2019 Year-End Strategy Update

Executive Summary

1) **After the market's roller coaster ride at the end of 2018, 2019 reminded investors that having a plan and sticking to it in times of market stress pays off.**
   - **Behaviour really does matter.**
2) **2019 also reminded investors that the best way to free up time in their lives is to stop watching or reading economic forecasts. Printed forecasts are best used as kindling for the fireplace.**
3) **Sensible investment and wealth management is much like eating healthy and staying fit. The best programs are simple and not very exciting. Excitement is best found outside of the market.**
4) **It is not more information we need, but more context, wisdom and thoughtfulness. The information age is one of distraction. Everyone wants your "clicks" on the internet and they will do anything to get your attention!**
5) **Wealth management is more about defense and avoiding the "Big Mistake" than hitting the odd home run while predominantly suffering strikeouts.**
6) **The basics never change:**
   - **Economies grow over time no matter who is President or Prime Minister.**
   - **Good companies prosper.**
   - **We should always have an emergency fund.**
   - **We should always spend less than we make.**
   - **Remember to invest in relationships—they generate a great return.**
   - **Health is invaluable.**
   - **Investing is not a race to beat something or someone, it is about achieving your personal goals.**
7) **Let's remind ourselves that markets do fluctuate. Expect it like the seasons. Add money to your accounts when your account is down and always have cash set aside for your near-term spending.**
8) **Diversification means you will always have some investment that is not leading the pack.**
9) **After a short-lived small uptick, interest rates continue to hover at historically low levels, REGARDLESS—keep your debts manageable should rates rise.**
10) **Debt is the proverbial double-edged sword. Use it wisely and in moderation; otherwise it can, and will, become an oppressive liability.**

Top Five Equity Holdings per Strategy*

Income	Disclaimers
EMERA INCORPORATED	2g,7
TC ENERGY CORP	2g,7
CAPITAL POWER CORPORATION	2a,2c,2e,2g,9
ALGONQUIN POWER UTILITIES CORP	2a,2c,2e,2g
TORONTO DOMINION BANK	2a,2c,2e,2g,3a,3c,6b,7
Income & Growth	
ROYAL BANK OF CANADA	2a,2c,2e,2g,3a,3c,7
TORONTO DOMINION BANK	2a,2c,2e,2g,3a,3c,6b,7
SUNCOR ENERGY INC	2a,2c,2e,2g,7
CANADIAN PACIFIC RAILWAY LTD	2a,2c,2e,2g,3a,3c,7,9
TC ENERGY CORP	2g,7
Moderate Growth	
HCA HEALTHCARE INC	---
AUTOZONE INC (NEV)	---
MASCO CORP	---
EMERA INCORPORATED	2g,7
TORONTO DOMINION BANK	2a,2c,2e,2g,3a,3c,6b,7
Dividend Growth	
MICROSOFT CORP	---
ROYAL BANK OF CANADA	2a,2c,2e,2g,3a,3c,7
TORONTO DOMINION BANK	2a,2c,2e,2g,3a,3c,6b,7
PFIZER INC	---
PEPSICO INC	---
Active Growth	
AUTOZONE INC (NEV)	---
MASCO CORP	---
ELEMENT FLEET MANAGEMENT CORP	2a,2c,2e,2g
HCA HEALTHCARE INC	---
CRESCENT POINT ENERGY CORP	2a,2e,2g
Dynamic Growth	
ROYAL BANK OF CANADA	2a,2c,2e,2g,3a,3c,7
TORONTO DOMINION BANK	2a,2c,2e,2g,3a,3c,6b,7
SUNCOR ENERGY INC	2a,2c,2e,2g,7
MANULIFE FINANCIAL CORP	2g,7
ENBRIDGE INC	2a,2c,2e,2g,7
Canadian Dividend Income	
BANK OF NOVA SCOTIA (THE)	2a,2c,2e,2g,3a,3c,7
QUEBECOR INC CL B	12,2g
FRANCO-NEVADA CORP	2a,2e,2g,7
ALGONQUIN POWER UTILITIES CORP	2a,2c,2e,2g
CAE INC	2g,9
Canadian Growth	
CRESCENT POINT ENERGY CORP	2a,2e,2g
AIR CANADA	2g,C38
BRP INCORPORATED	12,2g
ATCO LTD CL I	13
PARKLAND FUEL CORP	---
U.S. Dividend Income	
KLA Corporation	---
TEXAS INSTRUMENTS INC	---
NOVO NORDISK A S ADS	---
MCDONALDS CORP	---
AMGEN INC	---

*Top five equity holdings per model; in descending order, as a percentage of the portfolio. Individual account holdings may differ. As of December 31, 2019. ***This list is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities listed above.***

Mr. Market

The final quarter (three months) of 2018 saw the S&P/TSX Composite Index fall by 10.11%, and the S&P 500 fall by 13.52%. After the year had ended, we commented that after a tough quarter markets historically rebound the next year, on average, by 17% (see chart to the right).

