Canadian Focus List

September 1, 2016 | Quarterly Report

Portfolio Advisory Group – Equities

What's inside

For an overview of the Portfolio, please click here.

Click here for authors' contact information.

For required disclosures, see page 25.

All values in Canadian dollars and priced as of August 31, 2016, market close unless otherwise noted.

NOT FOR DISTRIBUTION IN THE U.S.

Changing leadership

The Focus List posted a solid quarter, with strength in Consumer names offsetting the weakness in Energy stocks.

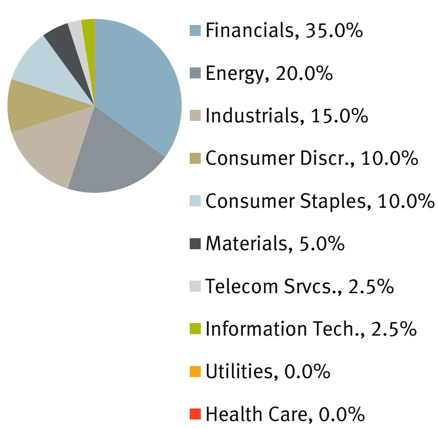
The rally in oil prices that triggered a sharp recovery in Energy stocks last quarter appears to have taken a breather recently. While we continue to expect oil prices to shift higher over time, the recovery seems to be unfolding more slowly than expected.

This quarter, many of the high-quality Consumer names that had lagged during the energy rally showed signs of renewed leadership: **Alimentation Couche-Tard** (ATD.B) and **Restaurant Brands International** (QSR) were among the best-performing stocks on the List, while many of the Energy names were among the laggards, including **Imperial Oil** (IMO), **Cenovus Energy** (CVE), and **Enbridge** (ENB).

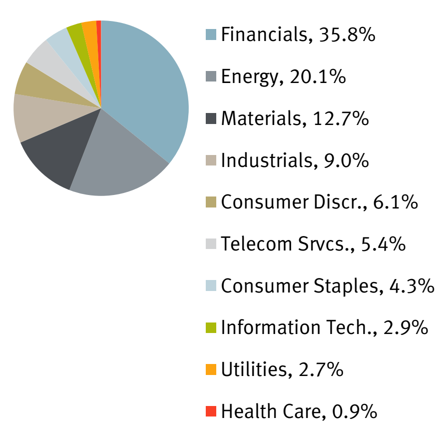
Overall, the Canadian Focus List posted a total return of 4.80% during the quarter compared to a total return of 4.54% for the S&P/TSX Composite Index. The main drag on relative performance was the List's underweight positioning in gold stocks, which staged a strong rally.

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

Canadian Focus List



S&P TSX/Composite



Source - RBC Dominion Securities, Bloomberg

Wealth Management
Dominion Securities

The Focus List remains well positioned, with an emphasis on high-quality, wealth-creating businesses that should prove resilient through cycles.

The foundation of our process is to own quality businesses trading at reasonable valuations. We generally look for well-run companies that offer reasonable visibility and benefit from some kind of long-term competitive advantage. Unfortunately, few gold mining companies meet these criteria, a reflection of the challenging nature of the industry and continued volatility in gold prices. **Franco-Nevada** (FNV) remains the only gold position on the List as we believe the royalty structure provides better visibility.

Overall, the Focus List remains well positioned for the current market environment, in our view, and from a long-term perspective, with an emphasis on high-quality, wealth-creating businesses that should prove resilient through cycles.

Return for the summer quarter (6/1/16 – 8/31/16)	
Canadian Focus List	4.80%
S&P/TSX Composite Index	4.54%
Relative	0.26%

Source - FactSet

Symbol	Company name	Weight	Price 8/31/16	Market cap (B)	52-wk range	EPS (Calendar) 2016E	EPS (Calendar) 2017E	P/E 2016E	P/E 2017E	Dividend yield
Interest sensitive										
NA	**NATIONAL BANK OF CANADA**	**2.50%**	**$46.09**	**$15.56**	**$ 48 - $35**	**$4.86**	**$5.28**	**9.5x**	**8.7x**	**4.8%**
TD	TORONTO DOMINION BANK	7.50%	$58.52	$108.50	$59 - $49	$5.09	$5.45	11.5x	10.7x	3.8%
RY	ROYAL BANK OF CANADA	5.00%	$81.53	$121.08	$83 - $65	NA	NA	NA	NA	4.1%
BNS	BANK OF NOVA SCOTIA (THE)	5.00%	$69.81	$84.11	$70 - $51	$6.21	$6.70	11.2x	10.4x	4.2%
BAM'A	BROOKFIELD ASSET MANAGEMENT INC	5.00%	$44.25	$43.69	$47 - $38	$1.43	$1.97	30.9x	22.5x	1.5%
REF.UN	CANADIAN REAL ESTATE INVT TRS	2.50%	$48.60	$3.56	$51 - $39	$3.50	$3.55	13.9x	13.7x	3.8%
OCX	ONEX CORP	2.50%	$80.09	$8.26	$88 - $74	$0.05	$0.29	NMF	NA	0.3%
IFC	INTACT FINANCIAL CORP	5.00%	$95.18	$12.48	$97 - $77	$7.12	$7.76	13.4x	12.3x	2.4%
Consumer										
MG	MAGNA INTERNATIONAL INCORPORATED	2.50%	$52.81	$20.55	$71 - $42	$7.63	$8.91	6.9x	5.9x	2.5%
MRU	METRO INCORPORATED	5.00%	$44.54	$10.52	$48 - $34	$2.60	$2.88	17.1x	15.5x	1.3%
ATD'B	ALIMENTATION COUCHE TARD	2.50%	$67.63	$28.40	$69 - $51	$3.70	$3.94	18.3x	17.2x	0.5%
DOL	DOLLARAMA INC	2.50%	$96.90	$11.51	$100 - $70	$4.01	$4.88	24.2x	19.9x	0.4%
QSR	RESTAURANT BRANDS INTERNATIONAL INC	5.00%	$62.57	$14.63	$63 - $41	$2.28	$2.91	27.4x	21.5x	1.3%
BCB	COTT CORP	2.50%	$20.91	$2.88	$23 - $12	$0.53	$0.82	39.5x	25.5x	1.5%
Industrial										
WCN	**WASTE CONNECTIONS INC**	**2.50%**	**$100.06**	**$17.55**	**$104 - $56**	**$3.93**	**$4.49**	**25.5x**	**22.3x**	**0.8%**
CP	**CANADIAN PACIFIC RAILWAY LTD**	**5.00%**	**$200.85**	**$29.66**	**$204 - $140**	**$12.20**	**$13.74**	**16.5x**	**14.6x**	**1.0%**
CNR	**CANADIAN NATIONAL RAILWAY**	**2.50%**	**$84.27**	**$65.10**	**$86 - $67**	**$4.88**	**$5.30**	**17.3x**	**15.9x**	**1.8%**
TIH	TOROMONT INDS LTD	5.00%	$39.68	$3.10	$41 - $27	$2.20	$2.37	18.0x	16.7x	1.8%
MDA	MACDONALD DETT & ASSOC LTD	2.50%	$86.58	$3.14	$93 - $72	$6.70	$7.05	12.9x	12.3x	1.7%
Telecom										
RCI'B	ROGERS COMMUNICATIONS INC	2.50%	$56.16	$22.60	$59 - $43	$3.08	$3.35	18.2x	16.8x	3.4%
Resources										
TRP	**TRANSCANADA CORP**	**5.00%**	**$59.47**	**$47.55**	**$62 - $41**	**$2.73**	**$3.08**	**21.8x**	**19.3x**	**3.8%**
FNV	FRANCO-NEVADA CORP	2.50%	$91.63	$16.29	$106 - $52	$1.50	$1.61	NMF	NMF	1.3%
CNQ	CANADIAN NATURAL RESOURCES LIMITED	5.00%	$40.73	$44.87	$42 - $21	$1.17	$2.38	34.8x	17.1x	2.3%
SU	SUNCOR ENERGY INC	2.50%	$35.56	$59.19	$40 - $27	$1.24	$2.03	28.7x	17.5x	3.3%
CVE	CENOVUS ENERGY INC	2.50%	$18.95	$15.79	$22 - $13	-$0.12	$0.44	NMF	43.1x	1.1%
IMO	IMPERIAL OIL LTD	2.50%	$40.01	$33.91	$47 - $37	$2.10	$2.96	19.1x	13.5x	1.5%
PPL	PEMBINA PIPELINE CORPORATION	2.50%	$39.46	$14.88	$41 - $26	$1.66	$2.09	23.8x	18.9x	4.9%
AGU	AGRIUM INC	2.50%	$126.36	$17.46	$139 - $105	$7.64	$8.38	16.5x	15.1x	3.6%

Source - Thomson One

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Some exhibits in the report may not add to 100% due to rounding.

