



The Future = Opportunity + Difficulty



Source: U.S. National Archives and Records Administration. President Lincoln and General McClellan at Antietam.

During the Civil War between 1861 and 1865, the U.S. lost some 620,000 soldiers, or 2% of the population, which is the equivalent of 6 million lives being lost today. The nation was divided, but the U.S. recovered from this devastating war that separated people both physically and ideologically. Recovery is not unprecedented, the western world has continued to prosper through the Spanish Flu, two World Wars, massive social upheaval, and the 1957 and 1968 global pandemics that each killed 1 million people globally. Yes, we have been here before and if the U.S. can survive the Civil War it will recover from the pandemic. If the world can recover from World War II it will recover from the pandemic. This time will be no different.

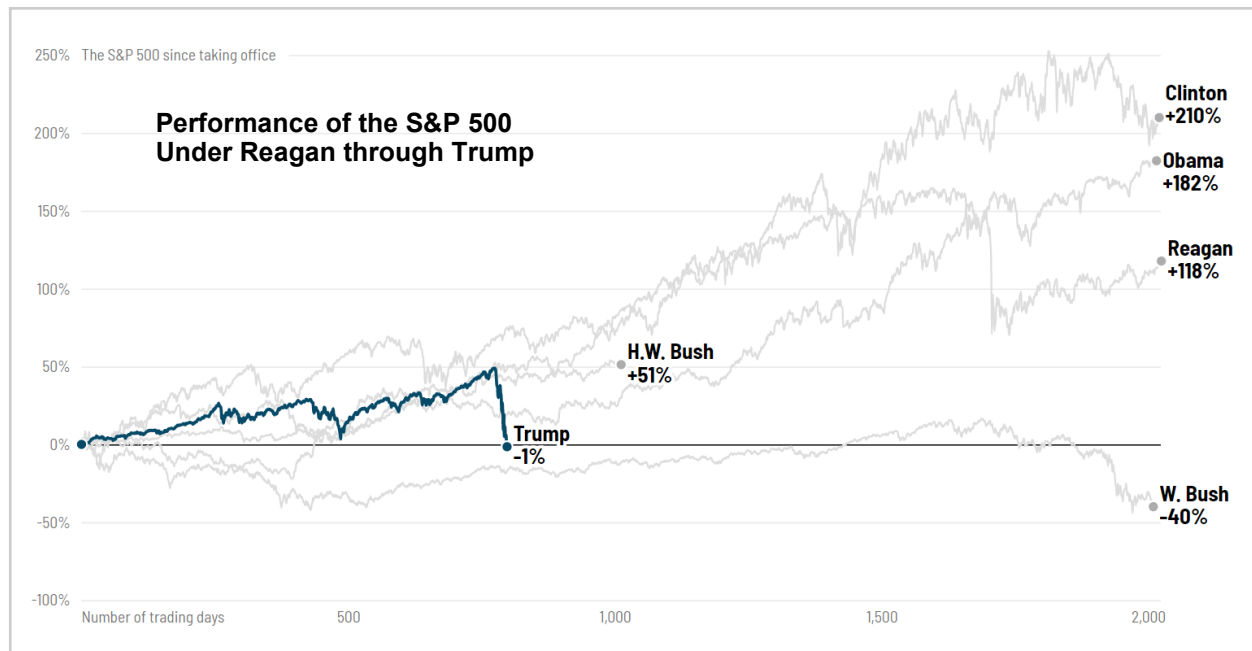
Will the recovery be L, V, W or U shaped? Although there are many opinions, no one knows with any certainty. What we do know is that there are increases in gasoline consumption, air travel, housing sales, and restaurant patronage—all signs of a recovery albeit from low levels. Will the recovery be the same for everyone? No, it will not.

Will the election cause stock market volatility? Yes it will, just like past elections. Yet it is important to remember that in the past the economy has stagnated, performed well or poorly, under either Democratic or Republican Presidents (see chart at the top of the next page). The economy does not really care who the president is, the economy cares about things that actually matter, like job growth, productivity and economic output. ■