S&P/TSX Total Return Index (Period: Jan. 1969 to Sep. 2018)					
10 Worst Quarters	Performance	Following Quarter	Following Year	Following 3 Years (Annualized)	Following 5 Years (Annualized)
Q3 1998	-23.5%	16.0%	25.9%	8.3%	7.4%
Q4 2008	-22.7%	-2.0%	35.1%	13.2%	11.9%
Q3 1981	-19.4%	5.1%	-10.4%	13.1%	14.0%
Q2 1970	-18.6%	13.2%	27.5%	15.9%	9.3%
Q4 1987	-18.3%	5.7%	11.1%	4.7%	4.9%
Q3 2008	-18.2%	-22.7%	0.5%	2.7%	4.8%
Q1 1982	-17.7%	-12.7%	42.6%	23.0%	23.2%
Q3 1974	-16.5%	2.9%	23.2%	11.7%	21.8%
Q2 1974	-16.1%	-16.5%	10.0%	5.9%	15.4%
Q1 2001	-14.5%	2.1%	4.9%	6.0%	11.7%
Average	-18.6%	-0.9%	17.0%	10.5%	12.5%

Source: National Bank | Investments

Understandably, many investors were skeptical of such a claim, especially in Canada, as there seemed to be no compelling reasons why markets might rise. People were worried about Trump, Trudeau, elections, pipelines, oil and gas, China, Brexit, etc.

What 2019 proved was that Mr. Market is always an emotional fellow in the short-term, where prices change more than profits. What this means is if markets get cheaper, like they did at the end of 2018, and earnings do not collapse, markets should go higher moving forward. Simply put, markets rise over time because corporate profits rise over time, while investors' emotions fluctuate with regularity and that is why stock prices change much faster than profits.

Current Concerns:

With the runup in markets, investors are now concerned and the venerable Wall Street Journal published the following headline "Bull Market Shows Signs of Aging" that, unsurprisingly, is causing a lot of people to become worried! Should they move to cash and get defensive?

But wait! This headline was published in December 2009—more than 10 years ago! Since then the economy and markets have risen substantially. The point is that there is always someone calling for something bad to happen, even at what turns out to be the start of a long up cycle. Accordingly, we encourage you to establish a long-term plan and avoid forecasts like this one from June 2011, where a prominent forecaster, David Rosenberg, was quoted in Fortune magazine, "Another recession is coming and soon." According to Fortune, Mr. Rosenberg further mentioned that he was 99% sure that we would have a other recession by the end of [2012].

We do not mean to beat up on these people, we are simply trying to assert that staying focused is key to achieving your goals and that it is not necessary to have a "view" into the market's future to do so. Forecasters are simply trying to be heard and get noticed in an overcrowded field, which usually requires saying something audacious, dubious, and of course, dramatic! ■

The Key to Happiness!

The finance industry talks a lot about what to do, but not enough about what happens in your head and your stomach when you try to follow through with it. Like the tempting siren song heard by Ulysses and his sailors in Greek mythology, pulling them and their ship to their own demise, the solution for them was to plug their ears with beeswax and to tie Ulysses to the ship's mast! We certainly are not suggesting that you take such drastic measures to keep from hearing the media's "siren song", but you could try a media fast and that will accomplish the same thing!