Sector commentary

Canadian banks are seeing restructuring efforts have a positive impact, credit concerns fade, and good momentum in capital market operations.

Financials

Increasing exposure to banks

The outlook for Canadian banks continues to improve: restructuring efforts are starting to have a positive impact on operating leverage, credit concerns have been alleviated by stabilizing oil prices, while capital market operations for most banks are showing good momentum. Of course, muted loan growth and low interest rates continue to represent headwinds for the sector, yet valuations appear to reflect these concerns, in our view.

With that backdrop, we are increasing the Focus List's exposure to the Canadian banking sector by introducing a new 2.5% position in **National Bank** (NA). The bank trades at an unusually wide discount to the rest of the group, and we expect valuation to improve as National Bank de-risks its energy loan portfolio. Capital concerns have been addressed, while significant restructuring should yield material cost benefits over the coming quarters.

We maintain the 7.5% position in **Toronto-Dominion Bank** (TD) and the 5% positions in **Royal Bank of Canada** (RY) and **Bank of Nova Scotia** (BNS). We believe these three banks should benefit from their scale advantages and solid platforms for long-term growth.

To make room for the addition of National Bank, we are removing the 5% position in **Sun Life Financial** (SLF). While we continue to believe the company should trade at a premium to peers given its lower risk profile and consistent execution, the macro environment remains very challenging for life insurance companies. Meanwhile, the asset management industry is facing growing pressures that may represent a headwind for Sun Life's MFS Investment Management business.

We maintain the 5% position in **Brookfield Asset Management** (BAM.A). BAM remains very well positioned given its portfolio of global "real return assets", which provides diversification outside Canada, and has recently experienced an acceleration in asset management fees.

We also maintain the 5% position in **Intact Financial** (IFC). The company continues to offer an attractive mix of visible book value growth and defensive qualities, while industry trends remain supportive. Potential acquisitions could represent an additional source of upside for the company.

The 2.5% positions in **Canadian Real Estate Investment Trust** (REF.UN) and **Onex** (OCX) round out our exposure to the sector. Overall, the weighting in Financials falls to 35% from 37.5%.

Telecom

Strong momentum

We maintain the 2.5% position in **Rogers Communications** (RCI.B). The shares performed very well this quarter, aided by strong results and a broad-based search for yield among investors that appeared to favour the sector. The setup for 2017 remains attractive, in our view, with both wireless and cable businesses showing strong momentum.

Consumer

Remain overweight

The Focus List's exposure to the Consumer sectors remains at 20% this quarter, significantly above the benchmark. We continue to see an attractive set of companies with above-average resiliency and visible longer-term growth prospects.

Restaurant Brands International (QSR) continues to perform very well despite a slowing same-store sales environment in the quick service restaurant industry. The company has delivered remarkable cost reductions and is deleveraging its balance sheet, which should eventually allow it to pursue other acquisitions. We maintain a 5% position in the company.

We also maintain a 5% position in **Metro** (MRU). While the near-ideal conditions that prevailed in the grocery industry over the past two years are likely to deteriorate somewhat as consumers increasingly shift to discount banners and industry square footage reaccelerates, Metro remains the leanest and best-managed company in the sector, in our view, and appears well positioned to continue to deliver solid results.

Shares of **Alimentation Couche-Tard** (ATD.B) rallied strongly this quarter following the acquisition of CST Brands (CST). Couche-Tard has a remarkable track record of profitable growth through acquisitions, and management guidance suggests this transaction should generate significant synergies. Meanwhile, U.S. gas margins appear to have stabilized, alleviating some of the concern that had surfaced last quarter. We maintain a 2.5% position in the company.

We also maintain 2.5% positions in **Magna International** (MG), **Dollarama** (DOL), and **Cott** (BCB).

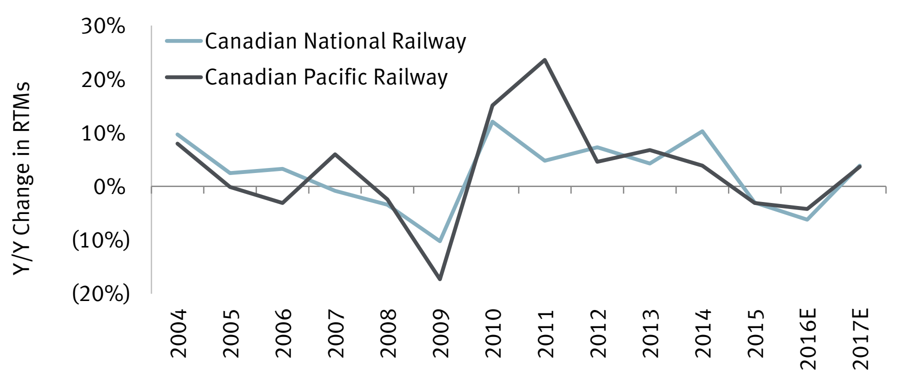
Industrials & Technology

Increasing exposure

We are adding a 5% position in **Canadian Pacific Railway** (CP) to the Focus List this quarter. The company has achieved impressive efficiency gains since the beginning of the year, which should drive meaningful operating leverage as volumes recover. Bulk volumes have been particularly strong, with grain likely to emerge as another record crop this year.

Higher volumes coupled with cost containment initiatives could drive strong earnings growth for the rail industry.

Rail revenue ton miles are expected to inflect higher in 2017 following two years of decline



Source - Company reports, RBC Capital Markets estimates

We are also adding a 2.5% position in **Waste Connections** (WCN). The company's proven management team appears well positioned to continue to deliver best-in-class execution and extract synergies from the Progressive Waste Solutions transaction.

We are reducing the position in **Canadian National Railway** (CNR) to 2.5% from 5%. While the company remains a very strong operator and a core long-term holding, in our view, we see better near-term upside in CP.

We maintain the 5% position in **Toromont Industries** (TIH) and 2.5% position in **MacDonald, Dettwiler and Associates** (MDA). Overall, our exposure to Industrials and Technology increases to 17.5% from 12.5%.

Energy

Treading carefully

We continue to expect oil prices to recover over the coming months, yet conditions in the sector remain challenging. Energy producers that benefit from lower cost structures and solid balance sheets remain most attractive, in our view.

We are removing the 5% position in **Enbridge** (ENB) this quarter. Recent project delays could weigh on the company's growth prospects, while the company's dividend coverage ratio has fallen, leaving less room for increases.

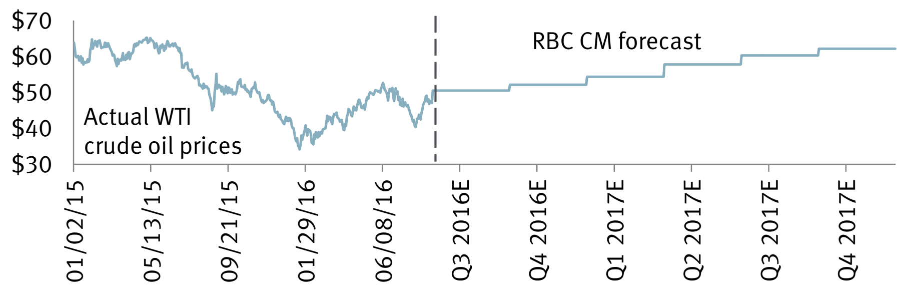
Energy producers that benefit from lower cost structures and solid balance sheets remain most attractive.