Top Five Equity Holdings per Strategy*

Income	Disclaimers
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
• EMERA INCORPORATED	2g, 7
• CANADIAN PACIFIC RAILWAY LTD	2a, 2c, 2e, 2g, 3a, 3c, 7, 9
• GRANITE REAL ESTATE INVESTMENT TRUST	2a, 2c, 2e, 2g, 7
• ALIMENTATION COUCHE-TARD INC CL B	12, 2g, 7
Income & Growth	
• ROYAL BANK OF CANADA	2a, 2c, 2e, 2g, 3a, 3c, 7
• TORONTO DOMINION BANK	2a, 2c, 2e, 2g, 3a, 3c, 7
• CANADIAN PACIFIC RAILWAY LTD	---
• CANADIAN NATIONAL RAILWAY	2g, 7
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
Moderate Growth	
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
• CANADIAN PACIFIC RAILWAY LTD	2a, 2c, 2e, 2g, 3a, 3c, 7, 9
• ALIMENTATION COUCHE-TARD INC CL B	12, 2g, 7
• ROYAL BANK OF CANADA	2a, 2c, 2e, 2g, 3a, 3c, 7
• GRANITE REAL ESTATE INVESTMENT TRUST	2a, 2c, 2e, 2g, 7
Dividend Growth	
• ROYAL BANK OF CANADA	2a, 2c, 2e, 2g, 3a, 3c, 7
• TORONTO DOMINION BANK	2a, 2c, 2e, 2g, 3a, 3c, 7
• CANADIAN PACIFIC RAILWAY LTD	2a, 2c, 2e, 2g, 3a, 3c, 7, 9
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
• CANADIAN NATIONAL RAILWAY	2g, 7
Active Growth	
• AUTOZONE INC (NEV)	---
• CITRIX SYSTEMS INC	---
• MASCO CORP	---
• ELI LILLY & CO	---
• KIMBERLY CLARK CORP	---
Dynamic Growth	
• ROYAL BANK OF CANADA	2a, 2c, 2e, 2g, 3a, 3c, 7
• SHOPIFY INC	12, 2g
• TORONTO DOMINION BANK	2a, 2c, 2e, 2g, 3a, 3c, 7
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
• ENBRIDGE INC	2a, 2c, 2e, 2g, 7
Canadian Dividend Income	
• ALIMENTATION COUCHE-TARD INC CL B	12, 2g, 7
• CANADIAN PACIFIC RAILWAY LTD	2a, 2c, 2e, 2g, 3a, 3c, 7, 9
• FRANCO-NEVADA CORP	2a, 2e, 2g, 7
• GRANITE REAL ESTATE INVESTMENT TRUST	2a, 2c, 2e, 2g, 7
• CANADIAN NATIONAL RAILWAY	2g, 7
U.S. Dividend Income	
• KLA Corporation	---
• NOVO NORDISK A S ADS	---
• HOME DEPOT INC	---
• AMGEN INC	---
• TEXAS INSTRUMENTS INC	---

*Top five equity holdings per model; in descending order, as a percentage of the portfolio. Individual account holdings may differ. As of June 30, 2020. **This list is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities listed above.**



Source: cnn.com

Will the Economy Overcome This Time?

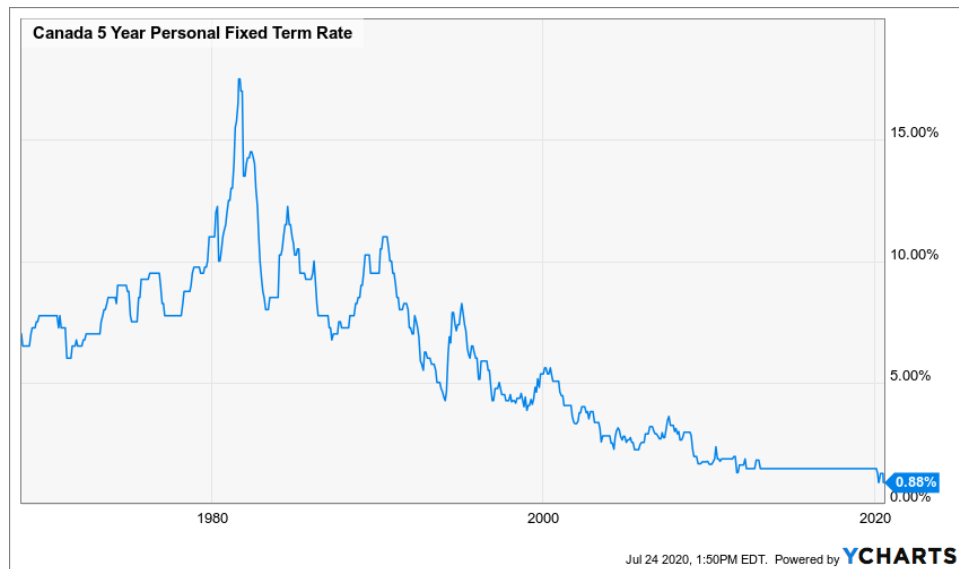
As investors, we must learn to keep our reflexive emotions in check when the market behaves in a way that makes us either excessively greedy or fearful. It is critical to separate any overwhelming emotions that we feel from things that are happening in the market, and we most certainly must not make investment decisions based on gut feelings rather than objective analysis of the fundamental truths that are at play. Fundamental truths do not change—that is what makes them true, their principles are unchanging: like gravity. Gravity is the same for all people and all countries. It does not matter if you are short or tall, and it does not matter if you are liberal, conservative, republican or democrat. On this planet, gravity pulls you to the ground, 100% of the time.

A fundamental truth in regard to investing is that humankind has overcome both external and self-inflicted difficulty throughout history. It has overcome wars, famine, civil unrest and pandemics. Yet today, many worry about the future and, more specifically, their future. So, what is the state of the world today? Poverty is at record low levels, the average level of education and access to infrastructure services (electricity, water, plumbing, sewage) and health care is significantly better than 50 or 75 years ago. Can it be improved? Of course, but what is often lost in “current events” reporting is how much more prosperous the average person is today than in the past, even as world history has been sidetracked by challenges throughout its inexorable march forward. ■

To Make Good Decisions Today—Understand the Lay of the Land

Let's review a few important areas that we should think about as investors when making forward looking decisions.

1) Interest rates are at historical lows and the government is committed to 2% inflation.



