%	9.8	4.8	10.9
Richelieu Hardware Ltd.	4.8%	-4.7%	1.5%	20.4	2.8	26.5
Cash & Equivalents						
Cash (CAD\$)	5.0%	1.3%	4.8%	NA	NA	NA
Langill & McHenry All Equity DG Portfolio	100.0%	-1.0%	2.1%	19.3	5.7	11.3%

*Note: For illustration purposes only.

**Note: All models (excluding Capital Preservation) hold the same stocks, but at different weightings.

*Note: Returns are in Local Currency..

Source: FactSet and Croesus Composites.

"Dividend Growth (DG)" Bonds and Preferred Shares We Own:

Capital Preservation Portfolio Dividend Growth (DG) (2023-09-30)

Issue Name	Price - Close	Portfolio Weight %	Rating	Yield %	Effective Duration (years)
Bonds					
Province of Alberta 2.2% 01JUN2026	93.3	8.2%	A+	5.0%	2.5
Walt Disney Company 3.057% 30MAR2027	91.2	8.2%	BBB+	5.7%	3.2
Choice Properties Real Estate Investment Trust 2.848% 21MAY2027	89.6	8.2%	BBB	6.1%	3.3
Tourmaline Oil Corp. 2.529% 12FEB2029	84.9	8.2%	BBB+	5.9%	4.8
Canada Housing Trust No.1 2.1% 15SEP2029	87.1	8.2%	AAA	4.6%	5.4
Fairfax Financial Holdings Limited 3.95% 03MAR2031	83.3	8.2%	BBB	6.9%	6.1
PROVINCE OF ONT 2.05% 02JUN30	84.5	7.3%	A+	4.8%	6.0
Canada Housing Trust No.1 3.55% 15SEP2032	91.6	8.7%	AAA	4.7%	7.5
Enbridge Inc 3.1% 21SEP2033	77.1	8.5%	BBB+	6.2%	8.1
Preferred Shares					
Enbridge Inc Cum Red Pref Registered Shs Series 1 USD\$ 01JUN2028	18.8	7.8%	BBB-	5.3%	4.9
Capital Power Corp Cum Conv Red Pref Registered Shs Series -11- 30JUN2024	23.8	7.8%	BB	6.1%	0.9
Convertible Debentures					
NFI Group 5% 15JAN2027 Conv Debs	81.5	7.8%	NA	6.1%	3.4
Cash & Equivalents					
Cash or Cash Equivalent	1.0	3.0%		4.8%	-
Langill & McHenry Capital Preservation DG Portfolio		100%	BBB	5.2%	4.2

Note: For illustration purposes only.

*Note: All models (excluding All Equity) hold the same bonds and preferred shares, but with different weightings.

Source: FactSet, Croesus & RJ PCS.

"Yield & Growth (Y&G)" Stocks We Own:

Yield & Growth (Y&G) All Equity Portfolio (2023-09-30)

Issue Name	Portfolio Weight	Last Quarter Total Return %	Dividend Yield	Price/Earnings	Price/Book	5 Yr EPS Growth
Equity						
J.M. Smucker Company	4.8%	-20.8%	3.7%	11.7	1.6	-
North West Company Inc.	4.8%	-6.5%	4.4%	13.0	2.7	9.4
Restaurant Brands Intl	4.8%	1.2%	3.3%	20.6	8.2	7.6
Pembina Pipeline Corp	4.8%	-3.7%	6.3%	15.5	1.7	22.5
Allstate Corp	4.8%	2.2%	2.9%	45.7	2.1	nmf
CT Real Estate Investment Trust	4.8%	-12.0%	6.6%	11.2	0.9	0.3
Royal Bank of Canada	4.8%	-6.3%	4.8%	10.0	1.5	7.2
Sun Life Financial Inc.	4.8%	7.4%	4.7%	10.1	1.5	5.9
AbbVie, Inc.	4.8%	-4.6%	4.1%	13.2	15.0	16.0
Bristol-Myers Squibb Company	4.8%	-14.8%	4.0%	7.7	3.8	0.5
Gilead Sciences, Inc.	4.8%	-7.9%	3.8%	11.9	4.6	3.4
Medtronic PLC	4.8%	-1.2%	3.8%	14.2	1.9	4.6
Hormel Foods Corp	4.8%	-3.3%	3.5%	19.5	2.3	0.6
Manulife Finl Corp	4.8%	3.1%	6.0%	7.3	0.9	12.1
Cisco Systems Inc.	4.8%	4.4%	2.9%	13.1	4.9	4.2
IBM Corporation	4.8%	9.8%	4.8%	14.5	5.7	34.1
Texas Instruments Inc.	4.8%	-13.3%	3.4%	20.6	9.4	13.9
BCE Inc.	4.8%	-11.5%	7.5%	16.1	2.6	1.0
Telus Corporation	4.8%	-14.8%	6.5%	24.3	1.9	3.6
Fortis Inc.	4.8%	-8.4%	4.4%	17.6	1.3	1.8
Cash & Equivalents						
Cash (CAD\$)	5.0%	1.2%	4.8%	NA	NA	NA
Langill & McHenry Y&G All Equity Portfolio	100.0%	-0.9%	4.3%	10.8	2.7	2.30%