We are increasing the position in **TransCanada** (TRP) to 5% from 2.5%. The recently completed acquisition of Columbia Pipeline Group adds a strategic footprint in the Marcellus and Utica gas plays, with a sizable project backlog. Meanwhile, the divestiture of noncore assets, including the U.S. power business and Mexican gas pipelines, could unlock value.

We maintain the 5% position in **Canadian Natural Resources** (CNQ) and 2.5% positions in **Imperial Oil** (IMO), **Suncor Energy** (SU), **Cenovus Energy** (CVE), and **Pembina Pipeline** (PPL).

Overall, the List's exposure to Energy falls to 20% from 22.5%.

Expected recovery in oil prices



Source - RBC Capital Markets, Bloomberg

Materials

Selective exposure

We maintain the 2.5% position in **Agrium** (AGU). Agrium and Potash (POT) have confirmed they are in discussions regarding a potential merger of equals. While it is far from certain at this point that a transaction will materialize, a potential combination could yield material synergies. Meanwhile, Agrium remains better

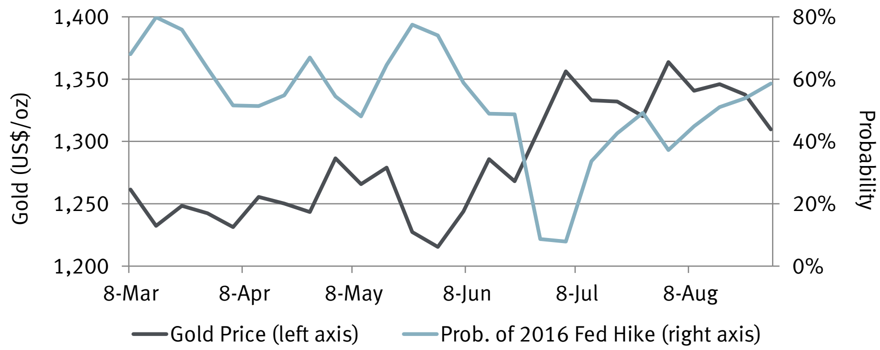
U.S. monetary policy will have a large influence on the direction of future bullion prices.

positioned than its peers on a stand-alone basis, with a vertically integrated business and solid free cash flow potential.

We maintain the 2.5% position in **Franco-Nevada** (FNV). The outlook for gold remains somewhat uncertain, with a recent rally that appears to have been largely driven by investment demand. Yet many gold miners are likely to consider increased investments in new projects to avoid declining production over the coming quarters, and Franco-Nevada remains well positioned to contribute to the financing of these projects through new royalty agreements.

Overall, we maintain exposure to Materials at 5%.

The price of gold has suffered in the past few weeks as expectations for a Fed rate hike by year end have increased



Source - RBC Dominion Securities, Bloomberg

Canadian National Railway Co.

(TSX: CNR, $84.27)

Canadian National Railway (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.

RBC Capital Markets:	Outperform

We are decreasing our position in Canadian National Railway by 2.5%

Rationale for decrease

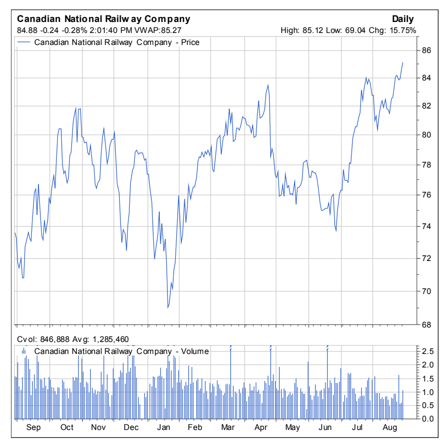
We are decreasing our position in Canadian National Railway to 2.5% for the following reasons:

- **Continue to view CN Rail as a core holding:** We remain comfortable with CN Rail as a core industrial holding. The company's enviable network positioning and focus on service have contributed to durable revenue streams and industry-leading operating metrics. We expect execution of the company's strategy to result in continued cash returns to shareholders in the form of dividend increases and share buybacks.
- **Current valuation appears demanding in light of near-term growth prospects:** CN Rail currently trades at a one multiple point premium relative to Canadian Pacific Railway (CP Rail) based on consensus 2017 earnings expectations. With CP Rail better-positioned to capitalize on an emerging inflection in bulk commodity shipment volumes and the associated earnings upside, we presently see a more attractive risk-reward opportunity in CP Rail.

Risks

Risks include, but are not limited to, extreme fluctuations in fuel prices, unusual weather conditions that could impact grain crops or railway operating efficiencies, and weaker-than-anticipated economic conditions.

1-year CNR pricing chart



Source - FactSet

Canadian Pacific Railway Ltd.

(TSX: CP, $200.85)

Canadian Pacific Railway (CP Rail) operates a network of approximately 13,700 miles from Montreal to Vancouver and across the U.S. Northeast and Midwest regions. CP Rail transports bulk commodities (e.g. grain, coal, and fertilizers), merchandise freight (e.g. motor vehicles and parts, as well as forest, industrial, and consumer products) and intermodal traffic (i.e. largely time-sensitive retail goods).

RBC Capital Markets:	Outperform

We are adding a 5.0% position in Canadian Pacific Railway to the List

Rationale for addition

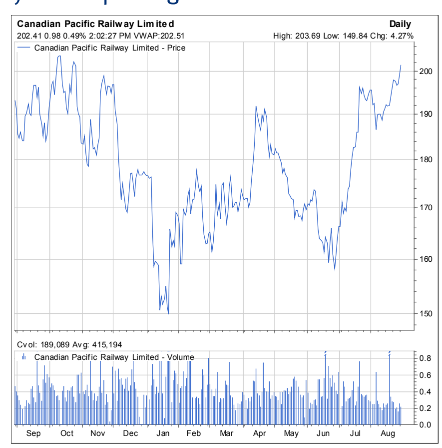
We are adding a 5.0% position in Canadian Pacific Railway to the Canadian Focus List for the following reasons:

- **Well positioned to benefit from an inflection in bulk volumes:** Following a year and a half of declining carloads, the rail industry is looking for signs of an inflection in volume trends. Grain has emerged as a market segment that appears set for improved volumes given the potential for another record crop. The outlook for other bulk commodities is also shaping up well. At roughly 40% of the company's revenue, CP Rail is uniquely positioned to benefit from an increase in bulk commodity carloads. Accordingly, management's full-year volume guidance implies a significant inflection in Q4.
- **Cost containment initiatives set the stage for margin enhancement:** Management responded to the period of lower volumes by implementing material cost containment initiatives. While this has resulted in strong operating ratios throughout the volume downturn, it also positions the company for material margin expansion should the inflection in bulk commodity carloads materialize as management envisions.
- **Management transition maintains strong leadership:** The company recently solidified the future of its management team in announcing that President and COO Keith Creel will assume the CEO title on July 1, 2017. Moreover, current CEO Hunter Harrison has reached a three-year post-retirement consulting agreement that will see the company retain the intellectual capital brought to bear by the transformational leader.

Risks

Risks include, but are not limited to, extreme fluctuations in fuel prices, unusual weather conditions that could impact grain crops or railway operating efficiencies, and weaker-than-anticipated economic conditions.

1-year CP pricing chart



Source - FactSet

Enbridge Inc.

(TSX: ENB, $51.72)

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.

