PH&N Dividend Income Fund

Fund Performance

Performance Comparison as of March 31, 2021 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr
PH&N Dividend Income Fund	**11.13**	**40.71**	**10.60**	**10.22**	**7.86**	**10.04**	**7.96**
S&P/TSX Capped Composite Index	*8.05*	*44.25*	*11.24*	*10.19*	*8.01*	*10.05*	*6.00*
Relative Performance	+3.08	-3.54	-0.64	+0.03	-0.15	-0.01	+1.96

Series O returns. Total returns are gross-of-fee and reported in Canadian dollars. Periods less than one year are not annualized.

The benchmark for the fund is 2/3 S&P/TSX Dividend Index + 1/3 S&P/TSX Dividend Index (excluding Energy & Materials, but including Oil & Gas Refining & Marketing and Oil & Gas Storage & Transportation sub-industries). The S&P/TSX Capped Composite Total Return Index is provided as it is a widely used benchmark of the Canadian equity market. While the fund uses this index for performance comparisons, it is managed relative to the stated benchmark. There are differences which include security holdings, geographic and sector allocation which impact comparability. As a result, the fund may experience periods when its performance differs materially from the index.

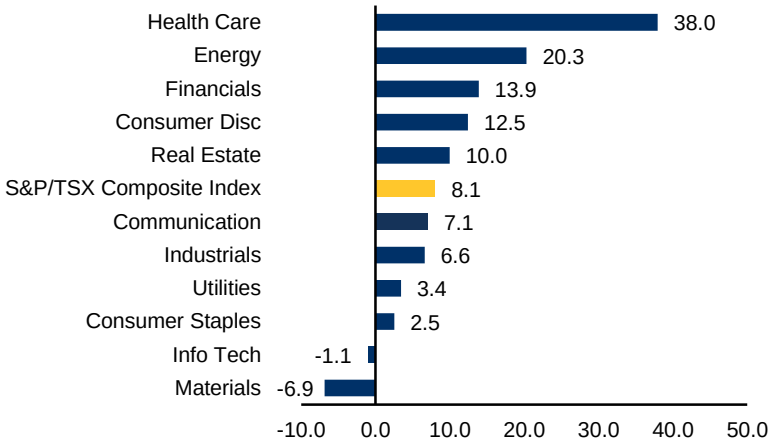
The PH&N Dividend Income Fund (DIF) is a dividend strategy that is designed to outperform the S&P/TSX Capped Composite Index over a full market cycle. The DIF provides exposures to a well-diversified portfolio of high-dividend paying Canadian companies that are industry leaders with strong balance sheets. The intention is not to reach for the highest yield paid by riskier companies, but rather, to invest in companies that have a track record of stable and gradually increasing dividends. Philosophically, we believe security selection is the key to investment outperformance, which is why we are focused on stock selection rather than sector allocation.

Performance Highlights

The fund posted a strong return of 11.1% this quarter, outperforming the Canadian equity market by 3.1%.

Overall, 8/11 sectors contributed to relative outperformance this quarter, led by Materials, Info Tech, and Communications, while Health Care and Consumer Discretionary detracted the most.

Performance of S&P/TSX Capped Composite Index Sectors
Three Months to March 31, 2021 (%)



Shopify underperformed the market this quarter after driving returns in 2020. Concerns over inflation and rising interest rates – and the impact of these economic factors on cashflows – prompted investors to take profits in the name. Shopify also stands to see its growth retreat as brick-and-mortar stores reopen. We don't own Shopify in the fund because it doesn't pay a dividend; this was the top individual contributor to returns over the period.

Outperformance in the Communications sector was led by our overweight position in high-conviction holding **Shaw** following an announcement that Rogers would be acquiring the Western-based

telecommunications company. We believe the deal will receive regulatory approval, though it is likely that Rogers will need to divest Shaw's wireless business. Despite this concession, we view the deal and the associated long-term strategic benefits positively. In particular, Rogers will gain access to Shaw's wireline network in Western Canada, allowing them to create bundled offers and build out their 5G network.

Industrials holding **SNC-Lavalin** had a strong quarter after announcing they would be selling their Resources Oil and Gas business (including services and lump-sum turnkey). We view this as a positive step towards reducing the company's risk profile, as they continue to reduce their fixed-price construction projects. Despite COVID-19 setbacks, we remain constructive on SNC and see upside potential.