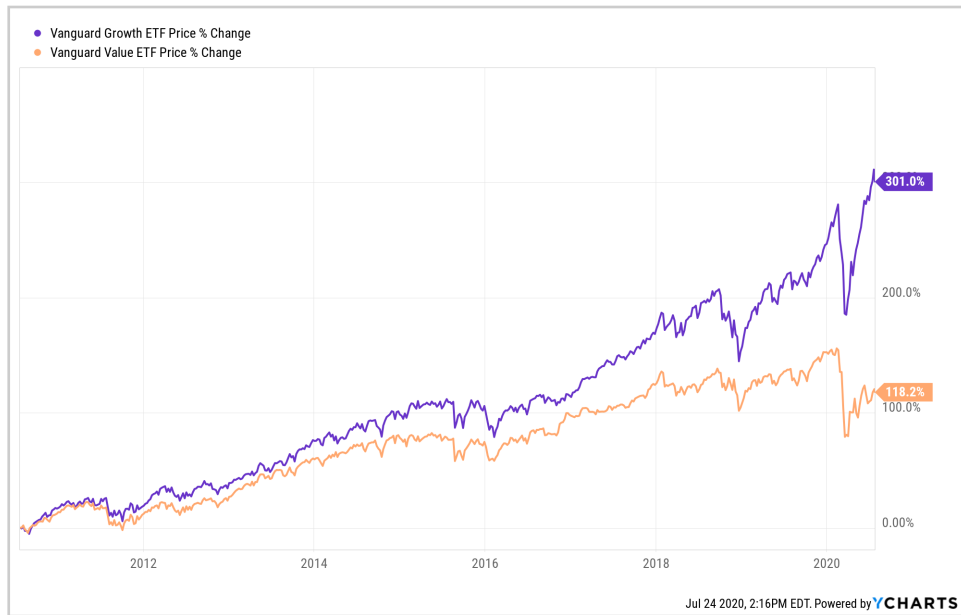
- *What does this mean? A guarantee that you will lose purchasing power over time—it just won't feel like you are losing money. Call it the silent erosion.*
- *So, should you continue to hold cash? For near-term needs the answer is yes; cash is liquid (readily available) and stable.*

2) As a result of point one, bond yields are at historical lows and will not grow capital at a rate greater than inflation over the long-term.

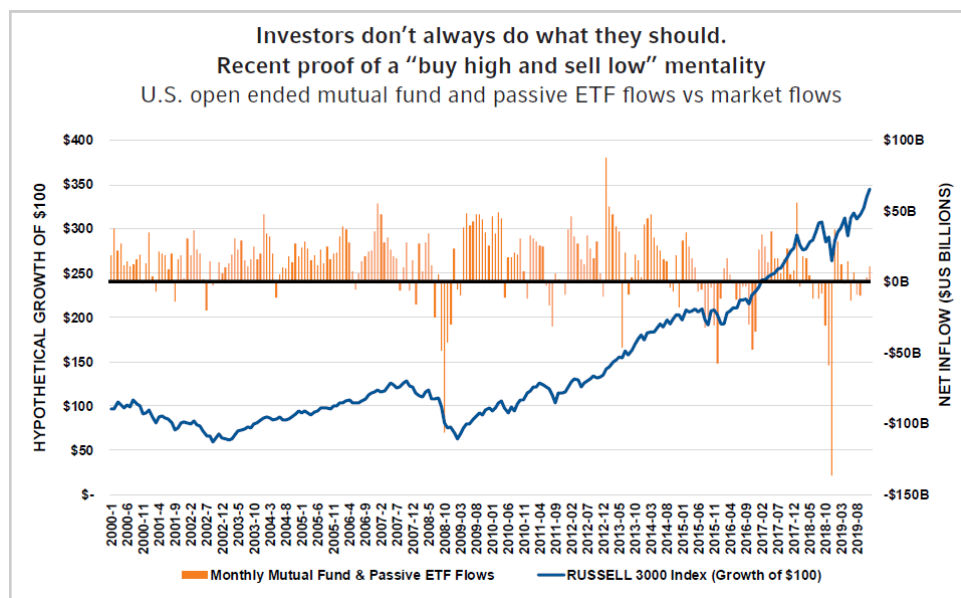


- *Investment grade bonds are still a defensive tool that can provide a measure of insurance in troublesome times. Historically, when stocks go down bonds typically go up.*
- *Bonds still play a role to reduce portfolio fluctuations.*
- *We are keeping our bonds in short-term durations, or in high yield, for now.*

- 3) Growth investing has widely outperformed value investing over the past 10 years. It looks like it will never end, which basically signals that it must.



- *Nothing lasts forever, diversify and rebalance as we do in our mandates. Being diversified means that you never own all of one thing or style so you are never 100% right, but more importantly—you are never 100% wrong!*
- 4) Dividend yields and capital gains are still taxed more favorably than interest income.
- *A 3% dividend yield (eligible dividend income) feels the same after tax as a 4% GIC (resident of Alberta at the top marginal tax rate), and dividend yields grow over time.*
 - *Capital gains are currently taxed at one half of your tax rate, which is still a great deal. Let's hope it stays around.*
- 5) Expect market corrections and, more importantly, mentally prepare for how you will behave.
- *Investors need to decide in advance on what they will do, because every correction feels "different this time."*
 - *That is why investors often sell when the market goes down (see the orange lines below that fall below the black horizontal line, that is investors selling at low prices in every stock market downturn).*



