INVESTMENT FUNDS

DIVIDEND GROWTH &
U.S. DIVIDEND GROWTH

MONTHLY COMMENTARY

November 30, 2021

Last month, we listed off several large issues the market has shaken off as it continued to make new highs. As we move to the end of 2021, we've already added a new worry – namely a new COVID variant named Omicron. The timing of the discovery of this variant didn't help investors, as news came out over U.S. Thanksgiving in an otherwise slow news cycle. While we all await vaccine efficacy data to come out over the next few weeks, initial indications show that although Omicron seems extremely contagious, we have yet to see significant hospitalizations or deaths. This was enough to spook the stock market initially; however, our initial assessment is that it will not change our thesis that the economy will continue to slowly reopen in 2022 and move back towards a 'new normal' scenario. We've made no major adjustments to the portfolio and will wait for vaccine efficacy data, which will hopefully show that existing vaccines still perform well to prevent severe outcomes.

The Canadian banks just completed their fourth quarter reporting and while we didn't see the massive earnings beats that characterized the past few quarters, results were still solid. Banks are still seeing headwinds from low interest rates, which should level out and reverse as we move into 2022, as consensus is calling for four rate hikes from the Bank of Canada. We also saw the dividend increases that we were hoping for, with dividend increases from the big six banks averaging 16%, which was ahead of consensus. In addition, all banks applied for approval to repurchase shares, which we feel will be well received by the market. It's important to remind investors that the banks and insurance companies make up over 30% of the S&P/TSX60. As a result, the fact that the regulator has removed restrictions on dividends is a very positive signal for dividend growth for the entire Canadian market. As financials are such a large share of the market, the announced dividend increases equate to a 5% increase for the entire index!

We feel the outlook for dividends and dividend growth looks promising after a blip in growth due to COVID. The main reason for this outlook is the strength of earnings growth we have witnessed, as the trajectory of dividends usually follows earnings. It may be easy to overlook the importance of dividends when the market has performed so well; however, it is important to point out that dividends still comprise 30% of total return over the long term. In addition, dividend growth for the S&P 500 and S&P/TSX has averaged over 5% per year for the past 30 years, and we feel this growth rate will be exceeded over the next few years. The growth in income in a portfolio will become very important as investors look to offset higher levels of inflation that we are currently experiencing.

The growth in income in a portfolio will become very important **as investors look to offset higher levels of inflation** that we are currently experiencing.

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

DISCLAIMER

This document was prepared by iA Investment Management. Unless otherwise indicated, the segregated funds presented in this document are offered by iA Financial Group and the Mutual Funds presented are offered by iA Clarington Investments Inc.

The opinions expressed herein are based on current market conditions and may change without notice. They are not intended to provide investment advice. The forecasts provided herein are not guarantees of future performance, and include risks, uncertainty and assumptions. While these assumptions appear reasonable, there is no guarantee that they will be confirmed.

An investment in the mutual fund or the segregated fund may result in commissions, trailing commissions, management and other fees. Please read the prospectus or the Information Folder before making an investment. Each rate of return indicated is a historical annual compounded total rate of return that takes into account fluctuations in the value of units or shares and the reinvestment of all distributions and does not take into account buying commissions or redemption fees, investment fees, optional fees or tax on payable income by a unit holder, which would contribute to poor performance. Mutual Funds are not guaranteed and the segregated funds are guaranteed in part, under certain conditions. The value often fluctuates upward or downward, at the risk of the subscriber, and past performance is not indicative of future performance.

The rate of return is used to illustrate the effects of the compound growth rate only and is not intended to reflect the future values of the investment fund or the return on an investment in the investment funds.

iA Financial Group is a business name and trademark of Industrial Alliance Insurance and Financial Services Inc. iA Investment Management is a trademark and business name under which Industrial Alliance Investment Management Inc. operates. iA Investment Management and iA Clarington Investments Inc. are wholly owned subsidiaries of iA Financial Group.

This publication contains information provided by companies not affiliated with iA Financial Group (“Third Party Content Providers”), including, but not limited to, ratings, stock indexes and company-classification systems (“Third Party Content”) Third party Content is the property and trademarked by the relevant Third Party Content Providers and has been licensed for use by iA Financial Group. The use of Data received from Third Party Content Providers by iA Financial Group is authorized under licence.

This publication contains information provided by companies not affiliated with iA Financial Group (“Third Party Content Providers”), including, but not limited to, ratings, stock indexes and company-classification systems (“Third Party Content”) Third party Content is the property and trademarked by the relevant Third Party Content Providers and has been licensed for use by iA Financial Group. The use of Data received from Third Party Content Providers by iA Financial Group is authorized under licence.

The information presented in this publication is provided for informational purposes only. iA Financial Group and Third Party Content Providers make no representations or warranties as to the information contained herein and no not guarantee its originality, accuracy or completeness. iA Financial Group and Third Party Content Providers disclaim all liability in respect of this information or the use or misuse thereof.

The investment funds offered by iA Financial Group (“Funds”) are not sponsored, endorsed, sold or promoted by Third Party Content Providers. Third Party Content Providers make no representation as to the relevance of investing in the Funds, offer no guarantee or conditions in respect thereof, or assume liability in respect of their design, administration or negotiation.

Financial and economic publications of iA Financial Group are not written, reviewed or approved by Third Party Content Providers.

Any information contained herein may not be copied, used or distributed without the written consent of iA Financial Group and/or the relevant Third Party Content Provider.

Where FTSE indexes are used, or referenced: FTSE International Limited (“FTSE”) © FTSE [2018] ® is a trademark of the London Stock Exchange Group companies and is used by FTSE under licence. “NAREIT®” is a trademark of the National Association of Real Estate Investment Trusts and used by FTSE under licence. “EPRA®” is a trademark of the European Public Estate Association and used by FTSE under licence. “TMX” is a trademark of the TSX Inc. used by FTSE under licence.

NASDAQ®, OMXTM, NASDAQ-100® and NASDAQ-100 Index® are registered trademarks of NASDAQ Inc. and are licensed for use by iA Financial Group.

Where the Global Industry Classification Standard (GICS) is used or referenced: the GICS was developed by MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by iA Financial Group.

The International Equity Index Fund, the Global Equity Index ACWI Fund, the Global Stock Account, the European Stock Account and the International Stock Account are each indexed to an MSCI index. MSCI indexes are licensed for use by iA Financial Group. For more information about the MSCI indexes, visit htpps://msci.com/indexes.

INVESTED IN YOU.