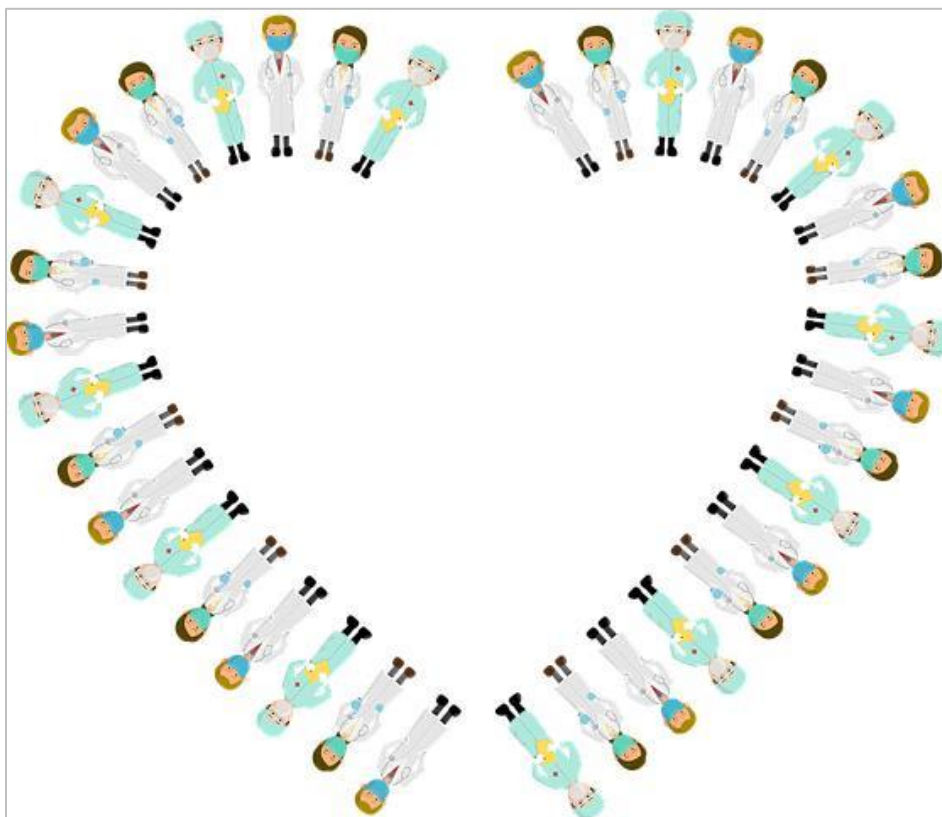


Quarterly Market Update

Q1 2020



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Introduction

There was nowhere to hide in the first quarter of 2020 as the decade-long bull market came to a dramatic and sudden end.

With the novel coronavirus spreading rapidly around the world, stocks fell sharply. Both Canadian and US equities posted double-digit negative returns. The S&P 500 Index fell 19.6%, the S&P/TSX Composite Index dove 20.9%, while our main model Balanced Growth Dividend Growth held up relatively well down 10.9% for the first quarter of 2020.

Bonds were flat in the first quarter of 2020. The Feds eased monetary policy to combat financial market liquidity and credit concerns related to COVID-19 economic shutdowns. However, credit spreads expanded because of ongoing economic uncertainty. Preferred shares ended the quarter down double-digits.

Fiscal and monetary authorities in North America are trying to avoid a deeper financial crisis by providing temporary support to financial markets and businesses. Unlike the financial crisis of 2008/2009, financial institutions in North America are well capitalized and a source of strength in this current crisis.

Our portfolios were not immune—they declined alongside the broader market. In our equity models, our Dividend Growth model underperformed its benchmark by about 90 basis points, while our Yield & Growth model outperformed its benchmark by 1.61%.

We expect market volatility to continue along with ongoing concerns about COVID-19. It could be a matter of weeks or months until the markets recover and people return to their normal activities. No one knows how long it will take or what the world will look like when we get to the other side.

However, we will get through this. At some point, stock markets should return to realistic valuations.