Source: advisoranalyst.com

- 6) In the table below we see that stock market corrections or markets sell offs are frequent, random, temporary and end without notice. Corrections also end before things get better, every single time.
- *Corrections of 10% or more (Trough Date):*
 - Five times in the 1950s
 - Five times in the 1960s
 - Two times in the 1970s (they were doozies!)
 - Three times in the 1980s
 - Six times in the 1990s
 - Two times in the 2000s
 - Two times in the 2010s
 - One so far in 2020 (not shown on the chart)

Peak Date	S&P 500 (Points)	Trough Date	S&P 500 (Points)	Price Decline	Recovery Date	Peak-to-Trough-to-Recovery Total Days
6/12/1950	19	7/17/1950	17	-14%	9/22/1950	102
1/5/1953	27	9/14/1953	23	-15%	3/11/1954	430
9/23/1955	46	10/11/1955	41	-11%	11/14/1955	52
3/20/1956	49	5/28/1956	44	-10%	7/16/1956	118
8/2/1956	50	10/22/1957	39	-21%	9/24/1958	783
8/3/1959	61	9/28/1960	52	-14%	1/27/1961	543
12/12/1961	73	6/26/1962	52	-28%	9/3/1963	630
5/13/1965	90	6/28/1965	82	-10%	9/27/1965	137
2/9/1966	94	10/7/1966	73	-22%	5/4/1967	449
9/25/1967	98	3/5/1968	88	-10%	4/29/1968	217
11/29/1968	108	5/26/1970	69	-36%	3/6/1972	1,193
1/11/1973	120	10/3/1974	62	-48%	7/17/1980	2,744
11/28/1980	141	8/12/1982	102	-27%	11/3/1982	705
10/10/1983	173	7/24/1984	148	-14%	1/21/1985	469
8/25/1987	337	12/4/1987	224	-34%	7/26/1989	701
10/9/1989	360	1/30/1990	323	-10%	5/29/1990	232
7/16/1990	369	10/11/1990	295	-20%	2/13/1991	212
2/18/1997	816	4/11/1997	738	-10%	5/5/1997	76
10/7/1997	983	10/27/1997	877	-11%	12/5/1997	59
7/17/1998	1,187	8/31/1998	957	-19%	11/23/1998	129
7/16/1999	1,419	10/15/1999	1,247	-12%	11/16/1999	123
3/24/2000	1,527	10/9/2002	777	-49%	5/30/2007	2,623
10/9/2007	1,565	3/9/2009	667	-57%	3/28/2013	1,997
5/21/2015	2,131	2/11/2016	1,829	-14%	7/11/2016	417
1/26/2018	2,873	2/8/2018	2,581	-10%	?	?

Source: Simply Safe Dividends, *Intelligent Income*, March 2018

- *Do you see the pattern? The answer is that there is no pattern. Corrections are frequent, random, temporary and end without notice. Corrections also end before things get better, every single time.*
- 7) Gold? We have always like gold at different times in our portfolios, but to be clear we do not own it because we believe the end times are coming.
- *In Canadian Dividend Income (CDI), the reason we own gold is that Franco Nevada has a rising dividend and rising earnings and it happens to be a gold royalty company. We also own gold producers in our other mandates and will continue to evaluate those companies the same way that we do any others.*
- 8) The Canadian dollar always becomes a topic of interest when it trades at par, or in the low U\$ 0.70 range.
- *As we have mentioned in past missives, we have fully hedged our currency exposure in the following strategies: Income and Dynamic Growth, and have hedged 50% in these others: Income & Growth, Moderate Growth, Dividend Growth and Active Growth. U.S. Dividend Income remains unhedged.*
 - *In simple terms, when we hedge you are only exposed to the return of a foreign stock, bond, or cash in its native currency, when you are unhedged you are exposed to the return of the investment plus or minus the return of the change in currency value.*
 - *When the Canadian dollar rises, and you are unhedged, your U.S. dollar investment return is reduced, and the opposite is true when the Canadian dollar falls.*