Ulysses and the Sirens, John William Waterhouse (Public Domain)

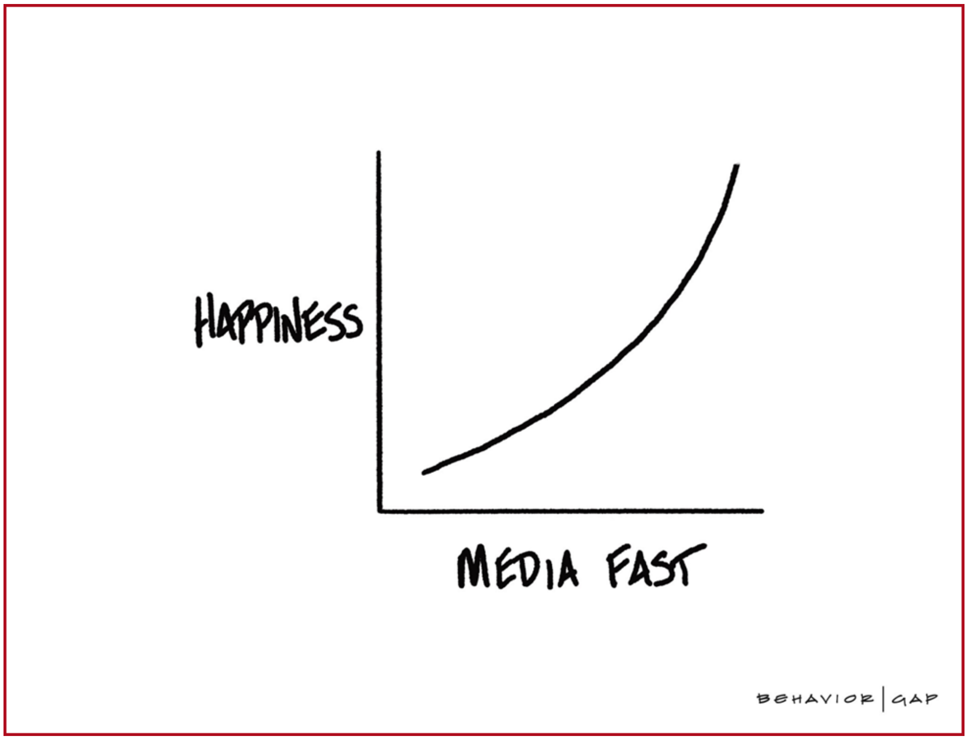
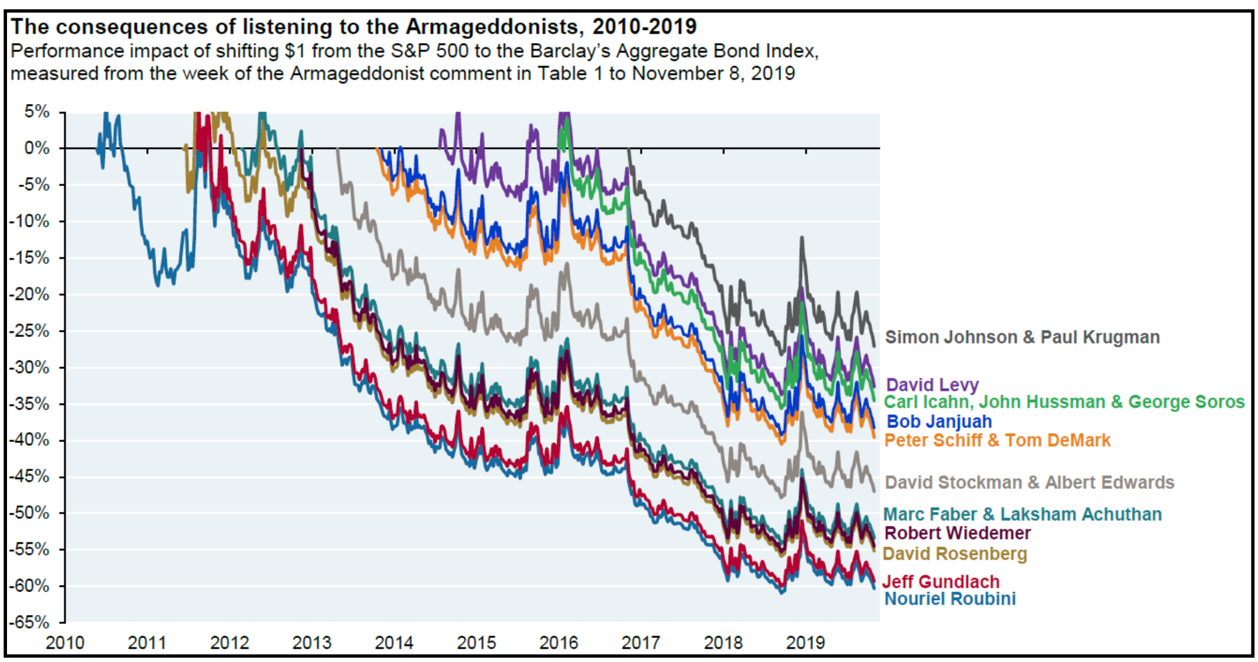


Image source: behaviourgap.com

In fact, today's media, in its need for attention, forgets (but most likely ignores) that the biggest cost in investing is not fees or taxes, it is the emotional price exacted by markets in times of stress or euphoria that pulls investors off track. It is also the lack of recognition that the incredibly simple, but boring, concept of modest compounding is a true wealth builder.