RBC Capital Markets:	Outperform

We are removing the 5.0% position in Enbridge from the List

Rationale for removal

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

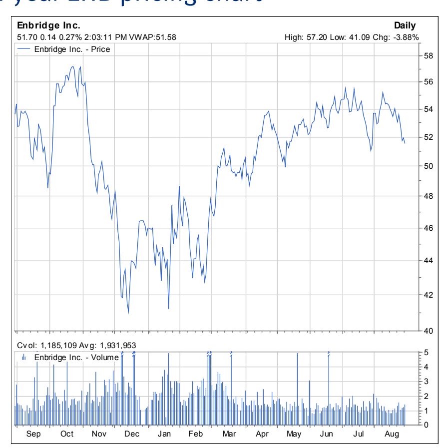
- **Project delays could weigh on medium-term growth outlook:** Regulatory delays for Enbridge's Sandpiper and Line 3 Replacement projects have pushed their respective in-service dates towards the end of the decade, which may impact the company's guidance for a 12%–14% adjusted cash flow from operations compound annual growth rate through 2019. The delays also introduce a risk of cost inflation that is difficult to quantify at this juncture.
- **Capital funding program requires capital markets access at economic terms:** Excluding refinancings, RBC Capital Markets estimates that Enbridge will require $4.3B in incremental debt funding in addition to a further $0.8B in equity through 2019. While the recent equity raise has substantially reduced funding risk for the company, access to capital markets remains a potential risk for the next several years.
- **Dividend growth guidance implies increasing payout ratio:** Based on RBC Capital Markets' estimates, Enbridge's dividend coverage ratio will deteriorate from 2.0x in 2015 to 1.8x in 2018. While this ratio continues to compare favourably with U.S. peers, we are somewhat cautious on the trend in light of the aforementioned downside risks to the medium-term growth outlook stemming from project delays.
- **Long-term growth trajectory is uncertain:** While a handful of existing large projects should support oil sands production growth over the next several years, there has been an absence of investment in significant new projects to drive oil sands growth beyond the end of the decade. RBC Capital Markets' energy research team forecasts an oil sands production plateau in 2020 at 3.1 million barrels per day. With oil sands production volumes an important macro driver for Enbridge, this outlook raises questions about the company's long-term growth.

  A weaker long-term outlook may force Enbridge to re-evaluate its acquisition criteria in a manner that allows it to reposition its asset base in an as of yet unknown strategic direction.

Risks

Risks include, but are not limited to, the ability to fund and complete new projects on attractive terms, higher long-term interest rates, and lower volumes on key pipeline systems.

1-year ENB pricing chart



Source - FactSet

National Bank of Canada

(TSX: NA, $46.09)

National Bank of Canada is a Montreal-based, fully integrated financial services company, and the smallest of the Big Six Canadian banks. Earnings are typically split between personal and commercial (50%), wealth management (15%), and capital markets (35%).

RBC Capital Markets: Outperform

We are adding a 2.5% position in National Bank of Canada to the List

Rationale for addition

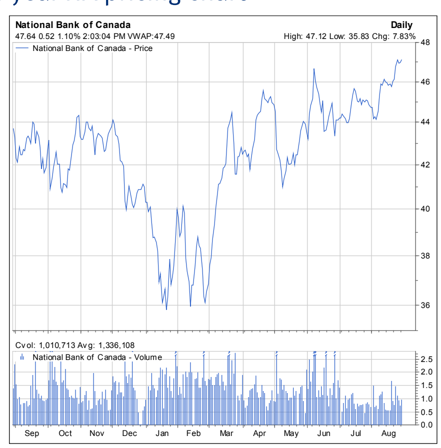
We are adding a 2.5% position in National Bank of Canada to the Canadian Focus List for the following reasons:

- **Outlook improves as Canadian banks exhibit resilience:** Recent results from the Canadian banks displayed largely better-than-expected credit trends and the early benefits of cost containment initiatives. In the event that credit losses continue to trend below analyst consensus expectations, there could be scope for positive earnings revisions in the industry. Moreover, continued progress on the expense line will help the banks generate earnings growth in spite of ongoing revenue headwinds. While this setup argues for a higher allocation to banks within the portfolio, we feel that National Bank is especially well positioned, given its above-average direct oil & gas industry loan exposure and ongoing restructuring efforts.
- **Valuation discount leaves considerable scope for positive re-rating:** National Bank has seen its valuation discount relative to the peer group expand over the past year as it navigated a period of business challenges and volatility in its capital position. National Bank currently trades at a two point multiple discount relative to its peer group based on RBC Capital Markets' 2017 earnings estimates. The bank's historical discount relative to peers is closer to one point, which leaves significant potential for valuation expansion should business performance normalize, the outlook for energy-related credit improve, and the bank's capital position regenerate.

Risks

Risks include, but are not limited to, the health of the overall economy and that of Quebec in particular, sustained deterioration in the capital markets environment, a turndown in the Canadian housing market, and deterioration in the outlook for energy-related credit.

1-year NA pricing chart



Source - FactSet

Sun Life Financial, Inc.

(TSX: SLF, $41.38)

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

RBC Capital Markets:	Outperform

We are removing the 5.0% position in Sun Life Financial from the List

Rationale for removal

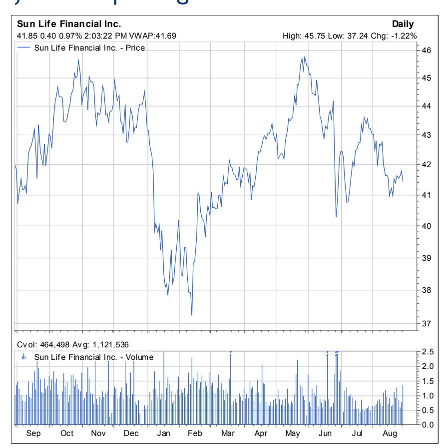
We are removing the 5.0% position in Sun Life from the Canadian Focus List for the following reasons:

- **Persistent outflows at MFS weigh on profitability:** Institutional outflows in Sun Life's MFS asset management unit intensified in Q2, with a net flow of -US$1.9B relative to -US$0.6B in the prior quarter. The business has now experienced eight consecutive quarters of outflows. The headwind against assets under management has impacted profitability, with operating margins contracting and core earnings down 19% y/y in Q2. MFS is a significant contributor to Sun Life's bottom line having accounted for approximately one-third of 2015 earnings.
- **Change in reinvestment rate assumption could impact 2017 earnings:** Management has noted that it expects a change in the reinvestment rate assumption used to value policyholder liabilities in 2017; however, the magnitude is unclear. A 10-basis point drop in the reinvestment rate would result in a $75M earnings hit. RBC Capital Markets assumes a 20-basis point reduction.
- **Premium valuation reflects positive business and capital markets trends:** We believe Sun Life's premium valuation relative to the peer group reflects improvements in the company's asset management operations and constructive capital markets trends. With some uncertainty on these fronts, we have elected to deploy funds elsewhere.

Risks

Risks include, but are not limited to, persistently low interest rates, deteriorating equity markets, changes in actuarial assumptions, changes to accounting and regulatory rules, acquisition and execution risk, and risks related to Asian politics and economic growth.

1-year SLF pricing chart



Source - FactSet

TransCanada Corp.

(TSX: TRP, $59.47)

TransCanada's assets include natural gas pipelines, power generation, and natural gas storage. The company has more than 90,000 kilometres of wholly owned pipelines in North America, owns or has interests in about 10,500 megawatts of power generation (hydro, gas, nuclear, and coal) in operation or under development, and 664 billion cubic feet of natural gas storage.

