RBC Dominion Securities Inc.

CANADIAN FOCUS LIST

QUARTERLY & CHANGE REPORT

Portfolio Advisory Group – Equities

SEPTEMBER 1, 2015

What's Inside

For an overview of the Portfolio, please click here.

Click here for authors' contact information.

For Important Disclosures, see page 22.

All values in Canadian dollars and priced as of August 31, 2015, market close unless otherwise noted.

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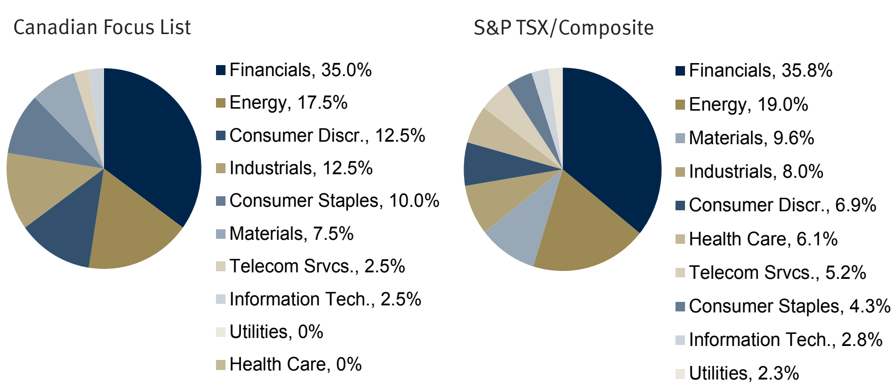
Defensive Ballast

With the oil rout continuing to kick up a storm, we look for exposure that can act as a buffer to help investors ride out the turbulence.

The Canadian Focus List posted a total return of -3.56% this quarter compared to a total return of -6.99% for the S&P/TSX Composite Index. The best-performing stocks this quarter were Toromont Industries (TIH), Restaurant Brands International (QSR), and Dollarama (DOL), while Canadian Natural Resources (CNQ), Methanex (MX), and MacDonald, Dettwiler and Associates (MDA) were among the laggards. The List benefitted from its overweight exposure to the consumer sector and underweight position in the resources sector.

Depressed oil prices continue to pose a significant challenge for Canadian investors. In addition to the direct impact on energy producers, knock-on effects are starting to be felt across the economy, with negative implications for a range of industries. Given the limited number of high-quality companies outside of the resources and financial sectors in Canada, building a portfolio that can

Sector Weightings: Canadian Focus List vs. the S&P TSX/Composite



Source - RBC Dominion Securities, Bloomberg

RBC Wealth Management
Dominion Securities

The Focus List is positioned with an emphasis on companies that are well positioned to generate attractive returns despite a challenging domestic economy. These include secular growth stories, defensive businesses, and companies that have material non-Canadian exposure.

withstand a prolonged period of low oil prices represents a real challenge, in our view.

To address that challenge, the Focus List is positioned with an emphasis on companies that are well positioned to generate attractive returns despite a challenging domestic economy. These include secular growth stories, defensive businesses, and companies that have material non-Canadian exposure. Brookfield Asset Management (BAM'A), Onex (OCX), Restaurant Brands, Saputo (SAP), MDA, and Agrium (AGU) are examples of holdings that have significant exposure to non-Canadian markets and compelling long-term growth opportunities.

At the same time, we see significant upside potential for many energy producers should oil prices recover. Current levels are likely to prove unsustainable, yet the timing of an oil price recovery remains uncertain given persistent oversupply. For the Focus List, we have chosen to focus exclusively on well-capitalized producers that have the balance sheets to withstand a prolonged period of low oil prices while offering good torque should oil prices recover more quickly.

Overall, the Focus List is positioned to withstand potential market turbulence while offering exposure to quality, wealth-creating businesses that should prove resilient through the cycle.

Symbol	Company Name	Weight	Price	Market Cap (B)	52-Wk Range	EPS (Calendar) 2015E	EPS (Calendar) 2016E	P/E 2015E	P/E 2016E	Dividend Yield
INTEREST SENSITIVE										
TD	TORONTO DOMINION BANK	5.00%	$52.48	$97.29	$58 - $48	$4.83	$5.19	10.9x	10.1x	3.9%
NA	NATIONAL BANK OF CANADA	5.00%	$43.30	$14.27	$56 - $39	$4.89	$5.21	8.9x	8.3x	4.8%
RY	ROYAL BANK OF CANADA	5.00%	$73.34	$105.84	$84 - $68	NA	NA	NA	NA	4.3%
BNS	BANK OF NOVA SCOTIA (THE)	5.00%	$60.22	$72.73	$73 - $53	$6.04	$6.56	10.0x	9.2x	4.7%
BAM'A	BROOKFIELD ASSET MANAGEMENT INC	5.00%	$41.41	$40.61	$49 - $32	$1.69	$1.97	24.5x	21.0x	1.5%
REF.UN	CANADIAN REALESTATE INVT TRS	2.50%	$41.00	$2.99	$50 - $39	$3.32	$3.70	12.3x	11.1x	4.4%
OCX	ONEX CORP	2.50%	$80.10	$8.50	$80 - $58	$0.30	NA	267.0x	NA	0.3%
SLF	SUN LIFE FINANCIAL INC	5.00%	$41.82	$25.54	$45 - $36	$3.80	$4.26	11.0x	9.8x	3.6%
T	TELUS CORPORATION	2.50%	$43.04	$26.06	$45 - $37	$2.76	$2.93	15.6x	14.7x	3.9%
CONSUMER										
MG	MAGNA INTERNATIONAL INCORPORATED	2.50%	$64.92	$26.68	$75 - $46	$7.28	$8.46	8.9x	7.7x	1.8%
MRU	METRO INCORPORATED	5.00%	$34.74	$8.53	$38 - $23	$2.24	$2.50	15.5x	13.9x	1.3%
L	LOBLAW COS LTD	2.50%	$70.22	$28.98	$74 - $53	$4.10	$4.72	17.1x	14.9x	1.4%
CTC.A	CANADIAN TIRE (NON VTG A)	2.50%	$124.20	$9.04	$137 - $109	$8.56	$9.35	14.5x	13.3x	1.7%
DOL	DOLLARAMA INC	2.50%	$75.12	$9.60	$82 - $46	$3.10	$3.65	24.2x	20.6x	0.5%
QSR	RESTAURANT BRANDS INTERNATIONAL INC	5.00%	$50.48	$10.22	$59 - $41	$1.63	$1.94	31.0x	26.0x	1.3%
SAP	SAPUTO INC	2.50%	$30.30	$11.91	$38 - $28	$1.71	$1.81	17.7x	16.7x	1.8%
INDUSTRIAL										
CNR	CANADIAN NATIONAL RAILWAY	5.00%	$73.21	$58.38	$89 - $69	$4.69	$5.21	15.6x	14.1x	1.7%
TIH	TOROMONT INDS LTD	5.00%	$35.04	$2.72	$38 - $25	$2.09	$2.24	16.8x	15.6x	1.9%
MDA	MACDONALD DETT & ASSOC LTD	2.50%	$77.49	$2.81	$101 - $71	$6.82	$7.57	11.4x	10.2x	1.9%
CP	CANADIAN PACIFIC RAILWAY LTD	2.50%	$191.09	$30.53	$248 - $172	$11.97	$13.77	16.0x	13.9x	0.7%
RESOURCES										
ENB	ENBRIDGE INC	5.00%	$54.37	$46.58	$66 - $47	$2.60	$3.00	20.9x	18.1x	3.4%
CNQ	CANADIAN NATURAL RESOURCES LIMITED	5.00%	$29.65	$32.45	$47 - $25	$1.19	$2.73	24.9x	10.9x	3.1%
SU	SUNCOR ENERGY INC	2.50%	$37.26	$53.87	$45 - $31	$1.67	$2.23	22.3x	16.7x	3.1%
CVE	CENOVUS ENERGY INC	2.50%	$19.07	$15.89	$35 - $16	$0.22	$0.90	86.7x	21.2x	3.4%
PPL	PEMBINA PIPELINE CORPORATION	2.50%	$36.50	$12.43	$53 - $31	$1.44	$1.78	25.3x	20.5x	5.0%
MX	METHANEX CORP	2.50%	$53.84	$4.86	$78 - $46	$6.14	$7.92	8.8x	6.8x	2.7%
AGU	AGRIUM INC	5.00%	$136.61	$19.51	$147 - $93	$11.11	$12.17	12.3x	11.2x	3.4%

Source - Thomson One

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Return for the Summer Quarter (6/1/15 – 8/31/15)	
Canadian Focus List	-3.56%
S&P/TSX Composite Index	-6.99%
Relative	3.43%

Source - FactSet

Sector Commentary

Valuations for the Canadian banks appear undemanding, capital positions are strong, and most banks benefit from a diversified earnings base that should prove resilient.