Case in point: Following the doomsayers and the "hot" crisis of the moment would not have worked out so well in the last decade:



Source: Eye on the Market, *Michael Cembalest, J.P. Morgan*

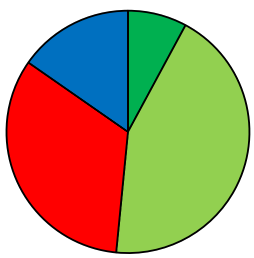
R&R Investment Partners' Strategies

Annualized Returns (%)	2019	5 Years*	10 Years*
Canadian Focused Balanced Strategies			
Income	12.31	4.56	7.01
Income & Growth	15.27	5.12	7.56
Global Balanced Strategies			
Moderate Growth	14.75	5.94	8.03
Dynamic Growth	17.42	6.66	6.04
Canadian Equity Strategies			
Canadian Dividend Income	19.55	5.44	8.42
Canadian Growth	13.97	7.19	6.96
North American Equity Strategies			
Dividend Growth	19.79	8.16	10.27
Active Growth	14.45	7.88	8.73
U.S. Equity Strategy			
U.S. Dividend Income	26.12	N/A	N/A

All returns are gross of fees. As at December 31, 2019. *Values in percentage are annualized for periods of more than twelve months.
Methodology disclaimer, "AMA Composite Performance", can be found on the last page
Source: AMA Program

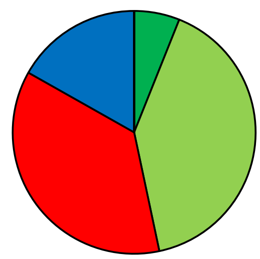
Income Strategy

Cash	7.86%
Fixed Income	43.69%
Canadian Equity	33.15%
U.S. Equity	15.30%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



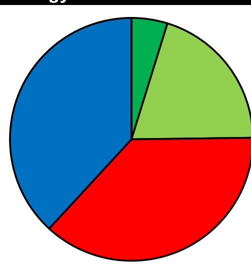
Income & Growth Strategy

Cash	6.06%
Fixed Income	40.61%
Canadian Equity	36.51%
U.S. Equity	16.82%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



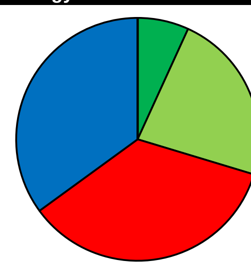
Moderate Growth Strategy

Cash	4.79%
Fixed Income	20.01%
Canadian Equity	37.06%
U.S. Equity	38.15%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



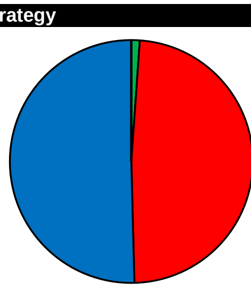
Dynamic Growth Strategy

Cash	6.82%
Fixed Income	22.85%
Canadian Equity	35.31%
U.S. Equity	35.02%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



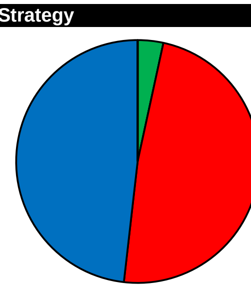
Active Growth Strategy

Cash	1.12%
Fixed Income	0.00%
Canadian Equity	48.48%
U.S. Equity	50.40%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



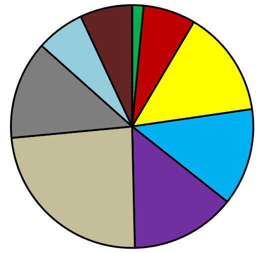
Dividend Growth Strategy

Cash	3.41%
Fixed Income	0.00%
Canadian Equity	48.40%
U.S. Equity	48.19%
Foreign Equity	0.00%
Emerging Markets Equity	0.00%