RBC Capital Markets:	Outperform

We are increasing our position in TransCanada by 2.5%

Rationale for increase

We are increasing our position in TransCanada to 5.0% for the following reasons:

- **Acquisition of Columbia Pipeline Group is strategic and accretive to growth:** TransCanada completed the acquisition of Columbia Pipeline Group on July 1. The acquisition adds a strategic footprint in the Marcellus and Utica gas plays where TransCanada's current presence is limited. With its sizable backlog of contracted and/or regulated projects, Columbia's project pipeline represents a substantial opportunity that management believes could drive an average of 20% annual EBITDA growth through 2020. This is roughly double the EBITDA growth guidance targeted by TransCanada on a stand-alone basis.
- **Asset sales could prompt valuation re-rating:** In order to help finance the Columbia acquisition, TransCanada has resolved to sell its U.S. power business and Mexican gas pipelines. We believe the disposition of noncore assets coincident with the acquisition of a strategic and high-growth asset could have positive implications for TransCanada's valuation multiple over time. Management has indicated that the sale processes for noncore assets have already commenced and are receiving substantial interest.
- **November investor day could provide positive catalysts:** TransCanada has yet to provide an update on the U.S. power asset sale process or its master limited partnership strategic review process. We would expect management to provide some indications at the annual investor day. Moreover, with the Columbia acquisition now closed, management may use the venue to delve into the potential synergies and upside of the combination.

Risks

Risks include, but are not limited to, reduced volumes on the Canadian Mainline, an inability to secure approvals for key projects, and variability in power and gas prices.

1-year TRP pricing chart

Source - FactSet

Waste Connections, Inc.

(TSX: WCN, $100.06)

Waste Connections is an integrated solid waste services company that provides solid waste collection, transfer, disposal, and recycling services in mostly exclusive and secondary markets. The company also operates an oilfield waste treatment, recovery, and disposal business in some of the most prolific energy-producing geographies in the U.S. Waste Connections serves residential, commercial, industrial, and energy-producing customers across the U.S. and Canada.

RBC Capital Markets:	Outperform

We are adding a 2.5% position in Waste Connections to the List

Rationale for addition

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

- **Unrelenting focus on market selection fosters the conditions for financial success:** Management believes that if market selection and asset positioning are wrong, even flawless operational execution will fail to yield industry-leading financial results. That notion has led the company to focus on markets where it operates on an exclusive basis or in secondary markets where it can command a dominant market share. This strategy avoids direct competition with rivals where the ability to influence pricing is negligible.
- **Proven management team and differentiated corporate culture:** CEO Ronald Mittelstaedt has led the company since it was formed in 1997. Top management espouses a decentralized culture. Corporate headquarters provides oversight and makes capital allocation decisions while district-level managers operate with a high degree of autonomy. The company's culture is further enhanced by broad-based equity ownership. The positive effects of the culture are evidenced in its low turnover and leading safety record.
- **Industry-leading financial metrics and shareholder returns:** The merits of management's strategic direction and the company's unique culture have been borne out in its track record of financial performance. Waste Connections has generated industry-leading margins and free cash flow conversion through the business cycle.
- **Multiple avenues for potential upside:** The acquisition of Progressive Waste Solutions offers the potential for significant synergy. Further upside could be unearthed through asset swaps of legacy Progressive Waste service areas that do not align with management's views on market selection. Waste Connections also has a U.S.-based oilfield waste services division that provides upside optionality in the event that drilling activity improves.

Risks

Risks include, but are not limited to, economic weakness, a failure to successfully integrate acquisitions, adverse regulatory changes, and volatility in commodity prices.

1-year WCN pricing chart

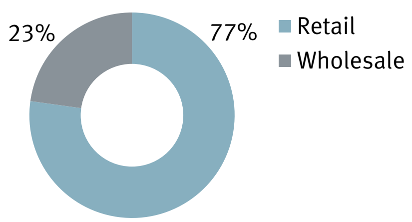
Source - FactSet

Portfolio companies

Agrium Inc. (AGU) – 2.5%

- 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 2015 revenue mix

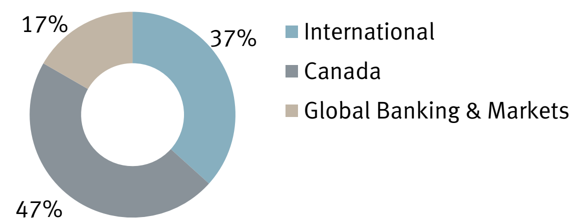


Source - Bloomberg, Company reports

The Bank of Nova Scotia (BNS) – 5.0%

- We believe that the Bank of Nova Scotia's international banking division should grow faster than domestic franchises over time. We expect earnings in this division to improve once restructuring initiatives have run their course.
- We believe there is scope for Bank of Nova Scotia's historical valuation premium relative to peers to reassert itself with improved international performance.

BNS 2015 net revenue mix

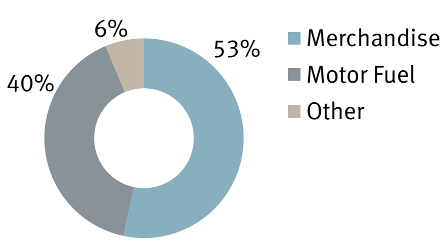


Source - Bloomberg, Company reports

Alimentation Couche-Tard Inc. (ATD.B) – 2.5%

- Couche-Tard is the third-largest convenience store retailer in North America. It operates a network of more than 6,000 stores located across Canada and the U.S. The company operates through its Statoil Fuel & Retail subsidiary in Northern and Eastern Europe.
- The company is geographically diversified with nearly 90% of its earnings generated outside of Canada.
- Management has a proven track record of adding value through the successful integration of accretive acquisitions.

ATD.B 2015 gross profit mix

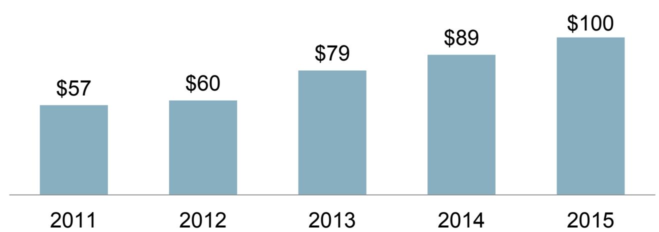


Source - Bloomberg, Company reports

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 $108B 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 steady source of earnings.

BAM.A fee-bearing capital (in billions)

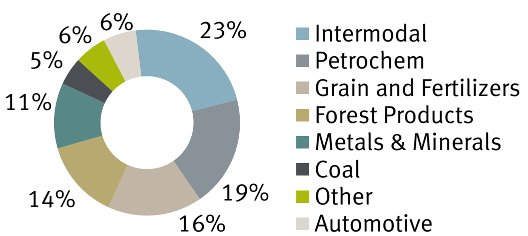


Source - Company reports

Canadian National Railway (CNR) – 2.5%

- 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 2015 revenue mix

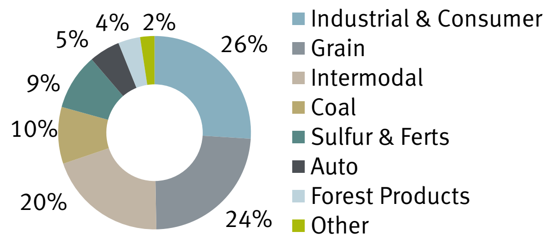


Source - Bloomberg, Company reports

Canadian Pacific Railway Ltd. (CP) – 5.0%

- CP Rail operates a network from Montreal to Vancouver and across the U.S. Northeast and Midwest regions. CP transports bulk commodities, merchandise freight, and intermodal traffic.
- The company's business mix leaves it well positioned to capitalize on a recovery in bulk commodity shipments.
- Cost containment initiatives implemented during the downturn in carloads set the stage for margin expansion.

CP 2015 revenue mix

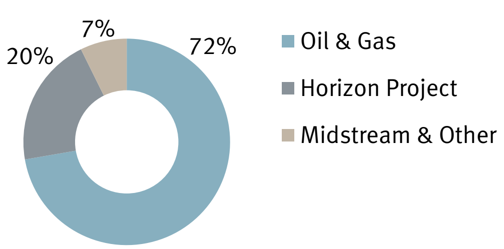


Source - Bloomberg, Company reports

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 2015 revenue mix

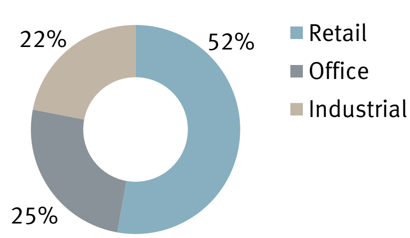


Source - Bloomberg, Company reports

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 U.S. 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 distributions. CREIT has increased its distribution for the past 15 years.

