

TETREM DIVIDEND STRATEGIES – Q1 2017

TETREM CANADIAN EQUITY DIVIDEND STRATEGY

TOP TEN POSITIONS AND DIVIDEND YIELDS

Security	Portfolio Weight (%)	Dividend Yield (%)
Bank Of Nova Scotia	6.4	3.9
Royal Bank Of Canada	6.3	3.6
Choice Properties REIT	5.8	5.1
Toronto-Dominion Bank	5.8	3.6
Brookfield Infrastructure Partners	5.5	4.4
Premium Brands Holdings Corp	5.1	2.0
Suncor Energy Inc	4.4	3.1
Algonquin Power & Utilities	4.2	4.9
Great-West Lifeco Inc	4.1	4.0
Keyera Corp	4.1	4.1
	51.6	
PORTFOLIO DIVIDEND YIELD		3.7
S&P / TSX DIVIDEND YIELD		2.8

DIVIDEND INCREASES DURING THE QUARTER

Security	Change (%)
Atco Ltd	+14.9
Brookfield Infrastructure Partners	+11.5
Manulife Financial Corp	+10.8
TransCanada Corp	+10.6
Premium Brands Holdings Corp	+10.5
Suncor Energy Inc	+10.3
Intact Financial Corp	+10.3
Algonquin Power & Utilities Co	+10.0
Enbridge Inc	+10.0
Others: TD Bank, Great-West Life, Royal Bank, Killam REIT, Bank of Nova Scotia, CIBC	

NOTEWORTHY PORTFOLIO CHANGES

▲ Fortis Inc	▼ Hydro One Ltd
▲ Manulife Financial Corp	▼ Atco Ltd
▲ Killam Apartment REIT	▼ Shaw Communications Inc

MANAGER COMMENTARY

The Canadian dividend portfolio is off to a strong start in 2017, with performance driven by good stock picking across a variety of sectors. During the quarter, 15 of the portfolio's 26 holdings raised their dividends, by an average of 8.5%. We believe this robust dividend growth provides a compelling balance between downside support should the market correct and upside potential for investors seeking predictable, tax-efficient income.

The shares of Premium Brands Holdings, a manufacturer and distributor of specialty foods, had a strong run, climbing 60% since our initial purchase in June, 2016. Management is executing on a strategy of growing organically by 4-6% per year, with further expansion coming from accretive acquisitions. The acquisition focus is on businesses and brands that are complementary to the company's existing infrastructure and can benefit from increased scale. During the quarter our investment thesis was reinforced when the company announced a 10.5% dividend increase and management provided a strong outlook for 2017.

We initiated a position in Fortis Inc, a gas and electric utility that operates in jurisdictions across North America and the Caribbean. Fortis generates stable cash flow from its regulated utility business and has multiple growth opportunities, which should support above average dividend growth. Fortis's three-year dividend growth rate is 7.4%. We exited our position in Hydro One as its relative valuation had expanded considerably and we lacked conviction in its dividend growth outlook.

Daniel A. Bubis, CFA *President & Chief Investment Officer*

HISTORICAL PERFORMANCE

(% return denominated in CDN\$ - see reverse)

	Q1 2017	1 year	3 year	Since Inception
TETREM CANADIAN EQUITY DIVIDEND COMPOSITE				
Gross of Fees	3.6	14.1	5.1	10.2
Net of Fees	3.4	13.3	4.4	9.4
S&P / TSX TOTAL RETURN INDEX	2.4	18.6	5.8	8.9

TETREM US EQUITY DIVIDEND STRATEGY

TOP TEN POSITIONS AND DIVIDEND YIELDS

Security	Portfolio Weight (%)	Dividend Yield (%)
Wells Fargo & Company	4.8	2.7
JP Morgan Chase & Co	4.7	2.3
Exxon Mobil Corp	4.5	3.7
Johnson & Johnson	4.3	2.6
Crown Castle Int'l Corp	4.2	4.0
Pfizer Inc	4.1	3.7
Eaton Corp	4.1	3.2
Microsoft Corporation	4.1	2.4
Archer-Daniels-Midland Co	4.0	2.8
Unitedhealth Group Inc	3.9	1.5
	42.8	
PORTFOLIO DIVIDEND YIELD		2.7
S&P 500 DIVIDEND YIELD		2.0

