The Dividend Value Discipline™
Quarterly Market Commentary
1st Quarter 2017 (Q1) – as of March 31

As we complete the first quarter of 2017, our objectives for **The Dividend Value Discipline™** remain unchanged:

- Income every month
- Buy only those securities which become attractive on a go-forward basis
- Returns of +8% net to you each and every year

As outlined in the Q4 2016 report, that +8% return goal has become a high bar, given the anemic global growth (getting better of late) as well as multi-generational low interest rates. Accordingly, our focus on aggregators and disruptors continues. If you would like a refresher on that front, you can find it here: http://www.chrisraper.com/pdfs/The%20Strategist%20-%20May%202016.pdf

We closed out Q1 2017 with solid progress - fully-invested accounts pegged in at roughly +3.5%, on a year-to-date basis. As you know, our ***"buys only mandate"***, coupled with differences in start dates and timing of cash flows means that no two accounts in the program are exactly alike - your individual results can be found on **The Progress Monitor**. As always, all return figures are net of fees.

While the short term numbers are solid, they are only that, short term. What is ultimately going to continue to drive the longer term numbers is strong and sustainable dividend growth, and on that front, we have some great news: nine of our investee companies announced dividend increases in Q1 2017. To give you some further perspective, there were only two companies that normally announce dividend increases in Q1, that didn't. Not surprisingly, they are both in the oil and gas extraction business, namely **Peyto Exploration & Development** and **ARC Resources**. The table below outlines all the companies that increased our "rent cheques" in Q1:

	Company	Annual Rent Cheque	Current Yield	Years to Double Rent Cheque	3 Year Dividend CAGR	5-Year Dividend CAGR	Aggregator/ Disruptor	Consecutive Years of Increase	Rent Cheque Increase Announced	Rent Cheque Increase (2016-2017)
1	CVS HEALTH CORP	$ 2.00	2.54%	3.48	22.05%	25.21%	Aggregator	9	20-Jan-17	17.65%
2	HORMEL FOODS CORP	$ 0.68	1.97%	3.92	19.35%	17.78%	Aggregator	51	21-Nov-16	17.24%
3	VALERO ENERGY CORP	$ 2.80	4.17%	2.12	38.67%	33.92%	Neither	39	26-Jan-17	16.67%
4	CCL INDS INC	$ 2.30	0.80%	2.82	27.87%	24.14%	Both	15	23-Feb-17	15.00%
5	STANTEC INC	$ 0.37	1.43%	6.91	10.56%	10.76%	Disruptor	4	23-Feb-17	11.11%
6	CANADIAN NATIONAL RAILWAY	$ 1.65	1.68%	4.14	18.21%	17.11%	Neither	5	24-Jan-17	10.13%
7	DOLLARAMA INC	$ 0.44	0.38%	6.01	12.24%	16.63%	Disruptor	7	30-Mar-17	10.00%
8	EXPEDIA INC	$ 1.12	0.86%	3.93	19.28%	20.55%	Both	5	23-Aug-16	7.69%
9	GREAT WEST LIFECO INC	$ 1.47	3.95%	11.76	6.07%	3.60%	Aggregator	3	9-Feb-17	6.07%
10	BANK OF NOVA SCOTIA (THE)	$ 3.04	3.83%	12.10	5.90%	6.78%	Disruptor	6	28-Feb-17	2.70%
11	SHERWIN WILLIAMS CO	$ 3.40	1.10%	4.78	15.62%	16.86%	Aggregator	38	15-Feb-17	1.19%
									AVERAGE	10.50%

Following our usual course, what follows are the companies that we have added and eliminated from the program and the rationale thereof. Starting with the "sell all" decisions, we punted convenience store operator **Casey's General Stores Inc.** in late January, notching a small gain. In short, we had high expectations for this aggregator but were becoming increasingly concerned with the new CEO (who was previously their CFO). It was evident that he was having trouble executing their growth plan, and that is what ultimately funds those rent cheque increases. Accordingly, we took the money and moved on.

New acquisition-wise, in early January, we took up another stake in the world's leading designer, marketer, and distributor of athletic wear, **Nike Inc.** - the "just do it" people. Long-time participants of the program will recognize that we have owned Nike in the past and sold it over valuation concerns. In short, the stock price has come in and earnings have grown to a level where we once again find the value proposition compelling. What has not changed is their culture of innovation and the deep bench strength of the management team. Median tenure is 21 years and five out of six executives have been hired from within. Their moat is the Nike brand recognition, coupled with their massive economies of scale. Their three year dividend growth rate pegs in at an impressive 20%+ per annum and the latest raise was even bigger at 33%. Bring it on!

We are also back to owning an initial stake in serial engineering aggregator, Edmonton-based **Stantec Inc**. Growth has been fuelled by their successful "tuck in" strategy and they have considerable experience doing so, having acquired 90+ firms since the year 2000. Furthermore, they can boast of 62 years of consecutive profits. We find the management to be highly engaged - tenure, discipline, and their focus on return on invested capital just seems to be part of their DNA. They have also made a policy of staying away from the higher-risk construction business - a decision that has served shareholders well during the tough times. Moat-wise, we see their scale and expertise across multiple disciplines as giving them a competitive edge. Rent cheque-wise, we have seen dividend increases in each of the last four years with the latest one pegging in at 11%. Given the expanding North American infrastructure spending, we see tailwinds providing even better dividend growth in the future.

As we enter Q2 2017, we continue to see global economic growth slowly getting better, notwithstanding all of the day to day worries, be it Trump, Brexit, Frexit (France), Putin or China's military build-up in the South China Sea. Please recall that it is normal for stock markets to "crawl a wall of worry". When there is nothing to worry about, we should be worried a lot...and selling. For now, we will continue to seek out those companies that are ***disrupting and aggregating*** their way to ***ever-increasing rent cheques***, on top of our already demanding ***great culture and wide moat*** prerequisites.

Yours truly,

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