Financials

Resilience

The outlook for growth for **financials** remains challenging given high levels of Canadian consumer credit and the negative impact of the drop in oil prices on the Canadian economy, yet valuations for the Canadian banks appear undemanding, capital positions are strong, and most banks benefit from a diversified earnings base that should prove resilient. We remain at 5% positions in four banks: **Royal Bank of Canada** (RY), **Toronto-Dominion Bank** (TD), **The Bank of Nova Scotia** (BNS), and **National Bank of Canada** (NA).

We maintain a 5% position in **Brookfield Asset Management Inc.** (BAM'A) and a 2.5% position in **Canadian Real Estate Investment Trust** (CREIT) (REF.UN). BAM remains particularly well positioned in the current environment given its portfolio of global "real return assets", which provides diversification outside Canada. Meanwhile, fundraising for BAM's private funds continues at a healthy pace. CREIT remains one of the best-managed real estate investment trusts in Canada, with an impressive long-term track record of value creation for unitholders. CREIT has recently lagged the peer group, largely because of its exposure to Alberta (38% of net operating income), yet we believe the business model will prove resilient over time and consider valuation to be attractive at current levels.

On the insurance side, we remove the 5% position in **Manulife Financial** (MFC) and replace it with **Sun Life Financial** (SLF). Manulife's Asian division has been a key growth driver over the past few years and now accounts for one-third of the company's earnings. While Manulife's success in the region has been impressive, we are concerned that the recent turmoil in Chinese markets and a potential downturn in the region could hamper the company's ability to reach its long-term targets. We believe SLF offers a better risk/reward proposition at current levels.

We are adding a 2.5% position in **Onex** (OCX) this quarter. Onex manages a portfolio

Canadian Bank Index P/E (Last 12 Months) Since 1957

Canadian Bank Index (Prior to 1980 includes Banks and Trusts)
Source - RBC Capital Markets Quantitative Research, RBC Capital Markets; data through July 2015

We continue to see supportive trends as the auto industry enters the later stages of the cycle, yet volume growth is likely to moderate over time.

of private equity investments as well as various public and private companies. The company has an excellent long-term investment track record. The company currently has approximately 35% of its net asset value in cash, which provides higher visibility should macro conditions deteriorate and valuation support through potential share buybacks should the share price weaken. Most of the company's investments are in the U.S. Overall, we raise the weighting in financials to 35% from 32.5%.

Telecom

Defensive Qualities

In the **telecom** sector, we remain at a 2.5% weight in **TELUS Corporation** (T). While TELUS continues to report best-in-class wireless metrics and appears well positioned from a competitive standpoint, growing capex should limit free cash flow (FCF) growth for most telcos over the coming years. TELUS has been very resilient so far despite the energy-related weakness in Alberta and continues to return capital to shareholders through dividend increases and share buybacks.

Consumer

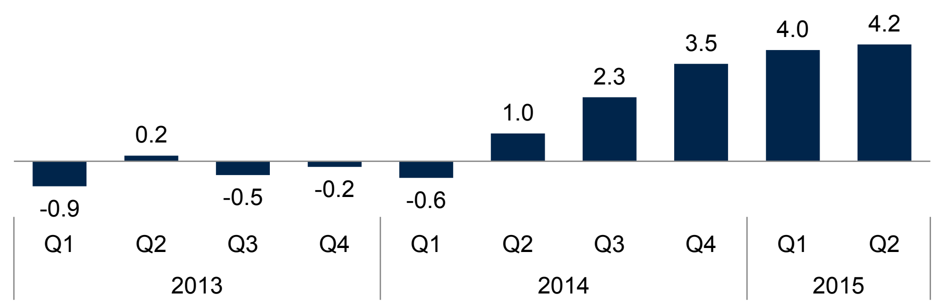
Reducing Exposure

In **consumer**, we reduce the position in **Magna International** (MG) to 2.5% from 5.0%. The shares have performed very well over the past three years. We continue to see supportive trends as the auto industry enters the later stages of the cycle, yet volume growth is likely to moderate over time. Magna is also investing heavily in emerging markets and would likely be impacted by a global slowdown. At the same time, the company's solid balance sheet and global footprint leave it very well positioned relative to peers while margin improvements in its European operations could yield additional upside.

We maintain a 5% position in **Restaurant Brands International** (QSR). We continue to like the franchised business model, which offers predictable earnings and cash flows with low capital requirements and insulation from input costs. International unit growth at Burger King is accelerating while domestic sales momentum has also improved in recent quarters. Management is likely to extract significant value from Tim Hortons by employing cost discipline and accelerating international unit growth.

We maintain the 5.0% position in **Metro** (MRU) and 2.5% positions in **Loblaw Companies** (L), **Saputo** (SAP), **Canadian Tire** (CTC.A), and **Dollarama** (DOL). This brings total exposure to the consumer sectors to 22.5% of the list, down from 25% last quarter.

Quarterly Same-Store Sales Growth for Large Canadian Retailers



Source - Company reports, RBC Capital Markets

We continue to find long-term fundamentals attractive for rails based on limited competition, very high barriers to entry, and steady demand that should support favorable pricing trends over time.

Industrials & Technology

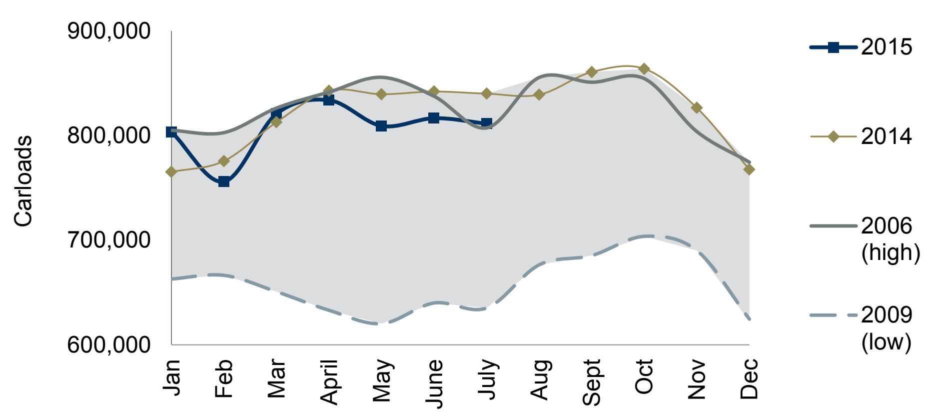
Attractive Fundamentals and Valuations

There were no changes in the **industrials/technology** sectors this quarter. We remain at a 7.5% weight in rails with a 5% position in **Canadian National Railway** (CNR) and a 2.5% position in **Canadian Pacific Railway (**CP). Despite the recent volatility caused by volume uncertainty and weaker commodity prices, we continue to find long-term fundamentals attractive for rails based on limited competition, very high barriers to entry, and steady demand that should support favorable pricing trends over time.