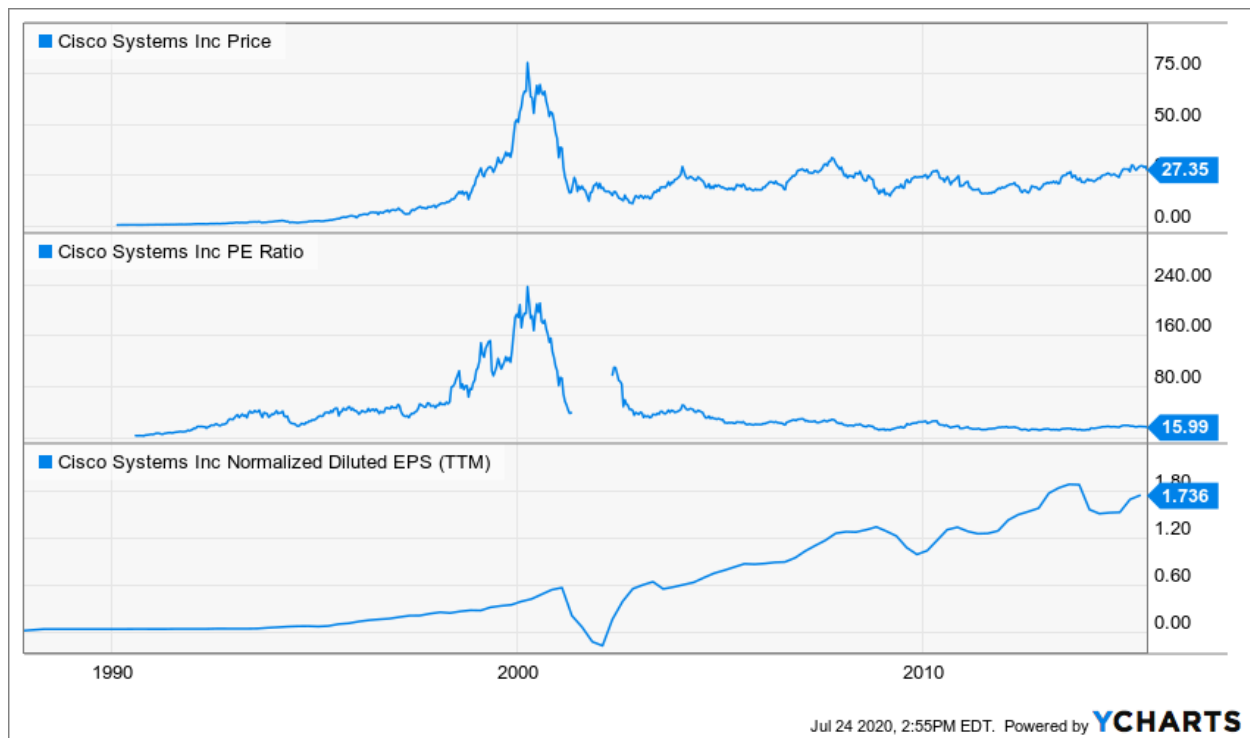
- 9) We save and invest to take care of ourselves and our heirs. In that light, make sure your will expresses your current wishes. Also, make sure that your executor is capable, willing and able—it is a *big* commitment in time and responsibility.
- Have you laid out your legacy goals in your will?
 - Have you communicated your wishes to your children?
 - Not to be flippant, but none of us live forever. Accordingly, enjoy today despite all the problems in the world today as living in Canada is still pretty amazing!
- 10) If you are an accumulator and are saving and investing for long-term goals, spend less than you make and pay yourself first. If you are retired, spend less than you receive from your income sources or, in other words, keep a sustainable withdrawal rate from your portfolio, it will give you peace of mind.

Risk Management: Something to Think About

In the year 2000, Cisco Systems Inc. was a market darling. Its profit line was growing (bottom graph) and its price was skyrocketing as investors were ecstatic about the company. From January 1999 to March of 2000 the stock almost tripled. By 2008 Cisco's earnings per share increased from U\$0.38 per share to U\$1.33, almost 3.5 times, but the stock's price was cut in half twice during that period, going from U\$80 to U\$18. Why did this happen if profits were growing?

The market valuation was unsustainable, investors were no longer willing to wait 240 years to get paid back for one year's worth of earnings (PE ratio), and eventually the PE ratio came back down to earth to a more normal 16 times.

What does that mean as it relates to 2020? It means that at some point valuations do matter and that even great companies can become bad stocks to own. ■



R&R Investment Partners' Strategies

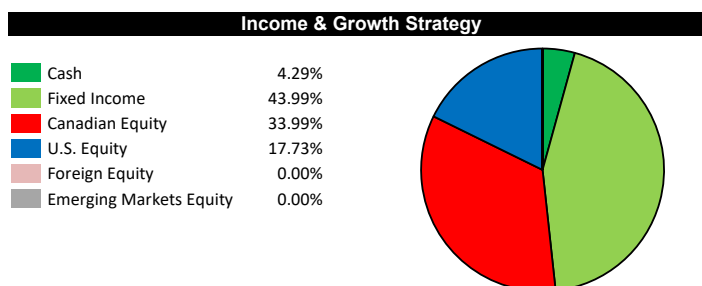
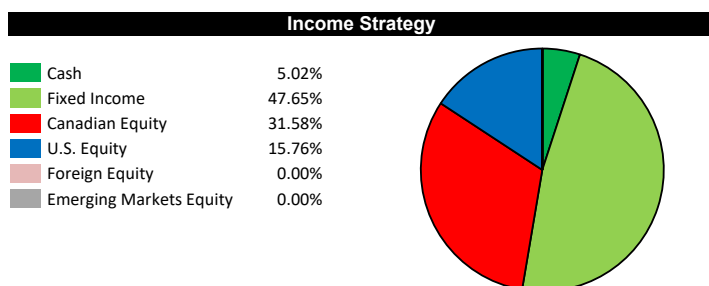
Broad Strategy Comments

It has been a choppy market environment so far in 2020, and our balanced mandates have managed the market fluctuations better than our all equity mandates—this is not a surprise. In addition, our North American Active Growth mandate has lagged all other strategies as mid-sized Canadian companies have underperformed, but we expect this to change over time. We continue to recommend that clients have exposure to a few different mandates to smooth out returns over time as not all things stay in favour or out of favour forever.