Note: For illustration purposes only.

*Note: All models (excluding Capital Preservation) hold the same stocks, but at different weightings.

Source: FactSet & Croesus Composites.

"Yield & Growth (Y&G)" & "Yield (Y)" Bonds and Preferred Shares We Own:

Capital Preservation Portfolio Yield & Growth (Y&G) & Yield (Y) (2023-09-30)

Issue Name	Price - Close	Portfolio Weight %	Rating	Yield %	Effective Duration (years)
Bonds					
Equitable Bank 3.362% 02MAR2026	92.7	11.3%	BBB-	6.8%	2.2
Telus Corporation 2.75% 08JUL2026	92.4	11.3%	BBB	5.8%	2.5
Government of Canada 1.0% 01JUN2027	88.9	11.3%	AAA	4.4%	3.5
PROVINCE OF ONT 2.7% 02JUN2029	89.9	11.3%	A+	4.8%	5.1
Crombie Real Estate Investment Trust 3.133% 12AUG2031	77.6	11.3%	BBB-	6.9%	6.6
Brookfield Infrastructure 2.855% 01SEP2032	76.5	11.3%	BBB+	6.4%	7.4
Preferred Shares					
Fairfax Financial Holdings Limited Cum Pfd Shs Series M 31MAR2025	19.1	7.3%	BB+	6.5%	1.8
Brookfield Corp Pfd S46 31MAR2027	17.3	7.3%	BBB	7.8%	3.8
Pembina Pipeline Corp Cum Conv Red Perp Pfd Registered Shs A Series -21- 01MAR2028	17.8	7.3%	BB+	8.8%	4.8
Convertible Debentures					
Morguard REIT 6.805% 31DEC2026	87.1	7.3%	BB+	6.0%	2.5
Cash & Equivalents					
Cash or Cash Equivalents	1.0	3.0%	na	4.8%	-
Langill & McHenry Capital Preservation Y&G Portfolio		100.0%	BBB	6.2%	4.0

Note: For illustration purposes only.

*Note: All models (excluding All Equity) hold the same bonds and preferred shares, but with different weightings.

Source: FactSet, Croesus & RJ PCS.

“Yield (Y)” Stocks We Own:

Yield All Equity Portfolio (2023-09-30)

Issue Name	Portfolio Weight	Last Quarter Total Return %	Dividend Yield	Price/Earnings	Price/Book	5 Yr EPS Growth
Equity						
Verizon Communications	4.9%	-11.3%	8.4%	6.8	1.5	7.7
Cdn Natural Resources	4.9%	19.2%	4.0%	11.7	2.6	45.9
Philip Morris Intl	4.9%	-3.8%	5.6%	15.2	nmf	3.4
Suncor Energy	4.9%	21.6%	4.4%	8.7	1.6	34.0
TC Energy	4.9%	-11.0%	8.0%	11.2	1.5	- 36.3
Enbridge Inc	4.9%	-6.8%	8.1%	15.3	1.7	- 3.2
Capital Power	4.9%	-8.5%	6.7%	7.3	2.3	- 20.9
Crown Castle Inc	4.9%	-17.9%	7.2%	25.1	5.1	33.2
Pfizer Inc	4.9%	-5.1%	6.9%	9.7	3.2	3.4
CIBC	4.9%	-5.8%	7.0%	7.2	1.0	3.5
Power Corp of Canada	4.9%	-1.6%	6.3%	8.1	1.0	0.7
Walgreen Boots Alliance Inc	4.9%	-20.5%	9.0%	6.3	0.9	nmf
Leggett & Platt Inc	4.9%	-12.7%	7.7%	15.7	1.9	0.1
Whirlpool Corp	4.9%	-9.0%	5.4%	8.0	3.0	-
Simon Property Group	4.9%	-4.9%	7.1%	16.9	11.3	- 0.9
Choice Properties REIT	4.9%	-5.2%	6.0%	6.9	2.4	1.4
Chartwell Retirement REIT	4.9%	10.2%	5.8%	nmf	3.2	24.4
Bank of Nova Scotia	4.9%	-5.0%	7.4%	8.2	1.0	4.0
International Paper Co.	4.9%	13.0%	5.5%	15.8	1.4	- 0.6
Dow Inc.	4.9%	-2.0%	5.7%	21.6	1.7	nmf
Cash & Equivalents						
Cash (CAD\$)	2.0%	1.3%	4.8%	NA	NA	NA
Langill & McHenry Yield All Equity Portfolio	100.0%	-3.3%	6.5%	11.1	2.4	4.89%