In the meantime, stick with your long-term investing plan:

- If you aren't retired, continue making regular contributions to your investments
- If you are retired and taking money from your portfolio, we will draw cash from bonds to give equities an opportunity to recover

Key Takeaways

Stocks

After a decade run, the bull market came to a dramatic and sudden end in late February 2020. As the coronavirus spread rapidly around the world, stocks fell sharply in Q1 with both Canadian and US equities posting double-digit negative returns. US stocks held up better than Canadian stocks based on US\$, falling 19.60%, while Canadian stocks posted a decline of 20.9%. Ongoing concerns related to COVID-19 will likely result in continuing market volatility. Fiscal and monetary authorities in North America are trying to avoid a deeper financial crisis by providing temporary support to financial markets and businesses. Unlike the financial crisis of 2008/2009, financial institutions in North America are well capitalized and a source of strength in this current crisis. A strong financial system is an important factor for a quick recovery to normal business activity once health experts understand how to combat the virus without the need for strict stay at home orders.

<u>Market Returns:</u>	Q1 2020	2019	2018**
Canadian Stocks	-20.9%	22.9%	-5.4%
US Stocks (in CAD\$)	-13.0%	25.2%	-6.7%

Note: For illustration purposes only.
Source: Refinitiv Eikon R&A

Bonds & Preferred Shares

Bonds were flat in the first quarter of 2020. The Feds eased monetary policy to combat financial market liquidity and credit concerns related to COVID-19 economic shutdowns. However, credit spreads expanded because of ongoing economic uncertainty. Preferred shares ended the quarter down double-digits. Concerns over corporate credit and interest rates resulted in a flight to the safety of cash. We expect bonds and preferred shares to recover gradually from the losses suffered in Q1. Credit conditions should normalize as policymakers spare no expense to ensure that financial markets function properly and liquidity flows where required.

<u>Market Returns:</u>	Q1 2020	2019	2018**
Bonds	-0.2%	6.9%	1.1%
Preferred Shares	-22.8%	3.4%	-2.0%

Note: For illustration purposes only.
Source: Refinitiv Eikon R&A

****Key takeaways continued on the next page****

Our Models

There was nowhere to hide as financial markets sold off from their peak on February 20th. Our portfolios were not immune—they declined alongside the broader market. Growth and credit concerns inspired by COVID-19 economic shutdowns affected both our bond models. These models carry a higher percentage of credit risk and lower duration (average maturity) than our bond benchmark. At the time of writing, we are seeing early signs that credit concerns are subsiding and longer duration bonds are selling off with large sovereign debt financing.

We made more changes in our equity models than typical in a quarter. We took advantage of market volatility to rebalance models and upgrade positions. When the market fell 10%, 20% and then ultimately 30%, we added stocks at each interval by sourcing cash from our cash position or selling an existing bond position. For example, in our main Balanced Growth portfolios, we moved 7% of the portfolio from cash and bonds to equity in late February and early March. In the Dividend Growth (DG) portfolio, we sold FedEx and Carnival while purchasing Tyson Foods, Medtronic and CAE. In our Yield & Growth portfolios, we sold Royal Dutch Shell and Brookfield Infrastructure and purchased Gilead Sciences, Cisco Systems, Sysco and Bank of Nova Scotia. Also, of note are two corporate reorganizations: Power Financial converted our existing position into shares of Power Corporation plus the Board of Directors of Telus announced a two-for-one share split.

For information on model returns please email Adam at adam.mchenry@manulifesecurities.ca

Model Portfolio Management Philosophy

Model Portfolio Objectives for Dividend Growth and Yield & Growth:

We designed both of the 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 = ~15-20 stocks (~10 Canada, ~10 US), dividend growth target +6%/yr

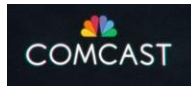
Yield & Growth (Y&G):

- Equity allocation = ~15-20 stocks (~10 Canada, ~10 US), dividend growth target +0%/yr, dividend yield target +2.5%

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

- 14 models with different asset allocation based on risk and return objectives including Capital Preservation, Income, Balanced Income, Balanced Growth, Growth and All Equity
- Zero embedded cost
- Fixed Income allocation = ~4-9 bonds, ~2-3 preferred shares, investment grade credit, short and laddered duration (<7 years)
- Diversify by geography, sector and style
- Large capitalization ("Blue Chip")

Our Dividend Growth Investments Include:



*****Note: Equity Security logos only.***

Dividend Growth: Stocks We Own

DG All Equity Portfolio (2018-12-01 to 2020-03-31)

