Harbour Canadian Dividend Fund
First-quarter 2019 Commentary

Market Overview

- Markets recovered significantly in the first quarter of 2019 from the December 2018 sell-off. Equites have been supported by the U.S. Federal Reserve (the “Fed”) becoming more cautious on interest rate hikes and increased consumer spending backed by a robust employment picture in Canada and the U.S. Our view is we are in a prolonged period of modest economic growth, which implies periods of above-trend growth will be followed by periods of below trend, and vice versa, but the conditions are not indicating a dramatic contraction of the Canadian or global economy.

- Late in the third quarter of 2018, we viewed stocks broadly as expensive, as their high valuations were inconsistent with our expectations of more modest growth going forward. Then, last December, we became more optimistic about valuations for equities as we believe economic growth is intact and the market correction experienced at the end of 2018 was overdone. However, today we find ourselves back in a position of being concerned that valuations are still too high for a slow-growth environment.

Performance Summary

- Over the first quarter of 2019, Class F of Harbour Canadian Dividend Fund (the “Fund”) returned 8.6% compared with its benchmark, the S&P/TSX Composite Index, which was up 13.3% over the same period.

Portfolio Activity

- As valuations moved higher during the quarter, we decided to take the opportunity to eliminate some small Fund positions to ensure we have sufficient liquidity to respond to future market dynamics.

- Thus, Jamieson Wellness Inc. and Corby Spirit and Wine Ltd. were eliminated from the Fund’s portfolio. We also reduced the Fund’s exposure to the precious metals sector by selling Agnico Eagle Mines Ltd. and reducing the Fund portfolio’s weight in Wheaton Precious Metals Corp.

- We added to the Fund's position in Onex Corp., a private equity manager, and Gilead Sciences, Inc., a U.S. health care company.

Outlook

- We expect the market to remain volatile as we continue to believe there will be more modest economic growth this year, which will disappoint those with elevated expectations while subduing concerns of those who foresee a significant contraction. We will maintain our price discipline, trimming or adding to the Fund's portfolio based on company valuations, which we believe will be additive to returns while managing risk. That said, we do not anticipate significant turnover of the Fund's portfolio except that associated with the stated approach of price discipline applied to quality companies such that business risk is managed in a concentrated portfolio.

- The Fed pausing on any further hike in interest rates will be supportive of stocks, and a settlement of the U.S.-China trade war could improve prospects for growth, but we remain cautious, always looking for pockets of value, and willing to raise the Fund's cash level from time to time.

Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Harbour Canadian Dividend Fund	8.6	6.8	7.3	4.6	9.8

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Published May 2019.