DIVIDEND INCREASES DURING THE QUARTER

Security	Change (%)
Cisco Systems Inc	+11.5
Enbridge Inc	+10.1
Archer-Daniels-Midland Co	+6.7
United Parcel Service Inc	+6.4
Kimberly-Clark Corp	+5.4
Eaton Corp PLC	+5.3
JP Morgan Chase & Co	+4.2

NOTEWORTHY PORTFOLIO CHANGES

▲ Enbridge Inc	▼ Spectra Energy Corp
▲ Cisco Systems Inc	▼ Republic Services Inc
▲ JP Morgan Chase & Co	▼ American International Group

MANAGER COMMENTARY

Sustainable dividend growth remains a capital allocation priority for the companies in our dividend strategy. During the quarter seven portfolio holdings increased their dividend payment by 7.1% on average. Over the last 12 months, 24 of the 26 holdings increased their dividends. We remain confident that the underlying business fundamentals across the portfolio holdings provide ample excess cash to allow for dividend growth.

We initiated a position in Cisco Systems, the world's largest supplier of communication equipment and services. Cisco's dividend yield is 3.6% and the dividend has increased by an annualized rate of 33% over the last five years. We anticipate additional increases over the long term, supported by the company's \$40 billion in net cash on the balance sheet; for context that cash covers seven annual dividend payments at the current rate. Cisco pays out less than 40% of its prolific cash flow in dividends, well below the average for equities that yield greater than 3.5%. We see optionality for Cisco to increase its return of cash to shareholders as it transitions to a business model with a higher proportion of recurring revenue, which over time can support a higher payout ratio.

Shares of Republic Services Group, a waste collection company that is benefitting from an improving US economy, had a strong rally during the quarter. Although we continue to like the company's outlook, valuation has expanded and we deemed it prudent to lock in some profits by trimming our stake.

Ben Ellis, CFA *Portfolio Manager*

HISTORICAL PERFORMANCE

(% return denominated in US\$ - see reverse)

	Q1 2017	1 year	3 year	Since Inception
TETREM US EQUITY DIVIDEND COMPOSITE				
Gross of Fees	3.4	16.1	10.5	15.4
Net of Fees	3.2	15.4	9.8	14.6
S&P 500 TOTAL RETURN INDEX	6.1	17.2	10.4	14.9

PERFORMANCE DISCLOSURE

Tetrem Capital Management Ltd., an independent investment management firm, claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list of composite descriptions, please contact us via email at info@tetrem.com. To receive a presentation that adheres to the GIPS standards, please visit our website at www.tetrem.com.

Tetrem's mandates are available to institutional investors such as pension plans, group retirement plans, and foundations and certain individual investors who meet specified investment criteria. Performance of the mandates is not guaranteed, the values change frequently and past performance may not be repeated. Returns stated within this document are gross of fees unless otherwise indicated. Different types of investments involve varying degrees of risk. All chart data is as of March 31, 2017. Dividend yield, dividend increase, and S&P/TSX and S&P 500 performance data provided by Bloomberg. All other chart data provided by Tetrem.

The content of this document is intended for information purposes only and does not constitute an offer to buy or sell products or services of Tetrem nor is it intended as investment advice on any subject matter or specific security mentioned. Any commentaries, reports or other content are provided for your information only.

COMPOSITE DESCRIPTIONS:

TETREM CANADIAN EQUITY DIVIDEND COMPOSITE

Contains fully discretionary Canadian equity accounts following a value investment strategy with stocks that pay a dividend or are expected to pay a dividend. Inception date is November 30, 2012.

TETREM US EQUITY DIVIDEND COMPOSITE

Contains fully discretionary US equity accounts following a value investment strategy with stocks that pay a dividend or are expected to pay a dividend. Inception date is November 30, 2012.

DIVIDEND YIELD DESCRIPTION

Indicated dividend yield is used, sourced from Bloomberg. This metric is defined as the annualized rate of a security's coupon or dividend as a percentage of the current market price.

BENCHMARK DESCRIPTIONS

The S&P/TSX Composite Total Return Index comprises approximately 71% of the market capitalization for Canadian-based Toronto Stock Exchange-listed companies and provides broad economic sector coverage of the Canadian markets. The S&P 500 Total Return Index consists of 500 stocks chosen for market size, liquidity, and industry group representation.

© 2017 Tetrem Capital Management Ltd. All rights reserved. This communication has been approved for end client use and does not constitute an offer or solicitation by anyone in any jurisdiction in which an offer is not allowed. Tetrem's advisory services are available only in those jurisdictions in which Tetrem Capital Management is registered to provide such services.