Issue Name	Portfolio Weight	Dividend Yield	Dividend Growth Hist 5 YR	P/E - Forecast 12- Month	Financial Leverage (Net Debt/EBITDA)
Equity					
Medtronic Ord Shs	5.9%	2.18	12.3%	17.41	1.40
Bank of New York Mellon Ord Shs	4.4%	3.48	12.3%	9.64	
Morgan Stanley Ord Shs	4.4%	3.56	30.0%	8.74	27.79
Tyson Foods Ord Shs Class A	2.7%	2.88	38.0%	8.88	2.76
Union Pacific Ord Shs	5.1%	2.59	15.4%	16.58	2.24
UnitedHealth Group Ord Shs	6.5%	1.61	24.1%	15.61	1.33
Algonquin Power Utilities Ord Shs	6.3%	4.12	11.7%	19.01	5.93
CAE Ord Shs	7.5%	2.37	12.1%	19.80	2.99
Empire Ord Shs Class A	7.6%	1.53	4.9%	14.28	3.84
Enbridge Ord Shs	4.3%	8.14	16.1%	15.18	5.50
Manulife Financial Ord Shs	6.3%	6.53	11.9%	5.67	
Quebecor Ord Shs Class B	5.0%	2.69	51.0%	12.77	3.33
Toronto Dominion Ord Shs	5.1%	5.27	9.5%	9.33	14.33
TC Energy Ord Shs	7.3%	5.01	9.1%	15.93	5.86
Comcast Ord Shs Class A	7.1%	2.44	13.3%	12.33	2.97
Intact Financial Ord Shs	6.4%	2.40	9.6%	16.56	1.53
Broadcom Ord Shs	5.5%	4.98	56.5%	11.48	3.86
Cash & Equivalents					
Canadian Dollar	2.5%	0.0	-	-	-
Langill & McHenry All Equity DG Portfolio	100.0%	3.4	18.3%	12.48	5.26

Note: Total Returns exclude sold or matured position, which may result in the sum of position performance differing from the aggregate total, which is inclusive of all historical and curr

Note: For illustration purposes only.

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

Source: Refinitiv Eikon R&A

Dividend Growth: Bonds & Preferred Shares We Own

Capital Preservation Portfolio DG (2018-12-01 to 2020-03-31)

Issue Name	Portfolio Weight	Price - Close	Maturity/Reset Date	Yield
Bonds				
NEWLF 2.300 06/02/25 ReOpened	9.84%	102.41	2-Jun-25	1.98
CWB 2.751 06/29/20 ReOpened	8.88%	100.89	29-Jun-20	2.30
MAITB 1.550 09/05/21 ReOpened	5.67%	101.23	5-Sep-21	0.78
ALBTA 2.200 06/01/26 Bond ReOpened	9.84%	102.44	1-Jun-26	1.92
PPLX 2.990 01/22/24 '23 MTN ReOpened	9.33%	97.13	22-Jan-24	4.01
CMHT 2.350 06/15/27 ReOpened	10.39%	108.17	15-Jun-27	1.27
CMHT 1.750 06/15/22 ReOpened	9.89%	102.90	15-Jun-22	0.67
MFC 3.317 05/09/28 '23 FRN Sub Deb	9.73%	101.29	9-May-23	2.27
CMHT 2.100 09/15/29 ReOpened	4.25%	106.14	15-Sep-29	1.42
Preferred Shares				
Brookfield Renewable Partners Series 7 Pref Shs Class A	4.10%	21.54	1-Jun-21	6.38
Empire Life Insurance Company Non Cumulative Rate Reset Pref Shs Series 1	3.82%	21.50	18-Apr-21	6.69
TC Energy Cumulative redeemable min rate first Pref Shs Series 15	3.68%	21.70	31-May-22	5.65
Capital Power Cumulative Rate Reset Pref Shs Series 11	1.81%	22.60	1-Jul-24	6.36
Cash & Equivalents				
Canadian Dollar	8.75%	-	-	0.00
Langill & McHenry Capital Preservation DG Portfolio	100.00%	-	3.83	2.75

Note: For illustration purposes only.