We maintain the 5% position in **Toromont Industries** (TIH). TIH shares performed very well this quarter after the company reported another robust set of quarterly results. We continue to like TIH's management team and business model and note that the company's strong balance sheet provides the flexibility to pursue bolt-on acquisitions, increase the dividend, and buy back stock.

We also maintain the 2.5% position in **MacDonald, Dettwiler and Associates** (MDA). MDA shares retreated significantly this quarter on mounting concerns over the health of the satellite industry. Demand for communication satellites is notoriously lumpy and we continue to believe that longer-term trends remain favourable. The weakening euro has created an additional challenge for MDA as its largest competitors in the satellite market are based in Europe. Despite a difficult near-term outlook, we see valuation as attractive and note that the rest of MDA's business continues to grow nicely while the solid balance sheet could support acquisitions. Overall, we remain at a 15% weighting in industrials/technology.

Average Weekly Carloads: Total (by month)



Source - Company reports, RBC Capital Markets estimates

Energy

Weathering the Storm

In the **energy** sector, we reduce the position in **Suncor Energy** (SU) to 2.5% from 5% and add a 2.5% position in **Cenovus Energy** (CVE). SU has significantly outperformed the rest of the energy group since the beginning of the oil selloff, a reflection of the company's defensive qualities, including a strong balance sheet, integrated business model, and relatively low capital requirements. While these attributes position SU very well in the current environment, the premium at which the shares now trade suggests less upside than peers should oil prices recover. Meanwhile, Cenovus has seen its valuation come down significantly; however, its balance sheet appears very solid following a recent equity issue and the announced disposition of its royalty assets. Longer-term, CVE's portfolio of high-quality oil sands projects have the potential to drive significant growth at attractive returns as oil prices recover.

We maintained the 5% positions in **Canadian Natural Resources** (CNQ) and **Enbridge** (ENB) as well as the 2.5% position in **Pembina Pipeline** (PPL). While the recent widening of heavy oil differentials has created a headwind for CNQ, its strong balance sheet and cost-focused culture should allow it to weather a prolonged downturn in oil prices while still growing production. ENB remains a compelling long-term story, in our view, as the company's proposed transfer of Canadian liquids assets to Enbridge Income Fund should improve Enbridge's funding options and unlock value. PPL maintains an attractive near-term growth profile and good visibility despite weak commodity prices. Overall, the portfolio's exposure to energy remains at 17.5%.

While methanol prices are unlikely to stage a significant recovery until crude oil prices improve, MX management continues to execute very well in a challenging environment.

Materials

Challenging Backdrop

In **materials**, we maintain the 5% position in **Agrium** (AGU). We continue to like the company's diverse, vertically integrated agricultural input business, with a well-defined path to strong FCF growth from both its retail and wholesale businesses. We also maintain the 2.5% position in **Methanex** (MX). While methanol prices are unlikely to stage a significant recovery until crude oil prices improve, management continues to execute very well in a challenging environment. Methanex also maintains a cost advantage relative to most of its competitors, a solid balance sheet, and has a solid track record of disciplined capital allocation. Overall, we are at a 7.5% weighting in materials.

Manulife Financial Corp.

(TSX: MFC, $21.38)

Manulife Financial is Canada's largest insurer and a leading global provider of financial protection & wealth management products and services. Manulife is among the largest life insurers globally as measured by market capitalization.

RBC Capital Markets:	Outperform

We are Removing Manulife Financial from the List

Rationale for Removal

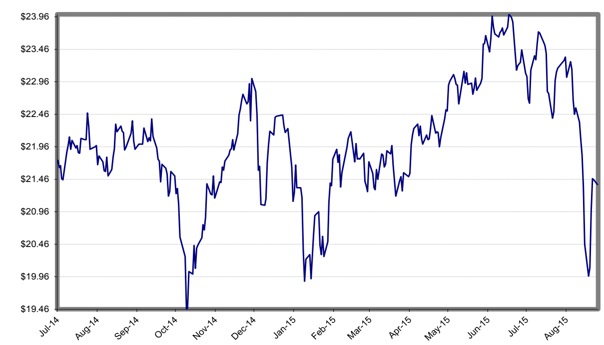
We are removing the 5.0% position in Manulife from the Canadian Focus List for the following reasons:

- **Asian Business Facing Some Risks, Better Opportunity in Sun Life.** The Asian division generates approximately one-third of the company's earnings and has been the key growth driver over the past few years. Manulife's new business value margins in Asia are significantly higher than its margins in North America, yet the business requires much less capital. The recent turmoil in Chinese markets is likely to create some headwinds for the company, while a more severe and prolonged downturn in the region could compromise Manulife's ability to reach its long-term earnings targets. Meanwhile, we believe Sun Life offers a better risk/reward proposition at current levels.

Risks

Key risks for Manulife include persistently low interest rates, deteriorating equity markets, adequacy of actuarial assumptions, changes to accounting and regulatory rules, acquisition/execution risk, unfavourable political and/or economic developments in Asia, and appreciation in the Canadian dollar.

1-Year MFC Pricing Chart



Source - RBC Dominion Securities, Bloomberg

Onex Corp.

(TSX: OCX, $80.10)

Onex manages a portfolio of private equity investments as well as various public and private companies. Unlike a static holding company, it makes acquisitions using leverage and takes gains when appropriate. Onex is building a large asset management firm, raising capital through a series of limited partnerships that generate management and performance fees.

RBC Capital Markets:	Outperform

We are Adding a 2.5% Position in Onex Corp. to the List

Rationale for Addition

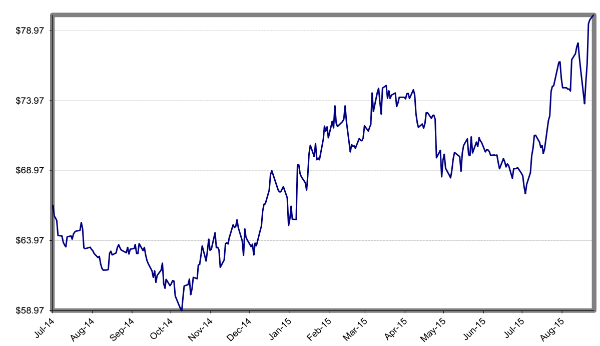
We are adding a 2.5% position in Onex Corp. to the Canadian Focus List for the following reasons:

- **Impressive Long-Term Track Record of Value Creation.** We believe OCX shares represent an attractive vehicle to benefit from the expertise of a solid private equity firm. Onex targets a long-term internal rate of return (IRR) of 15%, yet the company has achieved an IRR in excess of 25% over the past 25+ years. The firm's excellent long-term investment track record should facilitate fundraising efforts for Onex's third-party funds.
- **Defensive Qualities, U.S. Exposure, and Attractive Valuation.** Onex currently has approximately 35% of its net asset value (NAV) in cash. This may limit short-term NAV growth but provides the double benefit of higher NAV visibility if macro conditions deteriorate and valuation support through share buybacks should the share price weaken (Onex has historically been very active on share buybacks). Most of the company's investments are in the U.S. while current valuation (around 5% discount to NAV) appears reasonable.

Risks

Key risks for Onex include investment performance, the departure or retirement of key senior management members, the potential for increased taxation (particularly of carried interest) foreign exchange risk, and valuation of private businesses.

1-Year OCX Pricing Chart



Source - RBC Dominion Securities, Bloomberg

Cenovus Energy Inc.

(TSX: CVE, $19.07)

In 2006, Encana and ConocoPhillips forged a fully integrated North American heavy oil business through the creation of two 50/50 partnerships covering upstream and downstream operations. In September 2009, Encana reignited plans to proceed with the split of the corporation into two independent energy companies, which took effect on December 1, 2009. An integrated oil company, Cenovus Energy, and a pure-play natural gas company, which retained the name Encana Corporation, were created.