Note: For illustration purposes only. Return information is approximated.

*Note: All models (excluding Capital Preservation) hold the same stocks, but at different weightings.

Source: FactSet & Croesus Composites.

Completion Models:

If you have an account within your portfolio with < \$100,000, you may also be invested in a portfolio of investments that are outside the Dividend Growth and Yield & Growth models. We call these investments either “completion models” or “satellite holdings.” The completion and satellite portfolios help to customize all of your accounts for your unique risk tolerance, tax circumstances and liquidity needs. For a sense of the securities we own in the completion and satellite portfolios, we have listed our two completion models below.

PIMG Completion Models as of 2023-09-30, CAD

Completion & Small Completion Model Holdings:

Issue Name	Ticker	Currency \$	Q3 2023 %	Last 12 Months %
iShares Canadian Corporate Bond Index ETF	XCB-CAN	CAD \$	-2.5%	1.7%
Vanguard FTSE Dev All ETF (VIU)	VIU-CAN	CAD \$	-2.7%	22.8%
iShares MSCI Emerging Markets Index ETF	XEM-CAN	CAD \$	-1.8%	9.1%
First Trust Nasdaq 100 Equal Weight ETF	QQEW-US	USD \$	-2.6%	25.1%
iShares Russell 2000 ETF	IWM-US	USD \$	-5.2%	8.9%
Fidelity Canadian Short-Term Bond ETF (FCSB)	VSC-CAN	CAD \$	0.0%	3.0%
PIMCO Monthly Income (CAN) ETF Series	PMIF-CAN	CAD \$	-0.6%	6.2%
Dynamic Active Preferred Share ETF (DXP)	DXP-CAN	CAD \$	-1.4%	-1.2%
Berkshire Hathaway Ord Shs Class B	BRK.B-US	USD \$	2.7%	31.2%
Graham Holdings Company Ord Shs Class B	GHC-US	USD \$	2.3%	9.6%
Fairfax Financial Holdings Sub Voting Ord Shs	FFH-CAN	CAD \$	11.7%	78.7%
Onex Ord Shs	ONEX-CAN	CAD \$	9.3%	26.8%
Markel Hldg Co Corp	MKL-US	USD \$	6.5%	35.8%
Brookfield Corp	BN-CAN	CAD \$	-4.6%	-6.1%
Cymbria Corporation Class A	CYB-CAN	CAD \$	-1.4%	9.3%

Note: For illustration purposes only. Holding period returns captured, if "na" that signals that position was not held over that timeframe.

*Note: Returns are in Local Currency..

