INVESTMENT FUNDS

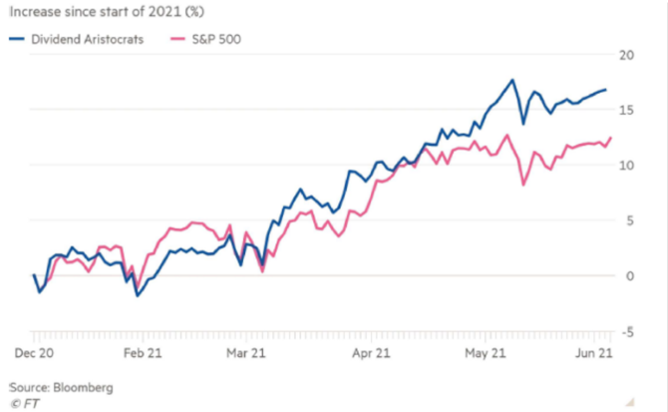
DIVIDEND GROWTH &
U.S. DIVIDEND GROWTH

MONTHLY COMMENTARY

May 31, 2021

June has arrived, and we are finally seeing some light at the end of the tunnel on COVID. Case rates within the U.S. and Canada are dropping significantly, with cases in Canada dropping by over 70% since the third wave high in mid-April, while in the U.S. cases are down over 75% within the same timeframe. This improvement is driven primarily by the vaccine rollout, where over 60% of Canadians have their first dose while in the U.S., 52% have their first dose and 42% are fully vaccinated. This achievement is allowing for an accelerated reopening in the U.S. and a measured reopening in most parts of Canada. We can also view the improvement in the economy in real time, as we note statistics such as weekly auto miles driven, weekly airline passenger data, and credit card transactions (by spending type) all point to increased mobility and a return to normal.

Another area where we are grateful to see a return to normal is in company earnings, which we discussed in detail last month. Further to that, Canadian banks reported their second quarter last week and similar to the first quarter, we saw results which were well ahead of expectations. Most of the earnings beats were attributable to sharply lower levels of loan loss provisions compared to last year; however, even excluding provisions, we are beginning to see good core growth. As a group, bank earnings on a pre-tax, pre-provision basis were up 13% on a year-over-year basis which, in our opinion, is a great result considering the banks are still not benefitting yet from higher interest rates. Investors have been anticipating these good results, with Canadian banks up over 30% so far this year. However, since earnings growth has exceeded expectations the group still trades at just over 11 times earnings. As they will benefit from a reopening, higher rates, and a potential loosening of capital restrictions later this year, we are very comfortable with our generous weighting in bank stocks within our dividend mandates.



iA Financial Group

iA Investment Management

The great results we've seen from banks and other recovery-related sectors have helped dividend growth stocks outperform the broader U.S. market for the first time since 2018. More than a dozen companies in the S&P 500 who were forced to cut or suspend their dividends in 2020 have already reinstated, while in Canada, dividend payments have already reached new all-time highs, even with banks and insurers unable to raise dividends yet. Rates have moved higher in 2021; however, they are still at very low levels historically, and well under most fixed-income alternatives. We feel that the setup for dividend stocks remains attractive and expect continued good relative performance this year.

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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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