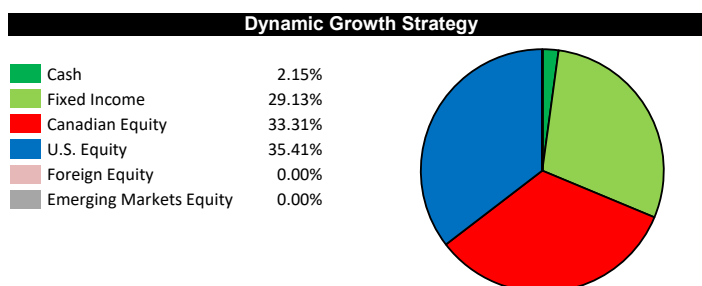
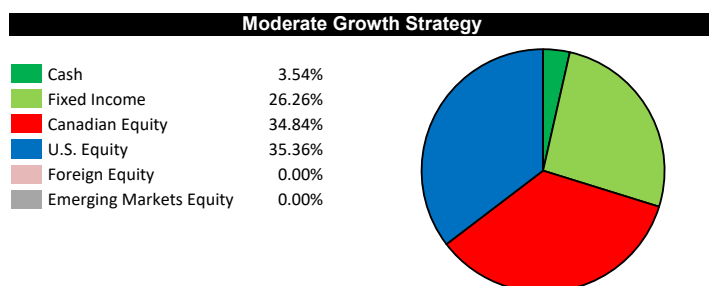
We continue to focus on a few approaches in our strategies:

- Owning companies that have growing earnings and dividends, with a sustainable ability to pay those dividends.
- Limiting the exposure we have to any one company while trying to not overdiversify.
- Owning investment grade bonds that will balance portfolios.
- Hedging currency risk when appropriate.
- Having diverse approaches, e.g. Dividend Growth focuses on dividend paying stocks, Active Growth focuses on growth that may or may not have a dividend.

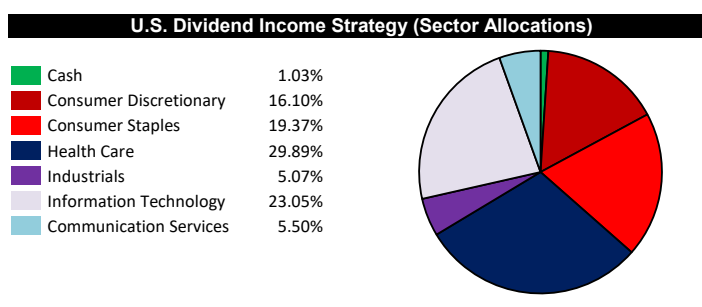
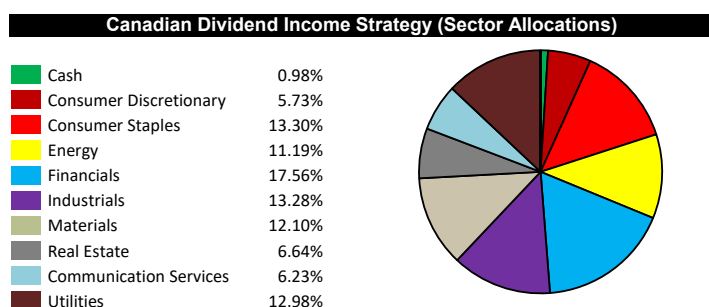
Balanced Mandates (50% Equity/ 50% Fixed Income)



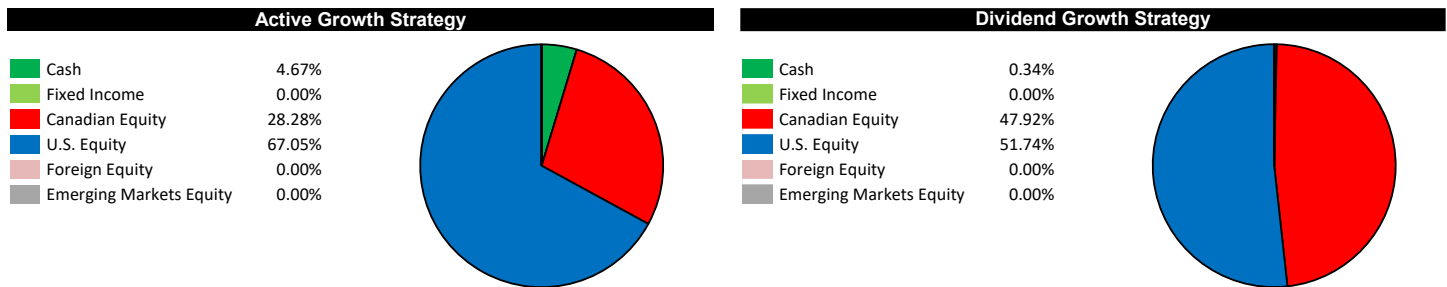
Balanced Mandates (70% Equity/ 30% Fixed Income)



All Equity Mandates (100% Equity with a Single Country Focus)



All Equity Mandates (100% North American Equity)



*The asset and sector allocations shown are as of June 30, 2020.