REF.UN 2015 revenue mix

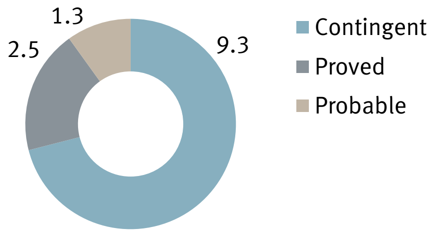


Source - Bloomberg, Company reports

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 and Christina Lake.
- Cenovus' balance sheet has been fortified with considerable cash resources and undrawn credit capacity.

CVE resources by category (billion barrels)

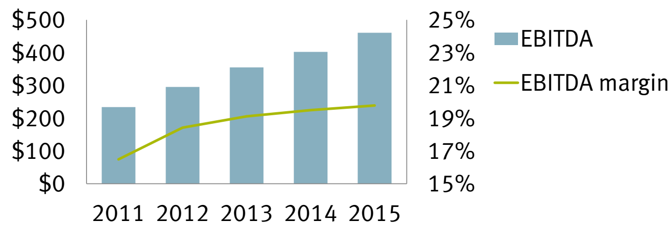


Source - Company reports

Dollarama Inc. (DOL) –2.5%

- Dollarama is Canada's leading fixed-price point retailer. With over 1,000 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 a significant fairway for square-footage growth over the next three to five years.
- The company has a proven ability to engineer its gross margin despite fluctuations in the Canadian dollar.
- It is well positioned to benefit from low gas prices and defensively positioned in the case of weak GDP growth.

DOL EBITDA (millions) & EBITDA margin

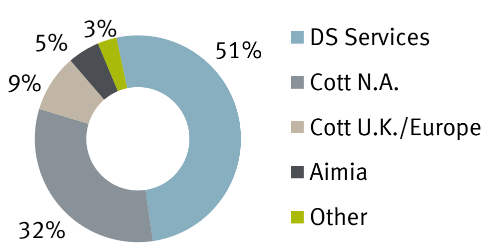


Source - Company reports

Cott Corporation (BCB) – 2.5%

- Cott is one of the world's largest producers of beverages. The company also boasts one of the broadest home and office beverage services distribution networks in the U.S.
- The home and office distribution business offers attractive opportunities to acquire sub-scale competitors at low multiples of cash flow.
- The combination of Cott's beverage manufacturing capacity and delivery business offers the potential for cross-sell opportunities.

BCB 2015 EBITDA mix

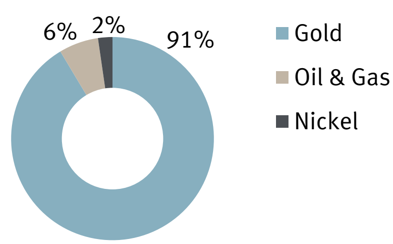


Source - Company reports

Franco-Nevada Corp. (FNV) – 2.5%

- Franco-Nevada is a diversified resource royalty and metal streams company with ongoing revenues from 46 active precious and base metal royalties/streams, and 137 active oil and gas royalties.
- Franco-Nevada's royalty and metal streams business model offers leverage to commodity prices but largely shields the company from operating risks, cost escalation, and environmental liabilities.
- The company possesses considerable liquidity with which to pursue additional investment opportunities.

FNV 2015 revenue mix



Source - Company reports

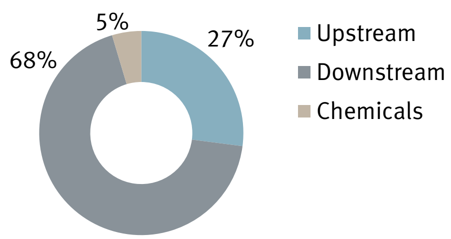
Imperial Oil Ltd. (IMO) – 2.5%

- Imperial's project portfolio includes the flagship Cold Lake property, a 25% interest in Syncrude, and a 71% interest in Kearl. In addition to its upstream operations, Imperial is the largest refiner and a significant marketer of petroleum products in Canada.
- Imperial's high-performing assets in both upstream and downstream operations position the company to compete across a broad range of energy prices.

MacDonald, Dettwiler & Associates (MDA) – 2.5%

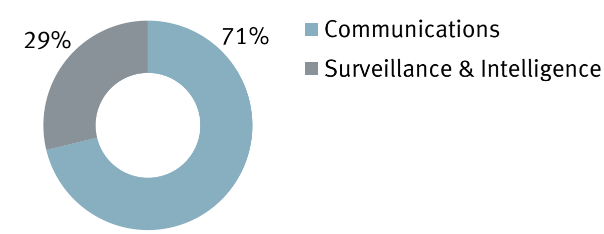
- MDA is a global leader in advanced technology solutions for satellites, satellite systems/components, processing satellite images, air traffic control, UAV/satellite surveillance, and managing mobile assets.
- We believe the acquisition of Space Systems/Loral enables significant long-term growth potential.
- Advancement of U.S. government opportunities is a key focal point for the company. MDA is on its way to securing the necessary security clearances and pursuing a robust pipeline of opportunities.

IMO 2015 revenue mix



Source - Bloomberg, Company reports

MDA 2015 revenue mix



Source - Bloomberg, Company reports

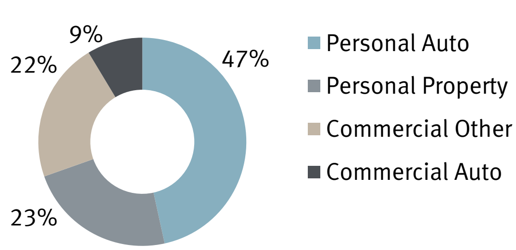
Intact Financial Corp. (IFC) – 5.0%

- Intact Financial is the largest property and casualty (P&C) insurance company in Canada with a roughly 17% market share of premiums written.
- Intact's scale provides it with competitive advantages in the form of operating leverage, underwriting expertise, diversification, and consolidation potential.
- The company's P&C operations are not typically correlated to the performance of the broader economy.

Magna International Inc. (MG) – 2.5%

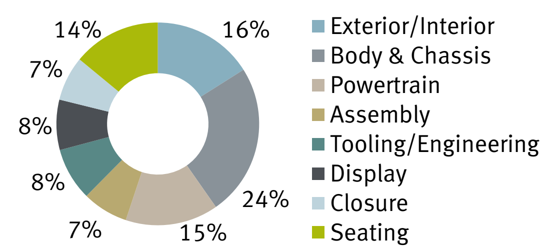
- MG is one of the world's leading auto parts suppliers with a diversified product suite. It also has the capability to design and integrate complete systems, including the assembly of an entire vehicle. MG operates over 300 plants in 28 countries.
- North American auto sales have approached the long-term trend line while RBC Capital Markets projects global production to grow at a 2% CAGR through the end of the decade. We expect higher utilization rates to drive higher margins.
- The company continues to deploy excess free cash flow via a combination of acquisitions, buybacks, and dividend hikes.

IFC 2015 net premiums earned



Source - Bloomberg, Company reports

MG 2015 revenue mix

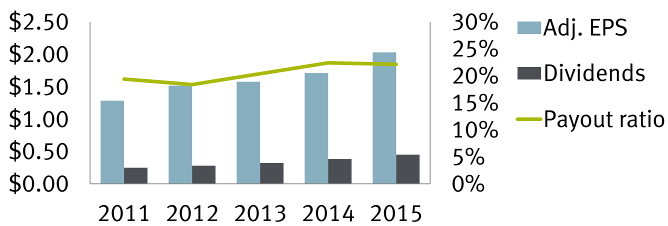


Source - Bloomberg, Company reports

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 improved the competitive environment.
- Metro's exclusively Eastern footprint is insulated from potential weakness in Western Canada.
- A disciplined approach to capital deployment leaves the company well positioned to refresh stores, increase the dividend, and buy back shares.