RBC Capital Markets:	Outperform

We are Adding a 2.5% Position in Cenovus Energy to the List

Rationale for Addition

We are adding a 2.5% position in Cenovus to the Canadian Focus List for the following reasons:

- **Balance Sheet Strengthened, Attractive Valuation.** Cenovus benefits from a very large oil sands resource base, with a suite of in situ expansions and projects in the years to come. Following the recent equity offering and announced royalty transaction, Cenovus' balance sheet is in much stronger shape with average net debt-to-trailing cash flow of 0.4x in 2016E based on RBC Capital Markets' estimates. Cenovus has also taken concrete steps during Q2 to reposition itself for sustainable growth in shareholder value. Going forward, we believe the company is well positioned to re-establish growth in the oil sands via deferred phases at Foster Creek and Christina Lake as well as Narrows Lake. Current valuation also appears attractive following the sharp selloff in the shares.

Risks

Like most energy producers, the most significant risk for Cenovus is an unexpected change in crude oil and natural gas prices. The ability to replace production and reserves in a cost-effective manner on a per share basis also poses a risk to investors. The valuation of oil and gas assets is subject to risk with respect to reservoir performance, including production rates and expected recovery factors. Cenovus is also exposed to downstream margin volatility. Other risks include the effect of foreign exchange and government legislation as it relates to royalties, income taxes, and environmental policy.

1-Year CVE Pricing Chart

Source - RBC Dominion Securities, Bloomberg

Sun Life Financial, Inc.

(TSX: SLF, $41.82)

Sun Life Financial is one of Canada's "Big 3" lifecos with operations in Canada, the U.S., Asia, and the U.K. The company has a substantial wealth management presence through majority-owned MFS, a large U.S. asset management company.

RBC Capital Markets:	Outperform

We are Adding a 5.0% Position in Sun Life Financial to the List

Rationale for Addition

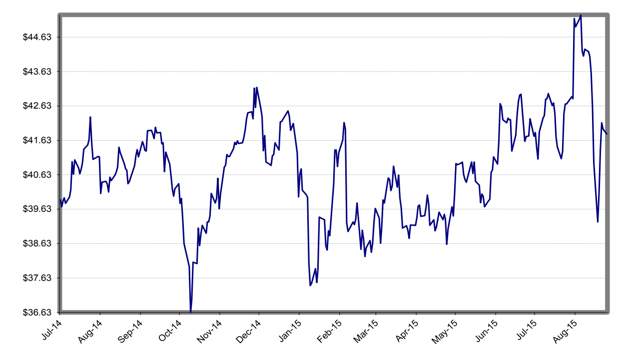
We are adding a 5.0% position in Sun Life to the Canadian Focus List for the following reasons:

- **Improving Performance and Profitability.** Sun Life's results have improved steadily over the past year, while the company appears well positioned to deliver higher return on equity and earnings growth going forward. The Canadian insurance business is generating good results while Sun Life's broad push to grow into asset management should help it improve its earnings growth outlook over time. Meanwhile, margins at MFS appear to have stabilized and a turn in net sales flow would represent a significant positive catalyst, in our opinion.
- **Accelerating Return of Capital.** Solid results have allowed management to increase the dividend and remain active on the buyback front. The company's strong capital position combined with improving results should accommodate further return of capital to shareholders.

Risks

Key risks for Sun Life include persistently low interest rates, deteriorating equity markets, adequacy of actuarial assumptions, appreciation in the Canadian dollar, changes to accounting and regulatory rules, acquisition/execution risk, and unfavourable political and/or economic developments in Asia.

1-Year SLF Pricing Chart



Source - RBC Dominion Securities, Bloomberg

Magna International Inc.

(TSX: MG, $64.92)

Magna International is one of the world's leading auto parts suppliers. Its products for cars and trucks include panels, seats, bumpers, engines, doors, chassis, and interior and exterior components. Over the past several years, Magna has developed the capability to design and integrate complete systems, including the assembly of an entire vehicle. The company operates more than 310 plants in 28 countries.

RBC Capital Markets:	Outperform

We Are Reducing the Magna Position to 2.5% on the List

Rationale for Reduction

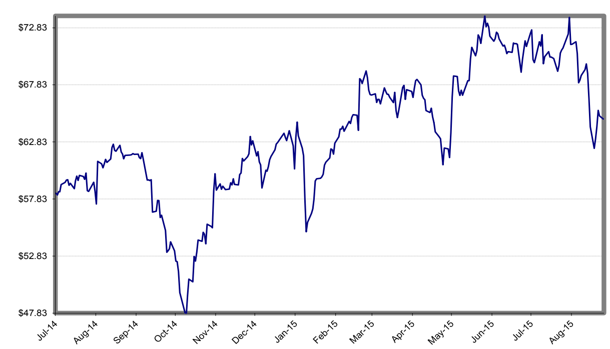
We are reducing the position in Magna to 2.5% from 5.0% on the Canadian Focus List for the following reasons:

- **Auto Industry Entering Later Stages of the Cycle, Valuation Less Enticing.** The North American auto sector has experienced a strong recovery since the 2008–2009 lows. While industry conditions and demand trends remain supportive for now, volume growth is likely to moderate over time while deteriorating economic conditions could cause a downturn. Magna is also investing heavily to enhance its international footprint, particularly in emerging markets, and would likely be impacted by a slowdown in emerging economies. MG shares have experienced an impressive valuation re-rating relative to peers over the past three years, leaving less upside potential, in our view.
- **Rationale for Maintaining Exposure.** Magna's earnings growth outlook, diversification, and global footprint leave it very well positioned relative to peers, in our view, while margin improvements in its European operations could yield additional upside. Magna's rock-solid balance sheet could allow the company to pursue accretive acquisitions, accelerate share buybacks, and increase its dividend.

Risks

The health of the auto industry, macroeconomic factors, the financial health of Magna's concentrated customer base, pricing pressure, and potential issues surrounding the restructuring of the company's European business represent key risks for Magna.

1-Year MG Pricing Chart



Source - RBC Dominion Securities, Bloomberg

Suncor Energy Inc.

(TSX: SU, $37.26)

As an integrated oil company, Suncor Energy's upstream portfolio has shifted from a 100% oil sands focus to one considerably more diverse in nature, yet over half of production is still anchored by oil sands. Along with its legacy oil sands surface mines in Fort McMurray and Firebag in situ operations, Suncor's arsenal of some 23 billion barrels of proven, probable + contingent oil sands resources now include its MacKay River (100% WI) in situ project, a 12% interest in the Syncrude oil sands JV, and a 40.8% interest in Fort Hills. Suncor's production is almost 100% oil-weighted, and also includes varying interests in the Grand Banks oil fields (Hibernia, Terra Nova, White Rose), the North Sea, and projects in Libya.

RBC Capital Markets:	Outperform

We Are Reducing the Suncor Energy Position to 2.5% on the List

Rationale for Reduction

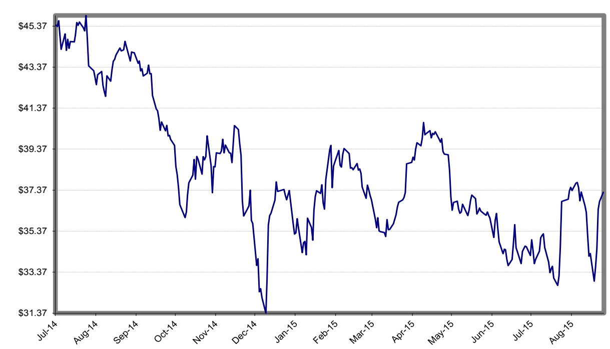
We are reducing the position in Suncor Energy to 2.5% from 5.0% on the Canadian Focus List for the following reasons:

- **Relative Valuation Suggests Less Upside to a Recovery in Oil Prices.** SU shares have significantly outperformed the peer group lately, a reflection of the company's defensive qualities. Suncor benefits from a strong balance sheet, an integrated business model, and relatively low capital requirements. While these qualities position SU very well in the current environment, the premium at which the shares now trade suggests much less upside than many of its peers should oil prices recover over time. As such, we are reducing the position to take advantage of more enticing valuations elsewhere in the sector.