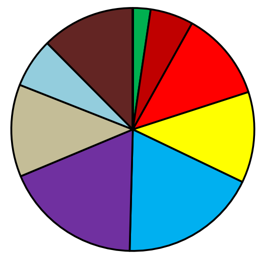
Canadian Growth Strategy (Sector Allocations)

Cash	1.52%
Consumer Discretionary	6.99%
Energy	14.20%
Financials	12.93%
Industrials	14.00%
Materials	23.86%
Real Estate	13.08%
Communication Svcs	6.46%
Utilities	6.96%



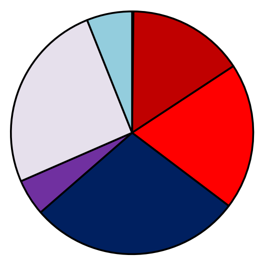
Canadian Dividend Income Strategy (Sector Allocations)

Cash	2.36%
Consumer Discretionary	5.74%
Consumer Staples	11.92%
Energy	12.10%
Financials	18.30%
Industrials	18.29%
Materials	12.28%
Communication Svcs	6.58%
Utilities	12.44%



U.S. Dividend Income Strategy (Sector Allocations)

Cash	0.18%
Consumer Discretionary	15.57%
Consumer Staples	19.54%
Health Care	28.33%
Industrials	4.85%
Information Technology	25.48%
Communication Services	6.05%

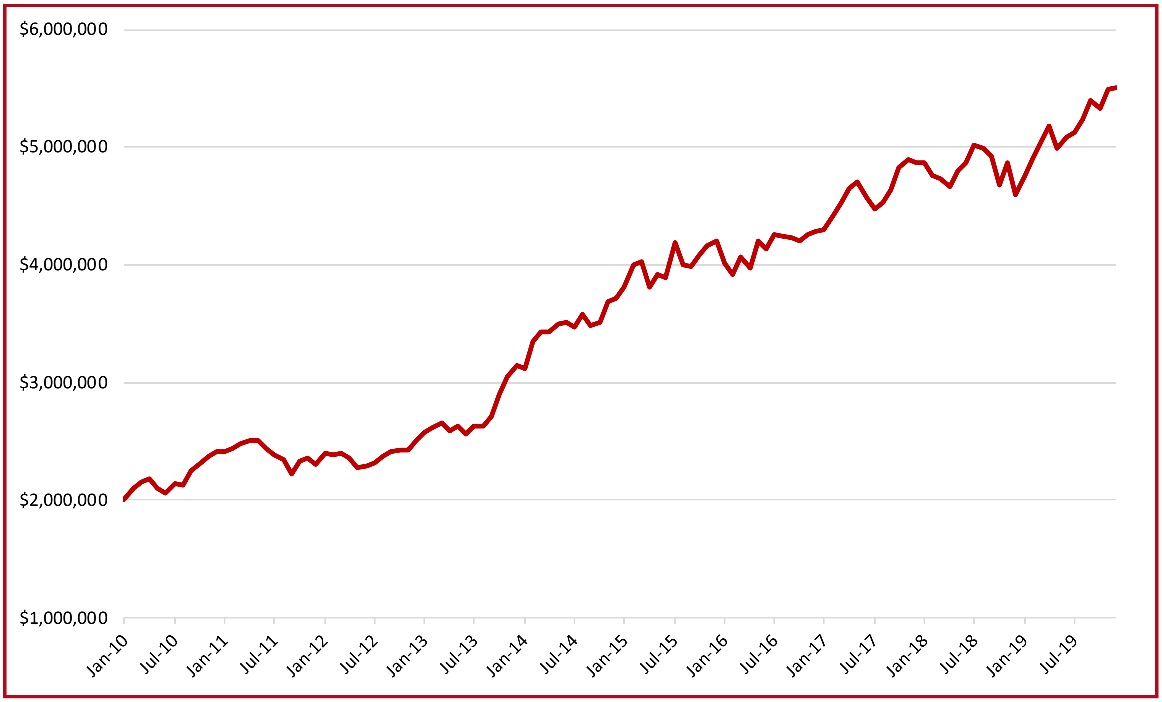


*The asset and sector allocations shown are as of December 31, 2019.
**The asset and sector allocations shown are per model; individual account holdings may differ.