**The asset and sector allocations shown are per model; individual account holdings may differ.

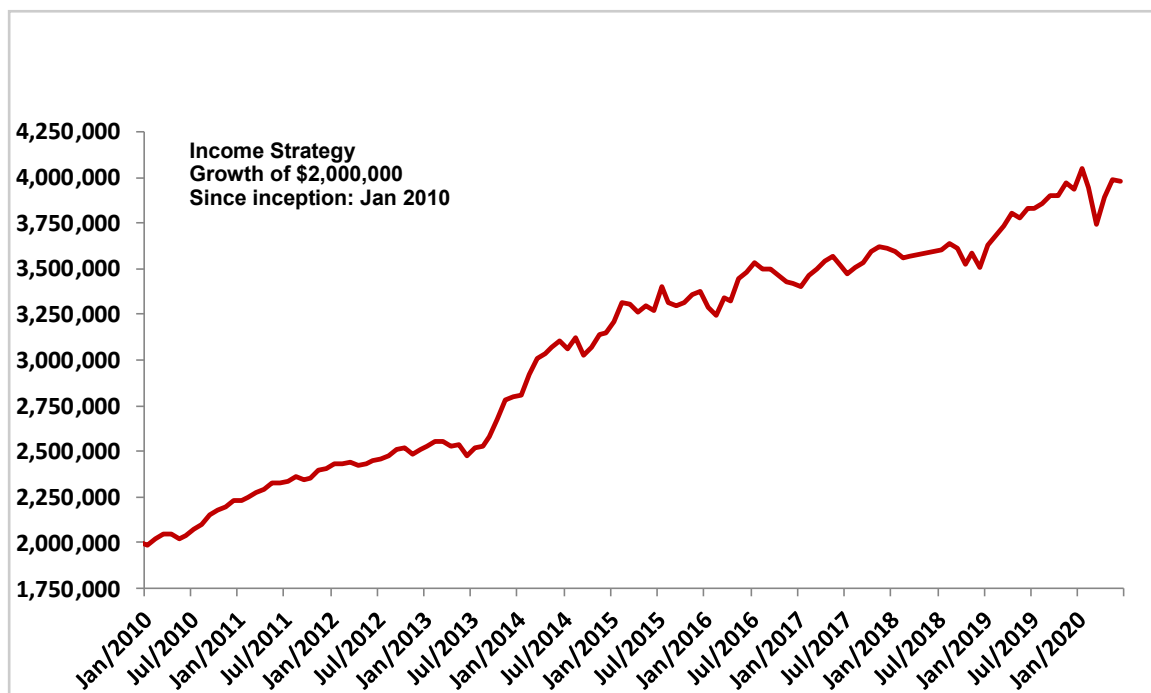
Upcoming Webinar

Income Solutions: Structured Notes

We have discussed structured notes with many clients as a way to generate potential returns in up and sideways markets. They are a solution that allows you to express a market view and have a known end to the investment. Structured notes are not stocks, bonds, nor GICs, they are rules-based investments that pay a potential income or coupon when certain conditions are met and, as all investments do, they have certain risks attached to them. We see notes fitting into bucket two (see the diagram at the top of page 10) and will be hosting a webinar in September to educate our clients on these income solutions.

Balanced Strategy Focus: Income Strategy

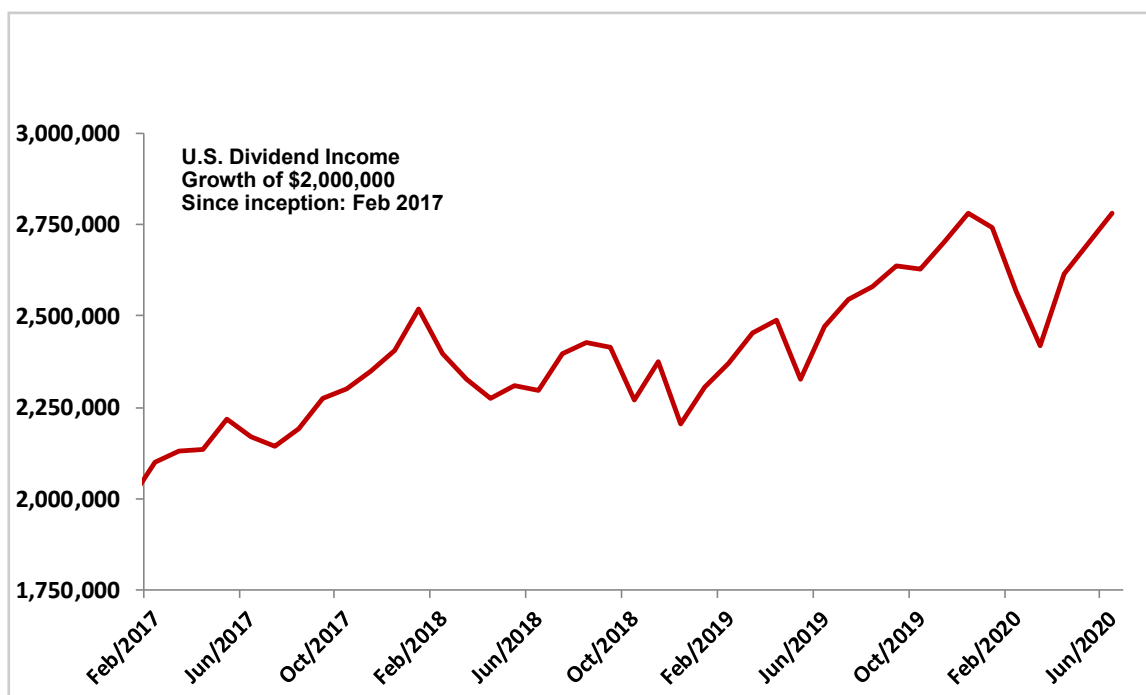
A balanced 50% stock 50% bond mandate that is designed for the conservative pension-like investor. With offense (stocks) and defense (bonds) equally weighted, the mandate is designed to deal with the unknown future.



Source: AMA Program, gross of fees. As of June 30, 2020.