Risks

An unexpected change in crude oil and natural gas prices represents Suncor's most significant risk. The ability to replace production and reserves in a cost-effective manner on a per share basis also poses a risk to investors. The valuation of oil and gas assets is subject to risk with respect to reservoir performance, including production rates and expected recovery factors. Suncor is also exposed to downstream margin volatility. Other risks include the effect of foreign exchange and government legislation as it relates to royalties, income taxes, and environmental policy.

1-Year SU Pricing Chart



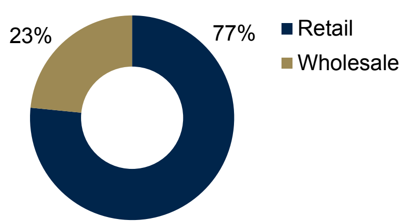
Source - RBC Dominion Securities, Bloomberg

Portfolio Companies

Agrium Inc. (AGU) – 5.0%

- Agrium is a major producer and distributor of agricultural products and services in North America, South America, Australia, and Egypt through its agricultural retail-distribution and wholesale nutrient businesses.
- With major capital projects completed, Agrium is positioned for a step-up in free cash flow generation that we expect will result in enhanced capital return to shareholders.
- The fairway is long for continued accretive tuck-in acquisitions under the retail segment.

AGU 2014 Revenue Mix

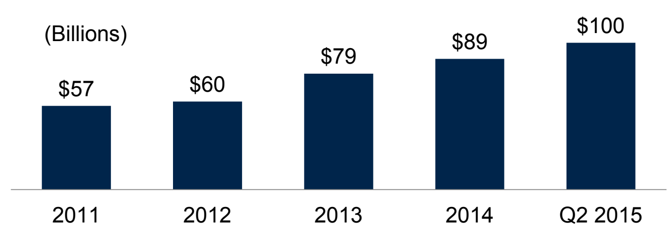


Source - Bloomberg, Company reports

Brookfield Asset Management (BAM'A) – 5.0%

- Brookfield Asset Management is a global alternative asset manager focused on property, power, and infrastructure assets with over $200B of assets under management (approximately $99B fee-bearing).
- Given its solid track record of identifying long-term opportunities, we believe BAM should be able to generate significant returns over and above what is currently reflected in company cash flows.
- The company continues to grow its asset management business, which we believe will provide the company with a steadier source of earnings.

BAM'A Fee-Bearing Capital

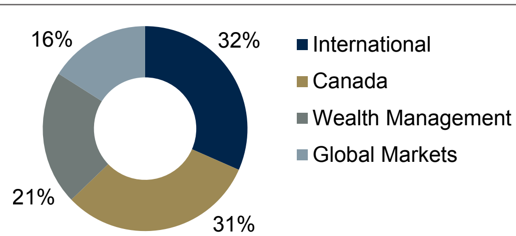


Source - Company reports

The Bank of Nova Scotia (BNS) – 5.0%

- We believe the Bank of Nova Scotia's international banking division should grow faster than domestic franchises over time, although near-term growth has been held back by slow economic growth in the Caribbean.
- Given the short-term challenges, RBC Capital Markets believes the bank's appetite for accretive acquisitions will diminish. The bank has significant excess capital, but we do not expect a shift in its capital deployment strategy.

BNS 2014 Net Revenue Mix

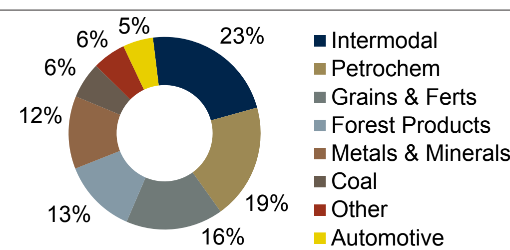


Source - Bloomberg, Company reports

Canadian National Railway (CNR) – 5.0%

- CN Rail transports about $250B worth of goods per year over a network that connects three coasts: the Atlantic, the Pacific, and the Gulf of Mexico.
- The company benefits from a diversified portfolio of goods with no category accounting for more than 23% of revenue.
- With 17% of revenue related to U.S. domestic traffic and an additional 33% trans-border traffic, the company is well positioned to benefit from U.S. economic growth.
- We believe North American rails could be a secular revaluation story as returns on invested capital push higher.

CNR 2014 Revenue Mix

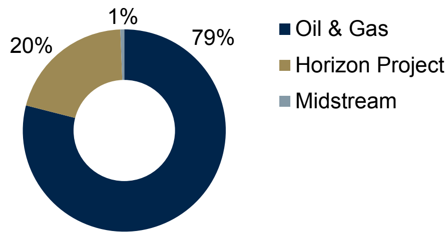


Source - Bloomberg, Company reports

Canadian Natural Resources (CNQ) – 5.0%

- Canadian Natural Resources is a senior oil and natural gas producer with operations in Western Canada, the North Sea, and Offshore Africa. The company's main growth driver is its Horizon oil sands project.
- The company's approach of dividing its oil sands development into smaller, more manageable phases provides greater expansion flexibility and control over costs.
- In addition, CNQ has a large natural gas portfolio that could see further investment should the commodity stage a recovery.

CNQ 2014 Revenue Mix

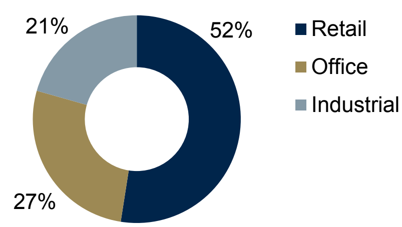


Source - Bloomberg, Company reports

Canadian REIT (REF.UN) – 2.5%

- Canadian REIT holds a diversified portfolio of retail, office, and industrial real estate located in nine provinces and one state. The tenant base is also highly diversified as no tenant accounts for more than 7% of total revenues.
- The REIT has a significant development pipeline that supports a solid growth outlook while management has a successful track record of creating value for unitholders.
- Relative to peers, the REIT has an underleveraged balance sheet and a low payout ratio, which provide flexibility to fund growth internally and increase dividends. CREIT has increased its dividend for the past 14 years.

REF.UN 2014 Revenue Mix

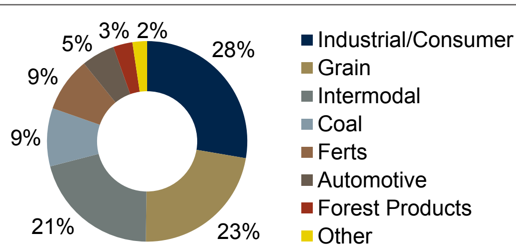


Source - Bloomberg, Company reports

Canadian Pacific Railway Ltd. (CP) – 2.5%

- CP Rail operates a network spanning Montreal to Vancouver and the U.S. Northeast and Midwest regions.
- Under the stewardship of CEO Hunter Harrison, the company continues to drive efficiency gains across its network.
- Strong capital generation should lead to increasing return of capital to shareholders.
- The company should see strong top-line growth as re-pricing of legacy contracts gradually unfolds over time.

CP 2014 Revenue Mix

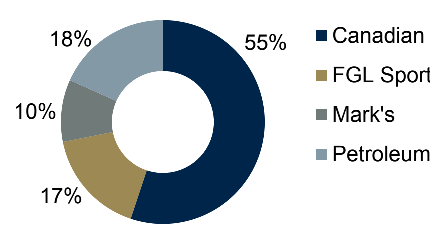


Source - Bloomberg, Company reports

Canadian Tire Corp., Ltd. (CTC.A) – 2.5%

- Canadian Tire operates its traditional retail business in addition to sporting goods retailer FGL Sports and specialty work-related retailer Mark's. It also owns an approximate 84% economic interest in CT REIT.
- Same-store sales growth has been very strong at each of Canadian Tire's three main retail banners.
- With investments in marketing, personnel, and e-commerce, we expect strong sales growth to translate into accelerated earnings growth.
- It possesses significant excess cash, which should result in increased cash returns to shareholders and/or acquisitions.