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

Source: Refinitiv Eikon R&A

Our Yield & Growth Investments Include:



*****Note: Equity Security logos only.***

Yield & Growth: Stocks We Own

Y&G All Equity Portfolio (2019-08-01 to 2020-03-31)

Issue Name	Portfolio Weight	Dividend Yield	Dividend Growth Hist 5 YR	P/E - Forecast 12- Month	Financial Leverage (Net Debt/EBITDA)
Equity					
Cisco Systems Ord Shs	6.71%	3.4	13.87%	13.04	
Emerson Electric Ord Shs	5.82%	3.8	2.65%	15.54	1.13
Gilead Sciences Ord Shs	6.81%	3.6		11.77	0.04
International Business Machines Ord Shs	5.86%	5.4	8.63%	9.12	2.81
Johnson & Johnson Ord Shs	7.47%	2.7	6.32%	16.08	0.27
3M Ord Shs	5.55%	3.9	10.99%	16.84	2.06
Pfizer Ord Shs	6.44%	4.4	6.72%	11.72	2.22
Sysco Ord Shs	5.35%	3.8	5.64%	13.40	2.35
Telus Ord Shs	2.91%	10.4	8.40%	15.85	3.19
BCE Ord Shs	5.72%	5.8	4.87%	16.21	2.59
Bank of Nova Scotia Ord Shs	3.30%	6.4	6.39%	8.04	11.86
Fortis Ord Shs	6.22%	3.5	7.38%	20.28	5.97
Magna International Ord Shs	4.59%	4.6	20.70%		0.51
Power Corporation of Canada Ord Shs	5.09%	8.2	6.60%	6.92	2.91
Royal Bank of Canada Ord Shs	5.57%	4.8	8.08%	9.73	9.83
Suncor Energy Ord Shs	3.86%	7.9	15.54%	32.53	1.27
Merck & Co Ord Shs	6.32%	3.0	5.13%	13.90	0.81
Restaurants Brands International Ord Shs	3.75%	5.0	46.14%	15.86	4.80
Cash & Equivalents					
Canadian Dollar	2.66%	0.0	-	-	-
Langill & McHenry Y&G All Equity Portfolio	100.00%	4.6	9.9%	12.84	2.91

Note: Total Returns exclude sold or matured position, which may result in the sum of position performance differing from the aggregate total, which is inclusive of all historical and current

Note: For illustration purposes only.

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

Source: Refinitiv Eikon R&A

Yield & Growth: Bonds & Preferred Shares We Own

Capital Preservation Portfolio Y&G (2019-08-01 to 2020-03-31)

Issue Name	Portfolio Weight	Price - Close	Maturity/Reset Date	Yield
Bonds				
CMHT 1.450 06/15/20 Mort Bond	12.94%	100.67	15-Jun-20	0.34
CAGV 1.000 06/01/27 Bond ReOpened	13.18%	102.53	1-Jun-27	0.69
BCE 2.000 10/01/21 MTN Sr Deb	12.82%	99.72	1-Oct-21	2.24
CMHT 1.150 12/15/21 Mort Bond	8.14%	101.33	15-Dec-21	0.58
PEELR 2.300 11/02/26 Debenture	13.15%	102.28	2-Nov-26	2.09
TZ 2.750 07/08/26 '26 Sr Note	12.86%	100.00	8-Jul-26	2.88
Preferred Shares				
TC Energy Cumulative redeemable min rate first Pref Shs Series 13	5.65%	23.44	31-May-21	5.87
Enbridge Cumulative Redeemable Minimum Rate Reset Pref Shs Series 17	5.83%	20.71	1-Mar-22	6.22
Pembina Pipeline Cumulative Redeemable Minimum Rate Reset Class A Pref Shs Series 21	6.29%	17.01	1-Mar-23	7.20
Cash & Equivalents				
Canadian Dollar	9.13%	1.00	-	0.00
Langill & McHenry Capital Preservation Y&G Portfolio	100.00%	-	3.78	2.68

Note: For illustration purposes only.

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

*Note: Since inception returns are cumulative.

Source: Refinitiv Eikon R&A

Completion Models & Satellite Holdings

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 and top satellite securities below.