Broad Strategy Comments:

All strategies have had satisfactory returns over the last decade with mandates invested exclusively in equities achieving higher performance and experiencing more fluctuations than balanced mandates like Income and Income & Growth, but that was and is to be expected.

Additionally, over the last decade, while we have been bombarded on many fronts with all kinds of uncertainty, codifying a discipline and sticking to it has worked out quite nicely. As a simple example, the Dividend Growth Strategy has grown $2.0 million to $5.5 million (gross of fees) as shown in the graph below. The key to actually realizing those returns though, has been staying committed in the flat periods, when one would want to cash out, do something different or move their money to something with better performance. Those are the crucial moments for an investor, when the emotions run high and you want to bail. Congratulations to those of you who did not!



Source: AMA Program, gross of fees. As of December 31, 2019. These calculations and projections are for demonstration purposes only. They are based on a number of assumptions and consequently actual results may differ, possibly to a material degree.

The key to maintaining your commitment to a long-term equity bucket is making sure your near-term needs are always in cash and that your debt levels are manageable.

Near-Term Needs

- Cash
- High Interest Savings Account (HISA)
- GICs
- Bond Ladder
- No Volatility

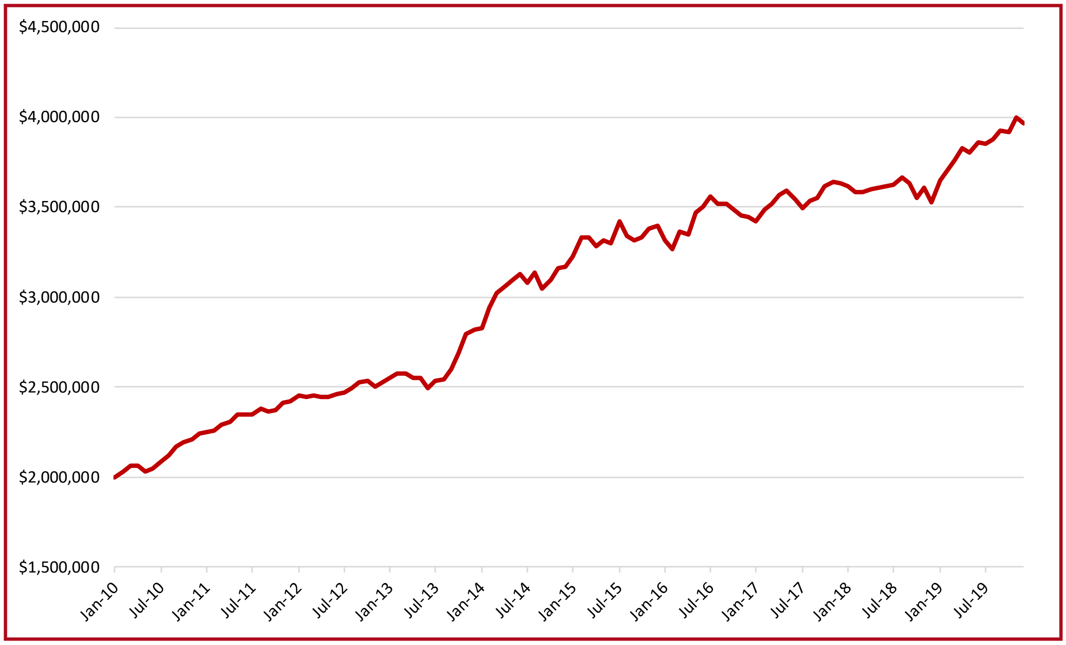
It is also worth reminding investors that when we talk about long-term investment we are talking about sound investments, *not* speculations. To contrast the two is simple. Speculations “sell” a story and require a proverbial leap of faith, and their probability of going to zero can be very high. Investments have a history of growing earnings and good to excellent fundamentals, and although they will fluctuate in value, historically most rise in value over time. We look to allocate your money to quality investments and avoid all fads, manias and speculations.

Speaking of quality, the Dividend Growth Strategy has a current yield of 2.6% and a dividend growth rate of 8.6% (as of Jan 24, 2020). If the dividend continues to grow over time by 8.6% we should expect that capital will grow as well. That is just mathematics. What we do not know is what will happen in the next 12 months, but quite frankly no one does and luckily you do not need to know either to have a successful long-term plan.

What is a sensible plan? A successful long-term plan requires a long-term strategy for growth that focuses on quality investments, and combines a short-term plan that manages your short-term cash requirements in stable safe holdings.

