INVESTMENT FUNDS

DIVIDEND GROWTH & U.S. DIVIDEND GROWTH

QUARTERLY COMMENTARY

September 30, 2021

We've entered the final quarter of 2021, and while making predictions can be a tough thing to do, I can almost guarantee that equity investors will find the remainder of the year very interesting. One of the major items to discuss in September was the rise in bond yields, which spiked materially in the final days of the month to levels not seen since last spring. This was felt in the equity market, as we saw weakness in higher valuation sectors such as Technology, and weakness in sectors which provide higher dividend yields, such as Real Estate and Telecommunications.

While yields are still very low in a historical context, the rise we are seeing can be attributed to the continued reopening of the economy in North America, with cases of the Delta variant on a downward trajectory in most U.S. states. We also received some good news in the ongoing battle with COVID-19 from Merck, which has developed a drug in pill form that reduces hospitalizations by 50% and deaths by 100% for patients with a recent COVID-19 diagnosis. This is another piece of good news for humanity, as it will serve to reduce the impact of the virus on the population and speed up the return to normal that we are all hoping for. This news, along with rising vaccination levels, and the recent announcement of positive Pfizer vaccine efficacy data in children, means we are in good shape to keep the economy open in North America through the winter.

On a less positive note, one topic previously discussed that has not improved with time are the continued supply chain challenges across the globe. For example, the container shipping rate from Shanghai to Los Angeles has tripled since May and is now up sixfold from pre-COVID levels. Meanwhile there are currently over 70 containerships anchored outside Los Angeles waiting to unload, due to the combination of increased demand and a shortage of port workers. As our spending on services and experiences has declined materially since the onset of COVID, our spending on goods has increased over 20% from pre-COVID levels. In addition, we have noticed numerous bottlenecks in both factories and ports around the world due to COVID-related interruptions. The combination of these factors has had a material negative impact on the flow of goods and is not expected to improve for the next several months. This will not be the year to leave your Christmas shopping to the last minute – you've been warned!

iA Financial Group

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

iA Investment Management

Another issue we are watching is the rise in energy prices, and energy supply. We're all aware that oil prices have been very strong this year; however, natural gas prices continue to spike, with Europe seeing the largest effects so far. Natural gas is not only a major energy source for heating in the winter but is also a major input for power generation and the production of goods, such as plastics, chemicals, and fertilizers. Gas storage levels are substantially lower than normal, which may cause this winter heating season to be both volatile and expensive.

With all the above-mentioned risks on the horizon, it is a good reminder of why we spend a good portion of our time managing risk and remaining properly diversified in our equity mandates. While higher rates may be unwelcome for our telecommunication and utility stocks, they are a positive sign for our banks and life insurance stocks. While supply chain and port delays may hurt our railway stocks in the short term, it will be a competitive advantage for companies which excel in managing this aspect of their business, such as Dollarama and Canadian Tire, which pre-order their goods several months in advance. Our energy companies will benefit from higher oil and gas prices, and the incoming cash flow will further de-risk their balance sheets. Meanwhile, our technology holdings such as Open Text and Microsoft will sidestep most of these issues entirely. It's our expectation that this investment strategy will continue to handle these issues and all the new ones that are yet to come.

It's our expectation that this investment strategy will continue to handle these issues and all the new ones that are yet to come.

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.