AMP Completion Models & Non Model Securities as of 2020-03-31, CAD

Completion & Small Completion Model Holdings:

Issue Name	Ticker	Currency \$
iShares Canadian Corporate Bond Index ETF	XCB	CAD \$
iShares MSCI World Index ETF	XWD	CAD \$
Vanguard Canadian Short-Term Corporate Bd Idx ETF	VSC	CAD \$
PIMCO Monthly Income (CAN) ETF Series	PMIF	CAD \$
Berkshire Hathaway Ord Shs Class B	BRK.B	USD\$
Fairfax Financial Holdings Sub Voting Ord Shs	FFH	CAD \$
Cymbria Corporation Class A	CYB	CAD \$
Horizons Active Global Dividend ETF Class E	HAZ	CAD \$
Bristol Gate Concentrated Canadian Equity ETF	BGC	CAD \$
Bristol Gate Concentrated US Equity ETF	BGU	CAD \$

Top 10 Non Model Securities:

Issue Name	Ticker	Currency \$
Horizons CDN Select Universe Bond ETF Class A	HBB	CAD \$
Canadian Natural Resources Ord Shs	CNQ	CAD \$
Brookfield Asset Management Ord Shs Class A	BAM.A	CAD \$
Loblaw Companies Ord Shs	L	CAD \$
Onex Ord Shs	ONEX	CAD \$
Rogers Communications Non-Voting Ord Shs Class B	RCI.B	CAD \$
RioCan Real Estate Investment Trust Units	RIO.UN	CAD \$
Thomson Reuters Ord Shs	TRI	CAD \$
CT REIT Units	CT.UN	CAD \$
BMO Equal Weight U.S. Banks Hedged to CAD Idx ETF	ZUB	CAD \$

Source: Refinitiv Eikon R&A

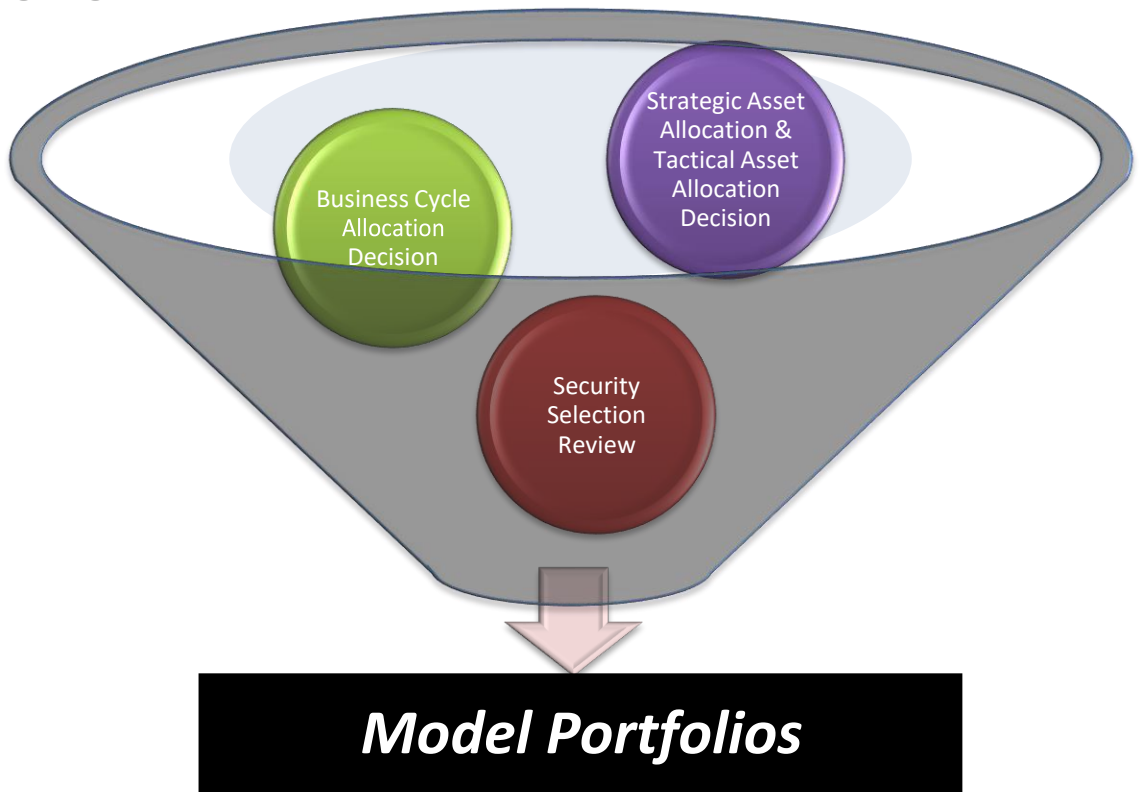
Note: For illustration purposes only.

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, Bonds & Preferred Shares, and 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.



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