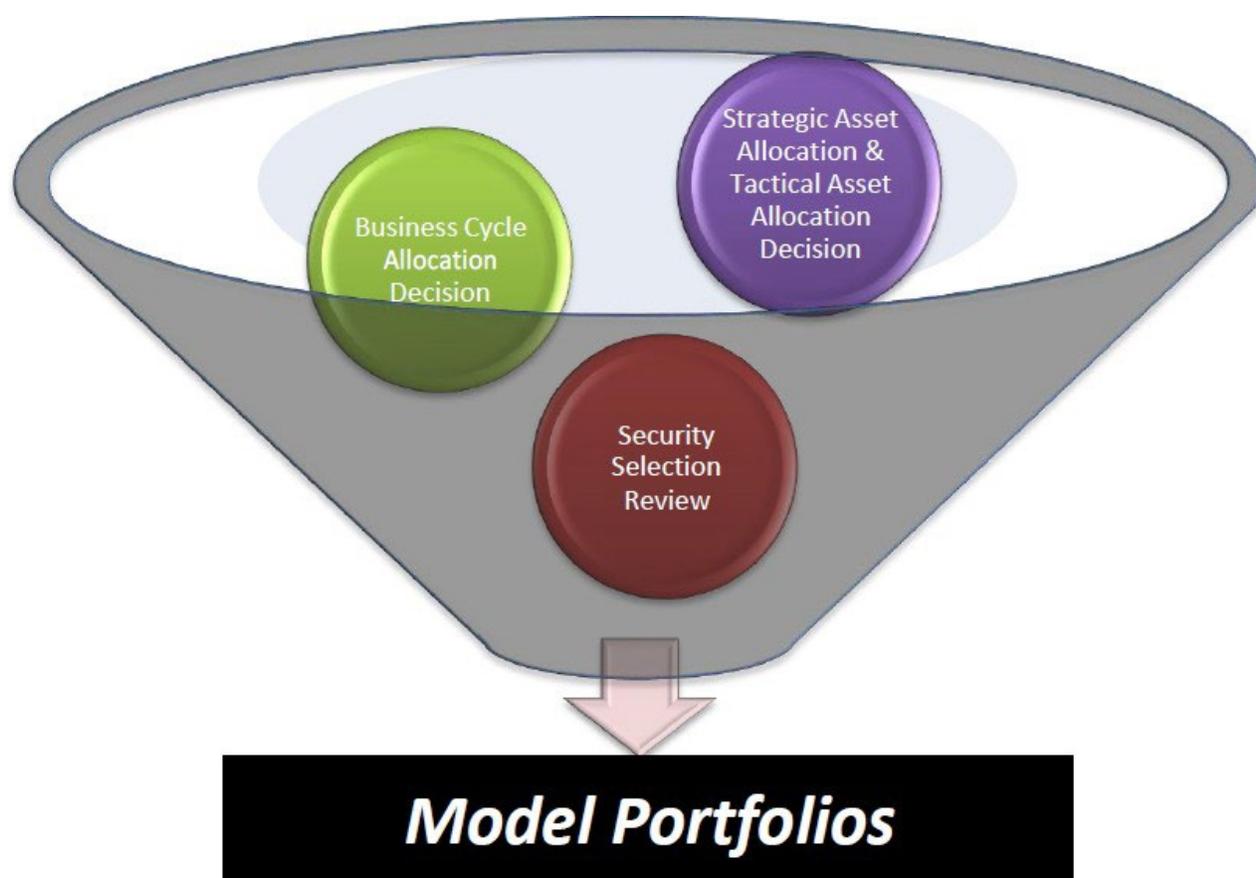
Source: FactSet.

Model Portfolio Process

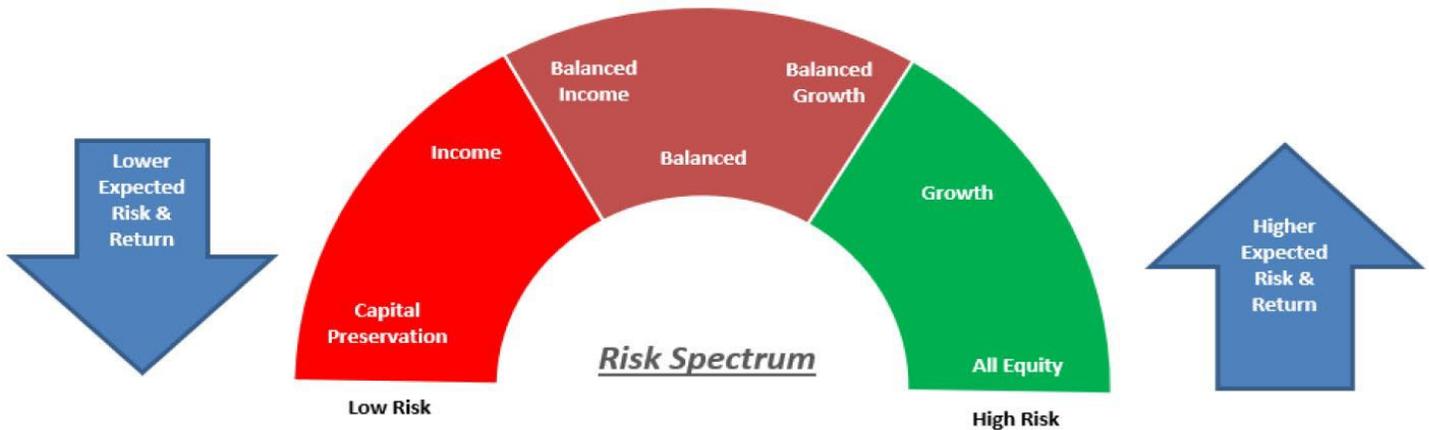
When we select investment securities for our model portfolios, we follow a disciplined three-step process:

1. Examine our asset mix vs. our expectations for long-term returns. This review helps guide our model portfolios allocation to cash and equivalents, fixed income (bonds and preferred shares), and equity (stocks).
2. Review our business cycle allocation vs. our expectations for broad market. We then allocate to sectors of the market and security factors that are expected to perform well.
3. Assess securities for inclusion in the portfolio based on: (i) Dividend growth, (ii) Leverage, (iii) Valuation and (iv) Market structure. Securities reflecting these features are typically of higher quality than average.

After the third step is complete, we include a portfolio of investment securities in our model portfolios reflecting our expectations for the market going forward.



Our Investor Profiles and Asset Allocations:



LANGILL & MCHENRY MODEL ASSET ALLOCATION

Asset Allocation	Cash %	Fixed Income %	Equity %
Capital Preservation	3.00%	97.00%	0.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>75-100%</i>	<i>0-25%</i>
Benchmark Capital Preservation	0.00%	100.00%	0.00%
Income	3.00%	82.00%	15.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>55-100%</i>	<i>20-45%</i>
Benchmark Income	0.00%	80.00%	20.00%
Balanced Income	3.00%	62.00%	35.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>35-85%</i>	<i>15-65%</i>
Benchmark Balanced Income	0.00%	60.00%	40.00%
Balanced	3.00%	52.00%	45.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>25-75%</i>	<i>25-75%</i>
Benchmark Balanced	0.00%	50.00%	50.00%
Balanced Growth	3.00%	37.00%	60.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>10-60%</i>	<i>40-90%</i>
Benchmark Balanced Growth	0.00%	35.00%	65.00%
Growth	3.00%	22.00%	75.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>0-45%</i>	<i>55-100%</i>
Benchmark Growth	0.00%	20.00%	80.00%
All Equity	5.00%	0.00%	95.00%
<i>MODEL RANGES</i>	<i>0-25%</i>	<i>0-25%</i>	<i>75-100%</i>
Benchmark All Equity	0.00%	0.00%	100.00%

*Note: Benchmark comprised of proportions Exchange Traded Funds (ETFs) XBB, XIC and IVV.

Model Portfolio Management Philosophy

Portfolio Objectives for Dividend Growth (DG), Yield & Growth (Y&G) and Yield (Y):

- We designed both model portfolios with a conservative investment approach. The portfolios may not participate as much in gains when markets are rising. However, they are expected to be more resilient in falling markets to protect capital. As a result, the portfolios will tend to be less volatile, and capital will be given more opportunity to compound over a long period of time.

Dividend Growth (DG):

- Equity allocation = ~20 stocks (~10 Canada, ~10 US), dividend growth target +6 per cent/yr, dividend yield target +0 per cent

Yield & Growth (Y&G):

- Equity allocation = ~20 stocks (~10 Canada, ~10 US), dividend growth target +0 per cent/yr, dividend yield target +2.5 per cent

Yield (Y): (*NEW*)

- Equity allocation = ~20 stocks (~10 Canada, ~10 US), dividend growth target at least 0 per cent/yr, dividend yield target +5.0 per cent

Other Portfolio Parameters (both DG, Y&G and Y):

- ~18 models with different asset allocation based on risk and return objectives including: Capital Preservation, Income, Balanced Income, Balanced Growth, Growth and All Equity
- Negligible embedded cost
- Fixed Income allocation = ~4-9 bonds, ~2-4 preferred shares, investment grade credit, short and laddered duration (<7 years)
- Diversify by geography, sector and style
- Large capitalization (“blue chip”)



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