Consumer Staples holding **Alimentation Couche-Tard** was the top individual detractor from returns during the quarter. The company made an unexpected attempt to purchase France-based Carrefour, which was quickly shut down by the French government. While this acquisition attempt caught the market off guard, we think quite highly of the management team and their disciplined approach to exploring past acquisitions. Couche-Tard is keen to expand into global markets and is open to buying assets outside of convenience stores. We remain comfortable with our positioning.

Not owning cannabis company **Aphria** – which announced a merger with U.S.-listed Tilray – drove Health Care sector underperformance and was a top individual detractor from returns. Cannabis stocks have been performing strongly since Biden's election and the establishment of a Democrat-controlled U.S. Senate following the run-off elections in Georgia in January. Investors are optimistic about U.S. cannabis legalization, though it remains uncertain who will benefit given the number of competitors.

Trading and Positioning

During the period, we rotated more than half of our **Brookfield Property Partners (BPY)** exposure to **Brookfield Asset Management (BAM).** We began this trade last quarter to better align our positioning with our conviction, though we remained overweight BPY. We continued the trade in January when BAM announced plans to buy the remaining stake in BPY. We view this privatization positively over the long-term as it will provide BAM with flexibility to reduce real estate exposure over time and recover value in BPY's retail and office assets, which have faced COVID-19 headwinds despite their high quality.

We also added to Utilities holding **Emera,** which offers attractive returns relative to regulated utility peers. Emera has completed recent asset sales that have improved the business and increased their focus on ESG, including setting targets for a meaningful reduction in emissions.

In the Energy sector, we added to our position in high-conviction holding **Enbridge**. We are encouraged by the increasing visibility surrounding the completion of the Line 3 replacement project, which we believe will drive near-term growth and free cash flow generation upon completion by the end of the year. This will improve their balance sheet and allow future growth to be funded from internally generated cash.

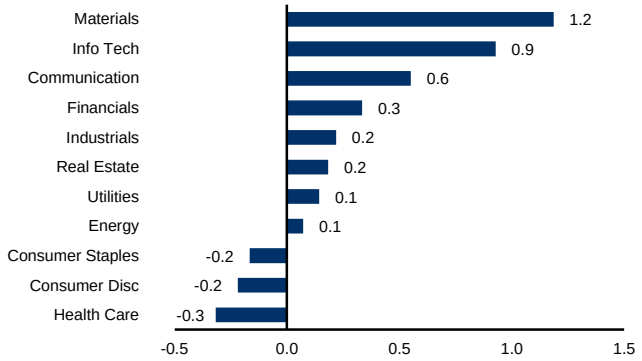
Looking ahead, we are comfortable with our overall positioning, favouring Canadian banks and select insurance companies where we see attractive return opportunities. Within the Energy sector, we remain focused on high-quality large-cap companies that boast low costs, strong balance sheets, and have the opportunity to benefit from the recent increased merger activity.

PH&N Dividend Income Fund
Portfolio Attribution and Structure as of March 31, 2021

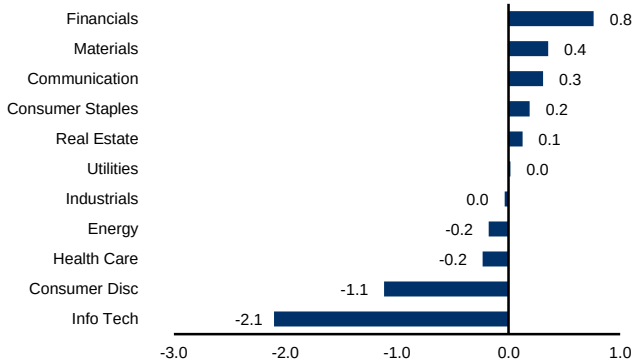
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Dividend Income Fund	**52**	**64.6**	**3.3**
S&P/TSX Capped Composite Index	*231*	*59.6*	*2.8*

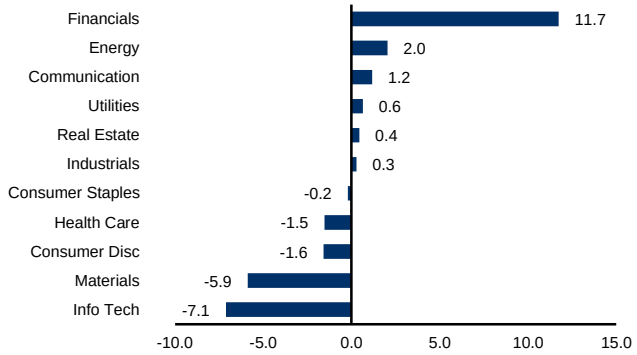
3 Month Attribution (%)



1 Year Attribution (%)



Sector Active Weights (%)



Largest Active Weights (%)