INVESTMENT FUNDS

DIVIDEND GROWTH & U.S. DIVIDEND GROWTH

MONTHLY COMMENTARY

November 30, 2020

November was a great month for equities, as vaccine efficacy announcements from Pfizer and Moderna were far ahead of expectations. This has created a much-needed light at the end of the tunnel, as many countries will be able to start vaccinations at the beginning of the new year. This news also caused a major rotation in equities from businesses that have benefitted from the pandemic, into names which were hurt and will benefit from a gradual return to normal in 2021. One of the biggest winners in the month was in the energy sector, as it has been one of the weakest year to date. Oil has moved to its highest level since before the pandemic, which has helped lift energy stocks from low levels not seen in years. Another sector which performed well in November was financials. In Canada, we have just seen the banks report their fourth quarter results, and all were well ahead of expectations. The main driver of those results was a sharp slowdown in their provisions for loan losses. Simply put, the government has stepped in to provide numerous support programs to help individuals and businesses through the pandemic. These programs have been more generous than anticipated, and this has helped keep bank loan losses at a much lower level than originally estimated.

One segment of the market which is still underperforming is Canadian multifamily REITs. These stocks were hit hard during the onset of the pandemic, as there were worries about rent collection, as well as a lack of immigration, which has historically comprised a significant level of demand for units. Similar to what we have seen with the banks, these REITS have also been helped by generous government support, which has helped tenants pay their rent. As a result, none of the major multifamily REITS had rent collection go under 97%, which is far ahead of original estimates last spring. An important thing to remember is that most of the apartment buildings held by public REITS are older in nature and not in downtown cores. These buildings usually command far less rent than comparable newer downtown units, and since rents have moved higher in recent years, if a tenant leaves the unit, it can usually be rented at higher levels, even in the middle of a pandemic! In addition, while these REIT stocks still trade at 15% to 20% below pre-pandemic levels, the underlying apartment buildings are still attracting record prices when sold, partly as a result of ultra-low interest rates.

iA Financial Group

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

iA Investment Management

We will continue to monitor the disconnect between asset value and stock prices in this area, **while our mandates are positioned to benefit as these companies continue to recover.**

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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