All Equity Strategy Focus: U.S. Dividend Income

A mandate focused exclusively on the U.S. that owns large companies that pay sustainable dividends. The strategy is designed to pay a growing dividend income and is expected to lag in hot up markets and be more defensive in market selloffs due to its focus on defensive names. The portfolio is always 100% exposed to the U.S. dollar. ■



Source: AMA Program, gross of fees. As of June 30, 2020.

Composite Performance Summary

Balanced Mandates with a Canadian Equity Focus	2020 YTD	5 Year*	10 Year*
Income	1.11%	3.99%	6.95%
Income & Growth	-0.87%	3.97%	7.35%
North America Balanced Mandates	2020 YTD	5 Year*	10 Year*
Dynamic Growth	-0.12%	5.57%	6.62%
Moderate Growth	1.18%	4.69%	8.13%
North America Equity Mandates	2020 YTD	5 Year*	10 Year*
Active Growth	-11.22%	2.70%	8.03%
Dividend Growth	-4.11%	6.27%	9.91%
Single Country All Equity Mandates	2020 YTD	5 Year*	10 Year*
Canadian Dividend Income	-5.46%	4.60%	7.65%
U.S. Dividend Income	-0.04%	N/A	N/A

Source: AMA Program. All returns are gross of fees. As at June 30, 2020. *Values in percentage are annualized for periods of more than twelve months. Methodology disclaimer, "AMA Composite Performance", can be found on the last page.

Conclusions:

- Continue to deal with the unknown future by managing your buckets appropriately.



- Be a long-term optimist, investors have a tendency to focus too much on the here and now and overlook the long-term, things will work out.
- Expect volatility and decide how you will behave in advance.
- If you need to rebalance to decrease your equity and increase your cash, now is the time to do it, it was not March 23, 2020.

Thank you for your trust and for the introduction of your family and friends so far in 2020, we take all introductions you make to us as an extension of our relationship with you and will ensure that our interaction reflects well on you whether we are able to serve them, or if we are just providing a second opinion.

We are here to answer any questions you may have. ■

R&R Investment Partners

Model Portfolio Strategy

Risk Management and Transparency

The portfolio is focused on 30 to 40 equities, yet diverse over asset classes in order to profit and protect.

We screen over 3,600 stocks and trusts daily according to our proprietary approach. Stocks that fail to meet our disciplined criteria are sold immediately.

We will have no more than 5% invested in any one company, we have no corporate buy lists to follow and we can own what we truly desire.

Your account is not a mutual fund, but individually segregated where you can see all holdings and transactions daily through your online access.

Market Timing and Big Picture Outlook

We are not market timers and prefer to be fully invested in equities for the portion of your portfolio that is allocated to this asset class. However, we are dynamic and change stock positions frequently as our buy and sell signals warrant. We find that the best quality companies have the best potential to outperform over time if they were bought at the right price.

Our research and experience has taught us it is better to be invested with a dynamic sell discipline through all market cycles to achieve superior long-term returns. History has proven that your asset allocation is also very important. To this end, we review your asset allocation on a yearly basis to ensure it remains suitable for your present circumstances.

Our strategies allocate between ETFs, stocks, bonds and cash. They are constantly reviewed and modified according to our *big picture* macro outlook. We utilize a dynamic sell discipline to manage individual position risk and will change holdings frequently as our buy and sell signals warrant. Our research has indicated that superior long-term returns are achieved through a commitment to discipline and a sound personal asset allocation, which we construct personally for each client.

Investment Objective

Our return objective is for each strategy to beat their respective benchmark over a rolling five-year period.

Randy B. Yozipovic

Senior Portfolio Manager, First Vice-President

Ian S. Munro

Portfolio Manager, Investment Advisor

www.rrip.ca

AMA Composite Performance:

Performance results set out in this document are based on a composite of CIBC Wood Gundy Advisor Managed Accounts ("AMA") with more than \$75,000 invested in a specified investment strategy managed by the AMA Portfolio Manager. Composite inception date is based after the second month the first AMA account opened in the strategy. The subsequent AMA accounts in the strategy are included after second month following their inception. Also included in the composite are closed AMA accounts that held the strategy, up to the last full month the Strategy was held.

Composite performance returns are geometrically linked and calculated by weighting each AMA account's monthly performance, including changes in securities' values, and accrued income (i.e. dividends and interest), against its market value at the beginning of each month, as represented by the market value at the opening of the first business day of each month. Performance returns are expressed in stated strategy's base currency and are calculated based on gross of fees.

Individual account performance results for clients of AMA invested in the Strategy may also materially differ from the performance results set out in this document, which are based on the Composite, due to the factors described above, and other factors such as an account's size, the length of time the Strategy has been held, cash flows in and out of the individual AMA client account, trade execution timing, market conditions and movements, trading prices, foreign exchange rates, specific client constraints and constraints against purchasing securities of related and connected issuers to CIBC Wood Gundy.

12 The equity securities of this company are subordinate voting shares.

2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.

2c CIBC World Markets Inc. has managed or co-managed a public offering of securities for this company in the past 12 months.

2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.

2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

3a This company is a client for which a CIBC World Markets company has performed non-investment banking, securities-related services in the past 12 months.

3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.

7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.

9 An executive committee member or director of Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household is an officer, director or advisory board member of this company or one of its subsidiaries.

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Randy Yozipovic and Ian Munro are Investment Advisors with CIBC Wood Gundy.

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