CTC.A 2014 Revenue Mix

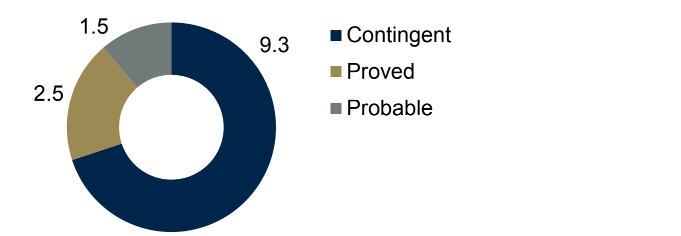


Source - Company reports

Cenovus Energy Inc. (CVE) – 2.5%

- Cenovus benefits from a very large oil sands resource base and is well positioned to re-establish growth via deferred phases at Foster Creek, Christina Lake, and Narrows Lake.
- Following the recent equity offering and announced royalty transaction, Cenovus' balance sheet is in much stronger shape.

CVE Resources by Category (billion barrels)

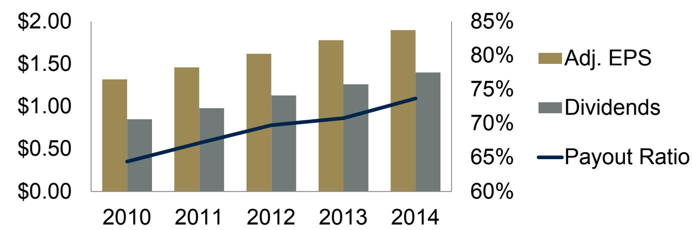


Source - Company reports

Enbridge Inc. (ENB) – 5.0%

- Enbridge is involved in energy transportation and distribution. The company operates the world's longest crude oil and liquids transportation system as well as Canada's largest natural gas distribution company.
- The drop-down of Canadian liquids infrastructure to Enbridge Income Fund will move the company towards an asset-light model. Coupled with a significant growth pipeline, we expect Enbridge to drive double-digit earnings and dividend growth over the next several years.
- A potential drop-down of U.S. liquids infrastructure remains a source of future optionality.

ENB Adjusted Earnings & Dividends Per Share

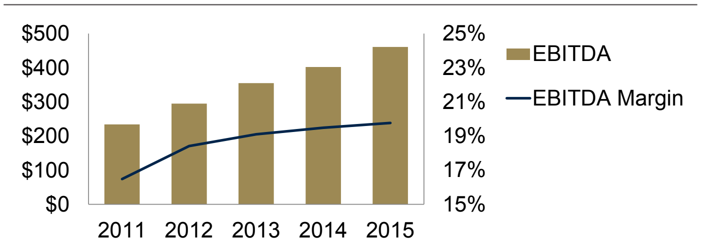


Source - Company reports

Dollorama Inc. (DOL) – 2.5%

- Dollarama is Canada's leading fixed-price point retailer. With over 900 stores across the country, DOL is four times larger than its closest competitor.
- The dollar store format remains underpenetrated relative to the U.S. market, which provides significant fairway for square-footage growth over the next 3–5 years.
- The company has a proven ability to engineer its gross margin despite weakness in the loonie.
- It is well positioned to benefit from low gas prices and defensively positioned in the case of weak GDP growth.

DOL EBITDA & EBITDA Margin

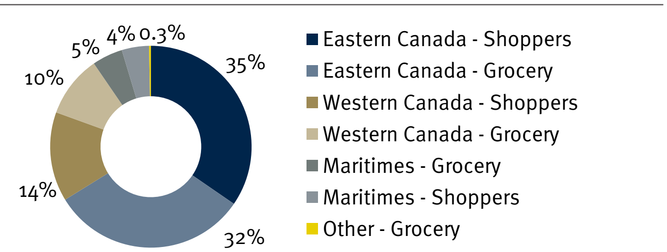


Source - Company reports

Loblaw Companies Ltd. (L) – 2.5%

- Loblaw is Canada's largest retailer in the food and pharmacy categories as well as the majority unitholder of Choice Properties REIT.
- The acquisition of Shoppers broadens Loblaw's earnings base to encompass a more attractive segment of retail and should yield significant synergies.
- Management's focus on return on capital and decision to close unprofitable stores should benefit earnings growth.
- We expect the repayment of acquisition debt will permit a more significant share buyback next year.

L Store Locations

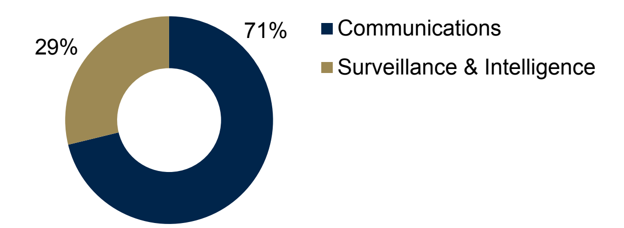


Source - Company reports

MacDonald, Dettwiler & Associates (MDA) – 2.5%

- MDA is a global leader in advanced technology solutions for satellites, satellite systems/components, processing satellite images, air traffic control, UAV/satellite surveillance, and managing mobile assets.
- We believe the acquisition of Space Systems/Loral enables significant long-term growth potential.
- Strong free cash flow generation provides the company with significant flexibility to raise dividends over time as well as buy back shares.
- The potential for U.S. government contracts offers long-term optionality.

MDA 2014 Revenue Mix

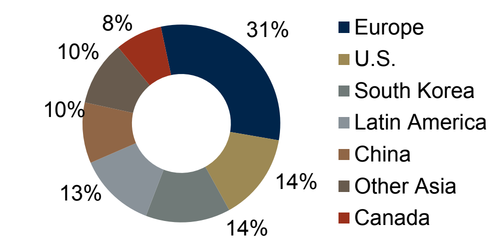


Source - Bloomberg, Company reports

Methanex Corp. (MX) – 2.5%

- Methanex is a global supplier of methanol, a liquid chemical primarily produced from natural gas. The company has facilities in Canada, Chile, Egypt, New Zealand, and Trinidad, along with being in the process of relocating two units to the U.S. Gulf Coast.
- It is one of the world's largest methanol providers and we believe it is well positioned to benefit from secular demand drivers.
- Methanex has a high-quality asset base that has access to inexpensive natural gas supplies (major input cost).

MX 2014 Revenue Mix

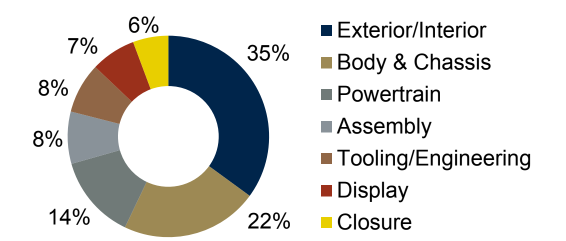


Source - Company reports

Magna International Inc. (MG) – 2.5%

- Magna is one of the world's leading auto parts suppliers with a diversified product suite. It also has the capability to design and integrate complete systems, including the assembly of an entire vehicle. Magna operates over 286 plants in 26 countries.
- North American auto sales have approached the long-term trend line while RBC Capital Markets projects global production to grow at a 3% CAGR through the end of the decade. We expect higher utilization rates to drive higher margins.
- It continues to deploy excess balance sheet capacity via a combination of acquisitions, buybacks, and dividend hikes.

