INVESTMENT FUNDS

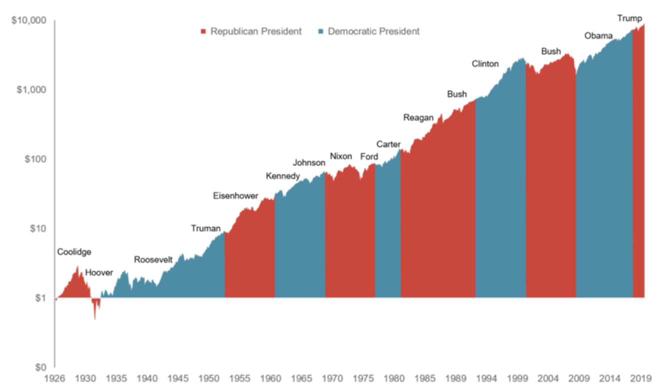
DIVIDEND GROWTH & U.S. DIVIDEND GROWTH

MONTHLY COMMENTARY

October 31, 2020

The stock market in October was a close replay of what we saw in September, which was a volatile month that gave back some gains. As I write today, we have witnessed the latest US election but are still awaiting an official result. What we can definitively say at this point is that the polls were wrong again, with the actual result coming in closer than first anticipated. At this point a Biden win looks likely, while Republicans look set to hold the senate by a thin margin. Markets are staging a brief relief rally in early November, however there will undoubtedly be noise as a few close states will be under the microscope for the next several days.

During the last month, I've received numerous questions on the US election, and whether one should be 'positioning' their portfolio for a certain election result. As an investor with a long-term time horizon and who is always fully invested, I would take issue with this premise. It is obvious that the US election will cause volatility and may get worse the longer we have to wait without a definitive result. However, after the result is known, I would argue that we can continue onward and upward. Please note the chart below – judging by this data should we be worried about which party occupies the White House? I would contend that the majority of the time, the stock market rises (under either administration) and it's best to keep things simple and stay fully invested. No need to overthink it!



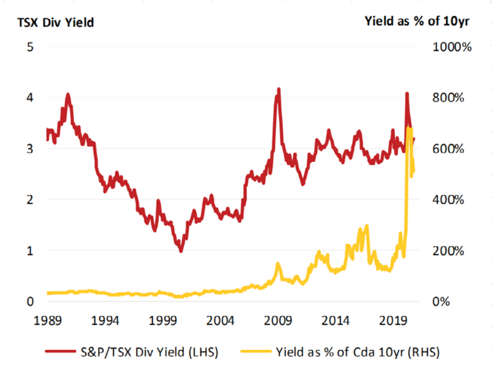
Source: Forbes

iA Financial Group

#1 in net sales of segregated funds in Canada since 2016

iA Investment Management

I will also take this opportunity to remind everyone of the importance of Dividend income. If you are a frequent reader of my commentaries, I apologize in advance for the repetition. I continue to receive questions on dividend sustainability for many companies, and I continue to emphasize that it is not one of my main concerns. As a reminder, we hold stocks of growing companies that have conservative payout ratios, which allow for the dividend to grow as earnings and cash flow grow each year. However, with the sharp drop of rates to all-time lows, the income received from dividends is more important than ever before, and I feel it is being missed by the market. If you refer to the chart below, you will see that you are getting 5x the yield in dividends from the S&P/TSX as you are getting from the 10-year Canadian government bond. In our Canadian Dividend mandates this figure climbs to 6x!



Source : CIBC

Said another way, for a client with a $1M portfolio, you are getting $36,000 in yearly dividend income in our mandates, that is almost certain to grow on a yearly basis. In contrast, that same portfolio invested in a 10-year Canadian government bond will pay you only $6,000. In addition, this $6,000 will be taxed at the highest marginal rate, as compared to dividends which are taxed between 1300-1700 basis points (13-17%) lower depending on the province.

I continue to believe that dividend equities will become **a more important tool**, in fulfilling your client's income needs in the future.

DONNY MOSS, CFA

— Principal Portfolio Manager, North American Equities
— Joined iAIM in 2008
— More than 15 years of investment experience
— Bachelor's degree in commerce, Dalhousie University

Main funds managed by the team

✓	Dividend Growth
✓	U.S. Dividend Growth
✓	Dividend Growth Hybrid 75/25
✓	IA Clarington Canadian Dividend Fund
✓	IA Clarington Dividend Growth Class
✓	IA Clarington U.S. Dividend Growth Fund
✓	IA Clarington Canadian Conservative Equity Fund

iAIM snapshot

— Principal asset manager for iA Financial Group
— Major player in the asset management industry
— Manages $97 billion in general portfolios and segregated and mutual funds
— A team of 184 people, including 108 investment professionals (including 44 CFA charterholders)
— Composed of experienced managers who emphasize fundamental analysis, identification of value and long-term investing

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