MRU earnings & dividends per share

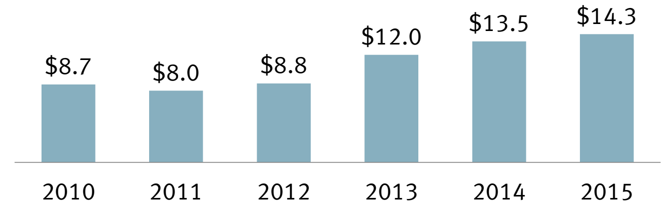


Source - Company reports

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 ~30% 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.

OCX fee generating assets under management (in billions)

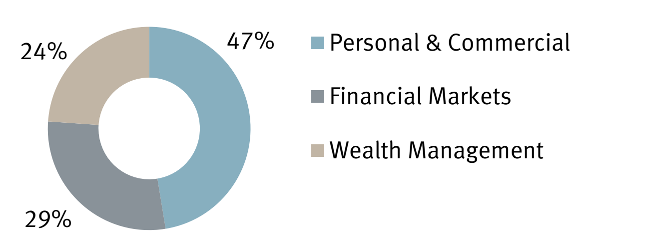


Source - Company reports

National Bank of Canada (NA) – 2.5%

- National Bank is a Montreal-based, fully integrated financial services company, and the smallest of the Big Six Canadian banks. Earnings are typically split between personal and commercial (50%), wealth management (15%), and capital markets (35%).
- National Bank's current valuation leaves considerable scope for valuation expansion in the event that business performance normalizes and the bank's capital position improves.

NA 2015 revenue mix

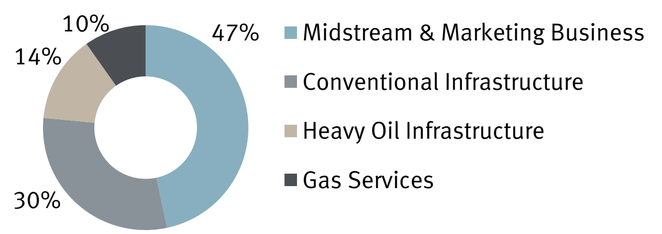


Source - Bloomberg, Company reports

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.

PPL 2015 revenue mix

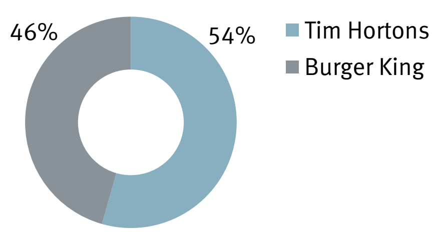


Source - Bloomberg, Company reports

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 unit growth.

QSR 2015 EBITDA mix

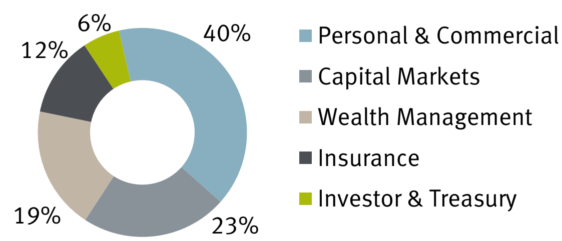


Source - Company reports

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 diversified across Personal & Commercial Banking, Capital Markets, Wealth Management, Insurance, and Investor & Treasury Services.

RY 2015 net revenue mix

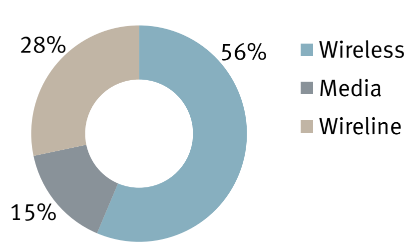


Source - Bloomberg, Company reports

Rogers Communications Inc. (RCI.B) – 2.5%

- Rogers Communications consists of cable, wireless, business service, and media businesses. Rogers Wireless is Canada's largest wireless company.
- The speed and capacity of Rogers' cable infrastructure coupled with a business mix tilted towards wireless leave the company well positioned for industry trends.
- The company's free cash flow profile should benefit from a combination of EBITDA growth and lower capital intensity.

RCI.B 2015 revenue mix

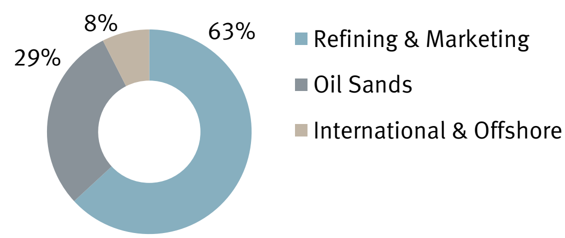


Source - Bloomberg, Company reports

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.
- Through growth initiatives at Fort Hills and Hebron, RBC Capital Markets estimates that the company is set to bring approximately 123,000 barrels per day of oil production online in late 2017.

SU 2015 revenue mix



Source - Bloomberg, Company reports

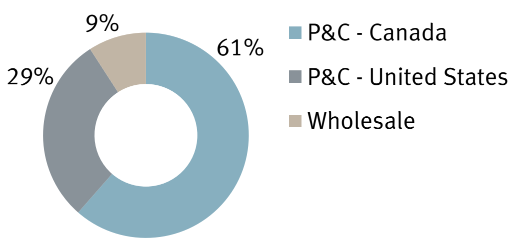
TD Bank (TD) – 7.5%

- TD Bank is well positioned to deliver quality earnings growth with a business mix weighted to the North American retail market.
- TD's diversification outside of Canada should be viewed more positively, in our opinion, with U.S. economic growth poised to outperform Canada.

TransCanada Corp. (TRP) – 5.0%

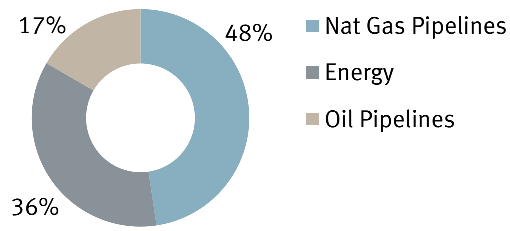
- TransCanada has more than 90,000 kilometres of wholly owned pipelines in North America, owns or has interests in about 10,500 megawatts of power generation in operation or under development, and 664 billion cubic feet of natural gas storage.
- The successful acquisition of Columbia Pipeline Group adds to the company's footprint in the Marcellus and Utica gas plays.
- The company's assets provide a competitive advantage in winning new projects, such as Energy East, that lever off existing "steel in the ground".

TD 2015 net revenue mix



Source - Bloomberg, Company reports

TRP 2015 revenue mix



Source - Bloomberg, Company reports

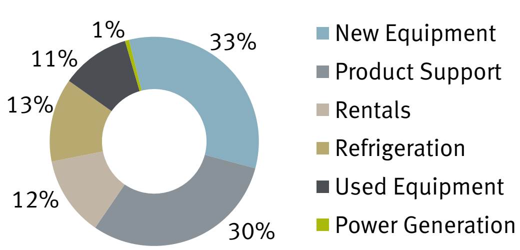
Toromont Industries Ltd. (TIH) – 5.0%

- 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.

Waste Connections, Inc. (WCN) – 2.5%

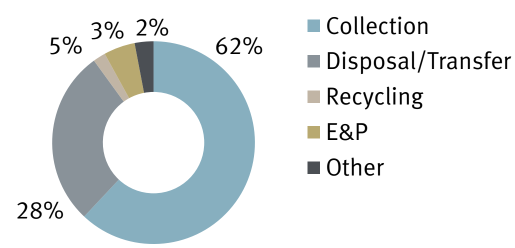
- Waste Connections is an integrated solid waste services company serving residential, commercial, industrial, and energy-producing customers across the U.S. and Canada.
- The company's focus on market selection and its operational expertise have resulted in a track record of peer-leading margins and cash flow conversion.
- The acquisition of Progressive Waste offers the potential for synergies and value-creating asset swaps.