MG 2014 Revenue Mix

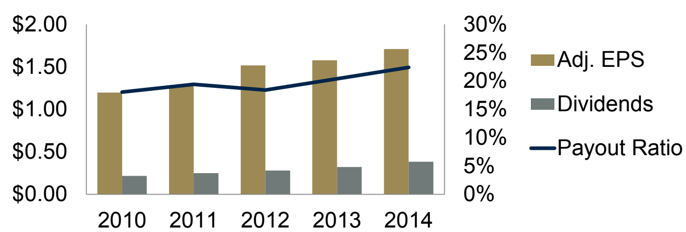


Source - Bloomberg, Company reports

Metro Inc. (MRU) – 5.0%

- Metro is a leading Canadian food retailer and distributor with operations in Ontario and Quebec. Additionally, the company is franchisor for Brunet and Clini-Plus drugstores.
- Industry square footage growth has abated, which has greatly improved the competitive environment.
- Metro's Eastern footprint is insulated from potential weakness in Western Canada.
- A disciplined approach to capital deployment leaves the company ample room to refresh stores, increase the dividend, and buy back shares.

MRU Earnings & Dividends Per Share



Source - Company reports

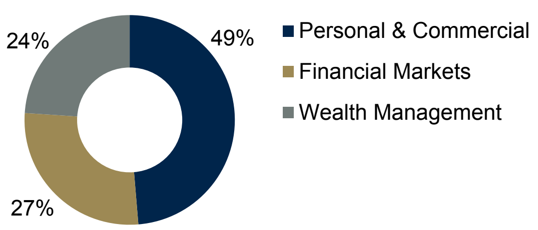
National Bank of Canada (NA) – 5.0%

- National Bank is the smallest of the "Big Six" Canadian banks and the only one that operates entirely in Canada. The slower economic growth in Canada means NA's valuation discount should remain for the medium term.
- National Bank's retail focus has resulted in strong bank loan and deposit growth compared to its peer group. It has been disciplined with returning capital to shareholders with above-average dividend increases and share buybacks.

Pembina Pipeline Corp. (PPL) – 2.5%

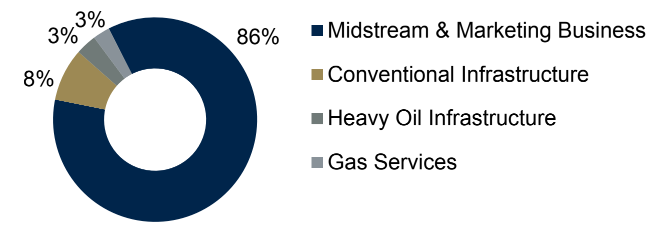
- Pembina Pipeline is a pipeline and midstream company that operates oil and natural gas liquids (NGL) pipelines, gas gathering and processing facilities, and oil and NGL infrastructure and logistics businesses.
- Its significant pipeline of committed growth projects should underpin significant EBITDA and dividend growth.
- The company's premium valuation is supported by quality assets and mostly fee-for-service/cost-of-service cash flows.

NA 2014 Net Revenue Mix



Source - Bloomberg, Company reports

PPL 2014 Revenue Mix



Source - Bloomberg, Company reports

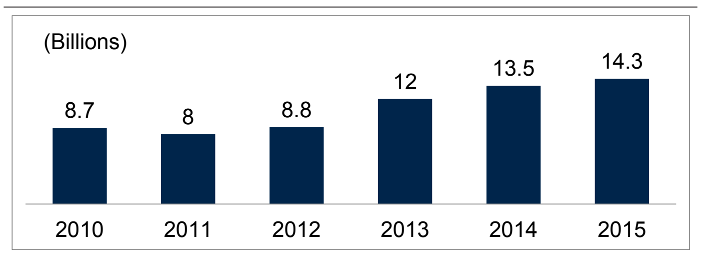
Onex Corp. (OCX) – 2.5%

- Onex manages a portfolio of private equity investments as well as various public and private companies and targets a long-term internal rate of return of 15%. OCX has an excellent long-term investment track record.
- Onex currently has ~35% of its net asset value in cash, which provides higher visibility should macro conditions deteriorate and valuation support through potential share buybacks should the share price weaken. Most of the company's investments are in the U.S.

Restaurant Brands International (QSR) – 5.0%

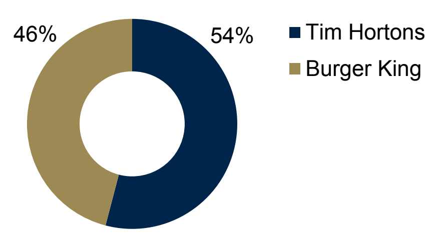
- Restaurant Brands is one of the largest global quick service restaurant franchisors. Its two brands, Burger King and Tim Hortons, operate across more than 19,000 units in over 100 countries.
- 3G Capital, QSR's majority shareholder, has a long-term track record of generating efficiencies and returns on capital.
- The franchise model offers relatively stable revenue and cash flow, which should help in rapidly repaying acquisition debt.
- We expect continued cost rationalization at Tim Hortons complemented by accelerated unit growth.

OCX Fee Generating Assets Under Management



Source - Company reports

QSR Pro Forma EBITDA by Banner

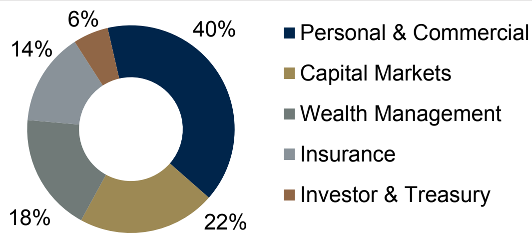


Source - Company reports

Royal Bank of Canada (RY) – 5.0%

- Royal Bank is Canada's largest bank by assets and market capitalization, offering a full range of personal, commercial, and corporate banking services. Earnings are split between Canadian Banking, Capital Markets, Wealth Management, and U.S. & International Banking.

RY 2014 Net Revenue Mix

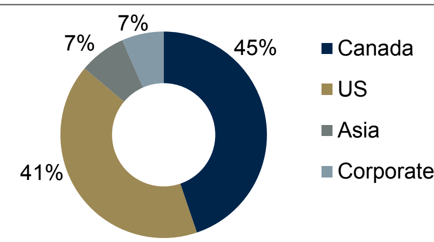


Source - Bloomberg, Company reports

Sun Life Financial, Inc. (SLF) – 5.0%

- Sun Life is one of Canada's "Big 3" lifecos with operations in Canada, the U.S., Asia, and the U.K.
- SLF's results have shown steady improvement and the company appears well positioned to reach its longer-term profitability targets. SLF's growing asset management platform should also help improve its earnings growth outlook over time.
- The company is well positioned to continue to return capital to shareholders through dividends and share buybacks.

SLF 2014 Revenue Mix

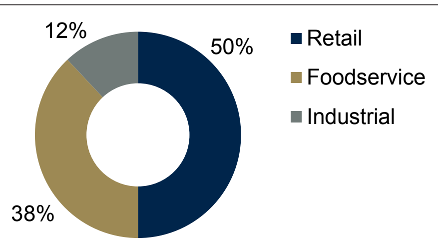


Source - Bloomberg, Company reports

Saputo Inc. (SAP) – 2.5%

- Saputo is one of the top 10 dairy processors in the world. The company produces, markets, and distributes cheese, fluid milk, cultured products, and dairy products.
- Through a series of acquisitions in the U.S., Latin America, Europe, and Australia, Saputo has demonstrated a proven ability to integrate acquisitions and increase efficiency.
- In spite of transitory commodity headwinds, we believe the company's long-term outlook remains strong.