For the investor who prefers less fluctuation the Income Strategy has just completed a 10 year run with the goal of simply doing better than a five year GIC while incurring modest capital fluctuation.

The strategy is 50% equity and 50% bonds, and has achieved a 7.01% (gross of fees) annualized return since inception, however many years saw returns below that and would have caused an impatient investor to move on. As is readily apparent, the capital growth of the Income Strategy has been less than Dividend Growth, but we would also expect that as the Income Strategy has 50% of its portfolio in bonds, which is a great segue to a question we get asked a lot.



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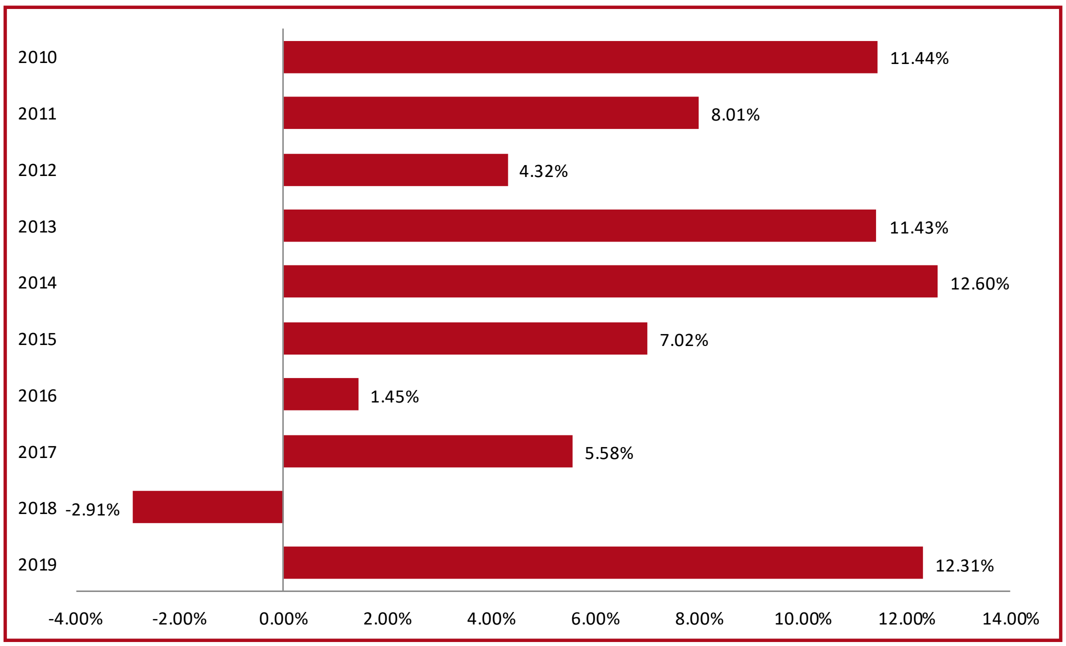

Source: AMA Program, gross of fees. As of December 31, 2019. These calculations and projections are for demonstration purposes only. They are based on a number of assumptions and consequently actual results may differ, possibly to a material degree.

Should an investor continue to own bonds?

The real question should be what are your goals? If your goal is maximum capital growth over the next 30 years and you do not care about fluctuations in your capital then bonds may not provide the level of return that you are expecting. If your goal is to invest for three to five years with modest fluctuation bonds may be more beneficial to consider. Regardless, allocations to any asset class are personal and unique to the circumstances of the individual and should be decided upon with your advisor. ■

Conclusions:

What should one consider going forward?

- Diversify across markets and asset classes to manage risks
- Keep cash for near-term needs
- Manage your spending
- Stay disciplined and maintain a long-term perspective
- Take the daily news with a grain of salt
- Avoid reactive investment decisions based on fear or anxiety
- Don’t try to predict future performance or time the markets
- Develop a sensible investment plan based on a strong philosophy, and stick with it

Thank you and all the best in 2020! ■

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 (excluding the Dynamic Growth Strategy). 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.
13 The equity securities of this company are non-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.
6b A member of the household of a CIBC World Markets Inc. fundamental research analyst who covers this company has a long position in the common equity securities of this company.
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.
C38 The Class A shares of Air Canada are variable voting shares. The Class B shares of Air Canada are converted to Class A shares if they become held by a person who is not a Canadian.