TIH 2015 revenue mix



Source - Bloomberg, Company reports

WCN pro forma revenue mix



Source - RBC Capital Markets

Portfolio companies risks

Agrium: Risks include, but are not limited to, unpredictable weather affecting agricultural inputs, foreign exchange impact on earnings and cash flows, volatile nature of input costs and realized prices, and fluctuations in sales of its retail division.

Alimentation Couche-Tard Inc.: Risks include, but are not limited to, fluctuations in gas margins, an inability to execute acquisitions on economic terms and realize forecast synergies, and risks related to operations spanning numerous geographies and currencies.

The Bank of Nova Scotia: Risks include, but are not limited to, the health of the overall economy, sustained deterioration in Latin America and the capital markets environment, greater-than-anticipated impact from off-balance sheet commitments, rising Canadian dollar, and increasing business loan losses.

Brookfield Asset Management: Risks include, but are not limited to, rising interest rates, hard cyclical downturn in the commercial property sector, and any economic shock that could cause lending spreads to widen and/or loan value ratios to decline.

Canadian National Railway: Risks include, but are not limited to, extreme fluctuations in fuel prices, unusual weather conditions that could impact grain crops or railway operating efficiencies, and weaker-than-anticipated economic conditions.

Canadian Natural Resources: Risks include, but are not limited to, unexpected changes in energy prices, the ability to replace production and reserves on an economic basis, and government legislation relating to royalties, taxes, and environmental policy.

Canadian Pacific Railway: Risks include, but are not limited to, extreme fluctuations in fuel prices, unusual weather conditions that could impact grain crops or railway operating efficiencies, and weaker-than-anticipated economic conditions.

Canadian REIT: Risks include, but are not limited to, those associated with the ownership of real property including general economic conditions, local real estate markets, credit risk of tenants, and changes in interest rates.

Cenovus Energy: Risks include, but are not limited to, unexpected changes in energy prices and refining margins, the ability to replace production and reserves on an economic basis, and government legislation relating to royalties, taxes, and environmental policy.

Cott: Risks include, but are not limited to, increased competitive intensity and promotional activity in the beverage industry, inability to acquire new home office delivery and contract manufacturing customers, and changes in input costs.

Dollarama: Risks include, but are not limited to, increased competition, wage pressures, margin erosion prompted by weakness in the Canadian dollar, and an inability to source attractive real estate for unit growth.

Franco-Nevada: Risks include, but are not limited to, variability in commodity prices, the ability to source and execute on accretive royalty/stream acquisition opportunities, and the financial health and operational execution of project partners.

Imperial Oil: Risks include, but are not limited to, unexpected changes in energy prices and refining margins, the ability to replace production and reserves on an economic basis, and government legislation relating to royalties, taxes and environmental policy.

Intact Financial: Risks include, but are not limited to, catastrophe-related losses, variable profitability, political uncertainty (especially in Ontario), acquisition and integration risk, reserve adequacy, and volatility in its investment portfolio.

MacDonald, Dettwiler & Associates: Risks include, but are not limited to, an inability to keep pace with technological innovation, customers' access to financing, competitive dynamics, and delays in government procurement decisions.

Magna International: Risks include, but are not limited to, deterioration in the outlook for auto sales, the financial performance of key customers, and pricing pressure.

Metro: Risks include, but are not limited to, price competition in the company's Quebec and Ontario markets, and an inability to pass food price inflation onto consumers.

National Bank of Canada: Risks include, but are not limited to, the health of the overall economy and that of Quebec in particular, sustained deterioration in the capital markets environment, a turndown in the Canadian housing market, and deterioration in the outlook for energy-related credit.

Onex: Risks include, but are not limited to, an inability to generate positive fund performance, operating and financial risks of owned investments, departure of key personnel, changes in the tax code, and fluctuations in foreign exchange risk.

Pembina Pipeline: Risks include, but are not limited to, volumes shipped on the company's pipelines, regulatory risk, an inability to complete projects on-time and on-budget, operational issues, reduced margins in the midstream and marketing segment, and an increase in long-term interest rates.

Restaurant Brands International: Risks include, but are not limited to, slower-than-expected economic growth, food safety issues, input and labour cost inflation, fluctuations in foreign exchange rates, and execution risks.

Rogers Communications: Risks include, but are not limited to, increased wireless competition from new entrants resulting in higher churn and/or renewed declines in post-paid ARPU; greater-than-expected market share gains from IPTV and FTTH across Rogers' footprint; greater-than-expected telephony and TV substitution; pricing war among incumbent Canadian telco companies, and regulatory changes that allow more foreign competition.

Royal Bank of Canada: NA

Suncor Energy: Risks include, but are not limited to, unexpected changes in energy prices and refining margins, the ability to replace production and reserves on an economic basis, and government legislation relating to royalties, taxes, and environmental policy.

TD Bank: Risks include, but are not limited to, the health of the overall economy, sustained deterioration in the capital markets environment, a turndown in the Canadian and U.S. housing markets, failure of government programs, and greater-than-anticipated impact from off-balance sheet commitments.

Toromont Industries: Risks include, but are not limited to, lower demand for large equipment required for infrastructure, construction, or mining operations in Eastern Canada, replacement risks from new competitors in their area of operations, lower demand for its refrigeration division, negative macroeconomic trends, lower commodity prices, as well as strategy execution and labour relations.

TransCanada: Risks include, but are not limited to, reduced volumes on the Canadian Mainline, an inability to secure approvals for key projects, and variability in power and gas prices.

Waste Connections: Risks include, but are not limited to, economic weakness, a failure to successfully integrate acquisitions, adverse regulatory changes, and volatility in commodity prices.

Methodology

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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As of June 30, 2016

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Top Pick & Outperform]	878	50.51	246	28.02
Hold [Sector Perform]	741	42.64	129	17.41
Sell [Underperform]	119	6.85	10	8.40

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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:

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RBC Capital Markets has fundamental research of the following companies:

National Bank of Canada (NA; Outperform; $46.09)
Toronto-Dominion Bank (TD; Outperform; $58.52)
The Bank of Nova Scotia (BNS; Outperform; $69.81)
Brookfield Asset Management Inc. (BAM.A; Outperform; $44.25)
Canadian Real Estate Investment Trust (REF.UN; Outperform; $48.60)
Onex Corporation (OCX; Outperform; $80.09)
Sun Life Financial Inc. (SLF; Outperform; $41.38)
Intact Financial Corp. (IFC; Outperform; $95.18)
Magna International Inc. (MG; Outperform; $52.81)
Metro Inc. (MRU; Outperform; $44.54)
Alimentation Couche-Tard Inc. (ATD.B; Outperform; $67.63)
Dollarama Inc. (DOL; Outperform; $96.90)
Restaurant Brands International Inc. (QSR; Outperform; $62.57)
Cott Corporation (BCB; Outperform; $20.91)
Waste Connections, Inc. (WCN; Outperform; $100.96)
Canadian Pacific Railway Ltd. (CP; Outperform; $200.85)
Canadian National Railway Company (CNR; Outperform; $84.27)
Toromont Industries Ltd. (TIH; Outperform; $39.68)
MacDonald, Dettwiler and Associates Ltd. (MDA; Outperform; $86.58)
Rogers Communications Inc. (RCI.B; Outperform; $56.16)
TransCanada Corporation (TRP; Outperform; $59.47)
Franco-Nevada Corporation (FNV; Outperform, $91.63)
Enbridge Inc. (ENB; Outperform; $51.72)
Canadian Natural Resources Limited (CNQ; Top Pick; $40.73)
Suncor Energy Inc. (SU; Outperform; $35.56)
Cenovus Energy Inc. (CVE; Outperform; $18.95)
Imperial Oil Ltd. (IMO; Sector Perform; $40.01)
Pembina Pipeline Corporation (PPL; Outperform; $39.46)
Agrium Inc. (AGU; Outperform; $126.36)

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