SAP 2015 Business Segments

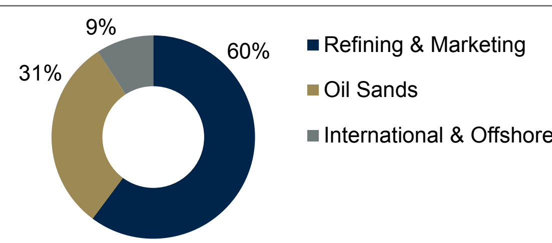


Source - Company reports

Suncor Energy Inc. (SU) – 2.5%

- As an integrated oil company, Suncor's upstream portfolio has shifted from a 100% oil sands focus to one considerably more diverse in nature. The company's portfolio also includes refining and product marketing.
- Suncor's integrated business model should provide some measure of insulation from low oil prices.
- Suncor has the financial flexibility to fund growth projects and dividend increases, a rarity in the sector.

SU 2014 Revenue Mix

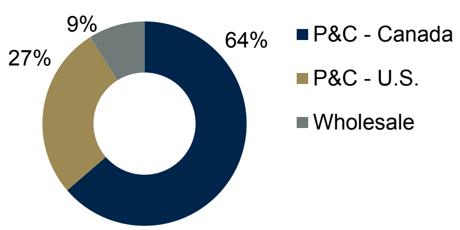


Source - Bloomberg, Company reports

TD Bank (TD) – 5.0%

- TD Bank is well positioned to record above-average revenue growth in Canada and the U.S.
- TD's diversification outside of Canada should be viewed more positively, in our view, as the U.S. economy continues to improve.
- RBC Capital Markets continues to believe TD should grow earnings per share (EPS) faster than the Canadian peer group in 2015–16.

TD 2014 Net Revenue Mix

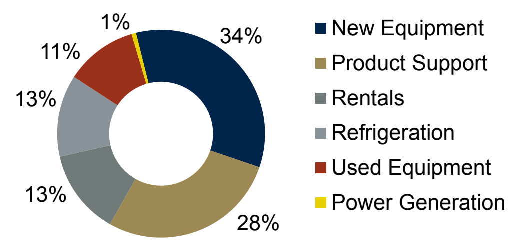


Source - Bloomberg, Company reports

Toromont Industries Ltd. (TIH) – 5.0%

- Toromont sells, rents, and services a broad range of Caterpillar mobile equipment and industrial engines across one of CAT's largest global dealer territories. It also runs Cimco, its industrial and recreational refrigeration unit.
- We believe Toromont is positioned to continue to generate solid growth in product support and rental revenues.
- TIH continues to generate very strong free cash flow and can use its solid balance sheet to make acquisitions, grow the dividend, and opportunistically buy back shares.
- The acquisition of Ag West offers a potential platform for consolidation in the agricultural equipment space.

TIH 2014 Revenue Mix

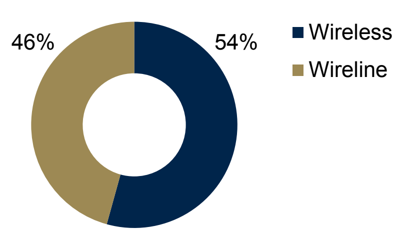


Source - Bloomberg, Company reports

TELUS Corp. (T) – 2.5%

- TELUS provides wireline and wireless services. In addition to its incumbent Western Canada territory, TELUS operates a national wireless franchise and an enterprise-focused operation in Central/Eastern Canada.
- We expect the company to generate meaningful growth in both its wireline and wireless franchises.
- The company's wireless division boasts industry-leading financial and operational metrics.
- TELUS offers the most robust return of capital plan among the three incumbent telecommunications companies.

T 2014 Revenue Mix



Source - Bloomberg, Company reports

Methodolgy

The Canadian Focus List is produced by RBC Capital Markets and RBC Wealth Management's Portfolio Advisory Group. The List was launched in the mid-1980s and has a long-term track record of strong performance versus the S&P/TSX. The Canadian Focus List serves as a core Canadian equity portfolio and may be suitable for investors with a moderate risk tolerance in relation to an equity market investment.

Investment Process:

- The Portfolio is diversified across a minimum of 20 stocks with representation from each of the major sectors of the Canadian market.
- On a quarterly basis, a top-down analysis incorporating RBC Capital Markets' outlook for the economy, the markets, and various economic sectors is brought to bear on the sector composition of a diversified portfolio of securities.
- A "three-discipline" (3D) approach combining fundamental analysis of the firm's equity analysts with RBC Capital Markets' proprietary technical and quantitative disciplines screens stocks for inclusion on the List.
- On a quarterly basis, all stocks that pre-screen well under the 3D process are considered for inclusion. Furthermore, the Committee considers each stock in relation to: strength of management, the robustness of its business model, and its potential to pay and grow dividends.

The foundation of our process is to try to find good businesses trading at reasonable valuations. Within the context of this, we focus on businesses with high returns on invested capital (in other words, every dollar the company puts into the business generates a significant return for the business), strong balance sheets, high cash generation, non-nebulous accounting, credible management teams that have demonstrated track records of success, and the willingness to return some capital to shareholders through share buybacks and dividends. Further, when possible, we try to find businesses that are at a positive inflection point in their evolution, which would be marked by things such as a gradual expansion of margins, a transition to positive free cash flow or the roll-off of a significant capex cycle.

Against this, we overlay the 3D process, which helps us to filter out much of the noise generated by the day-to-day fluctuations of the market. We believe that an approach such as this will be rewarded over time. However, from time to time, the market will choose to focus its attention and goodwill on those businesses that lack many of the attributes that we look for and thus we expect to experience quarters in which we significantly underperform. Rather than view this as an opportunity to chase what is working, we view this as an opportunity to look for the types of businesses outlined above and, perhaps, capitalize on opportunities that the market has chosen to ignore in favour of short-term performance.

Disclosures and Disclaimers

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Required Disclosures

RBC Capital Markets Distribution of Ratings

For purposes of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories –Buy, Hold/Neutral, or Sell– regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described below).

Distribution of Ratings - RBC Capital Markets, LLC Equity Research
As of June 30, 2015

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Top Pick & Outperform]	935	53.16	293	31.34
Hold [Sector Perform]	707	40.19	124	17.54
Sell [Underperform]	117	6.65	6	5.13

Explanation of RBC Capital Markets, LLC Equity Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average. Although RBC Capital Markets, LLC ratings of Top Pick (TP)/Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described below).

Ratings

Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Rating:
As of March 31, 2013, RBC Capital Markets, LLC suspends its Average and Above Average risk ratings. The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

RBC Capital Markets has fundamental research of the following companies:

Toronto-Dominion Bank (TD; Outperform; $52.48)
National Bank of Canada (NA; Sector Perform; $43.30)
The Bank of Nova Scotia (BNS; Outperform; $60.22)
Brookfield Asset Management Inc. (BAM.A; Outperform; $41.41)
Canadian Real Estate Investment Trust (REF.UN; Outperform; $41.00)
Onex Corporation (OCX; Outperform; $80.10)
Sun Life Financial Inc. (SLF; Outperform; $41.82)
TELUS Corporation (T; Outperform; $43.04)
Magna International Inc. (MG; Outperform; $64.92)
Metro Inc. (MRU; Outperform; $34.74)
Loblaw Companies Limited (L; Outperform; $70.22)
Canadian Tire Corporation, Limited (CTC.A; Top Pick; $124.20)
Dollarama Inc. (DOL; Outperform; $75.12)
Restaurant Brands International Inc. (QSR; Outperform; $50.48)
Saputo Inc. (SAP; Outperform; $30.30)
Canadian National Railway Company (CNR; Outperform; $73.21)
Toromont Industries Ltd. (TIH; Outperform; $35.04)
MacDonald, Dettwiler and Associates Ltd. (MDA; Outperform; $77.49)
Canadian Pacific Railway Limited (CP; Sector Perform; $191.09)
Enbridge Inc. (ENB; Outperform; $54.37)
Canadian Natural Resources Limited (CNQ; Outperform; $29.65)
Suncor Energy Inc. (SU; Outperform; $37.26)
Cenovus Energy Inc. (CVE; Outperform; $19.07)
Pembina Pipeline Corporation (PPL; Outperform; $36.50)
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