



# The power of dividends – offering a winning strategy

Dividend income has historically benefited investors by providing both reliability and growth over time. In fact, dividend-paying stocks have helped investors grow their portfolios by leading market returns over the long term. While market volatility can leave many investors feeling uneasy about investing in equities, many companies are able to grow their earnings, thus rewarding investors by increasing their dividends and share prices.

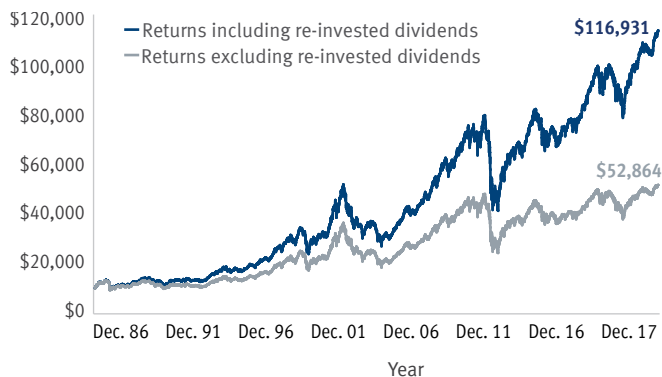
## Dividends play a key role in long-term returns

Dividend-paying companies represent a significant portion of the Canadian equity market and are typically well-established, soundly managed companies with stable businesses. Dividends can also be an important part of a portfolio’s total return, helping to offset losses in times of market declines, while boosting portfolio returns when markets are rising.

## The power of dividends

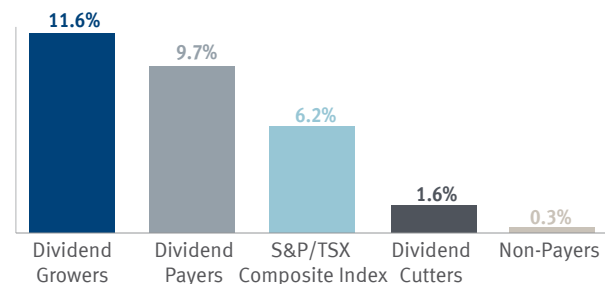
As the charts below illustrate, the shares of companies that pay dividends have historically outperformed the index.

Dividends have consistently and significantly contributed to total returns, year after year  
Growth of \$10,000 invested in S&P/TSX Composite Index\*



Source: Morningstar Direct: December 1986 – December 2017.  
\* An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.  
Returns including re-invested dividends = S&P/TSX Composite Total Return;  
Returns excluding re-invested dividends = S&P/TSX Price Appreciation.

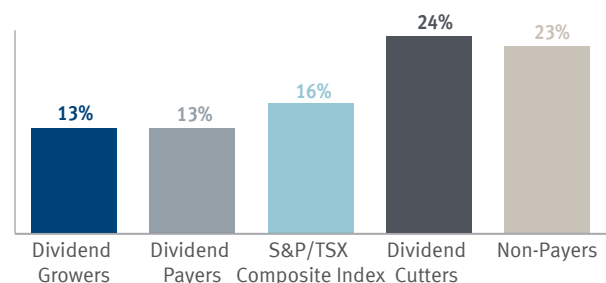
Dividend-paying stocks have outperformed over time  
Compound annual total returns (1986 - 2017)



Source: RBC Capital Markets Quantitative Research, data is calculated on an equal weight basis, S&P/TSX Composite Total Return Index, December 1986 – December 2017. Growers, Cutters, Payers and Non-Payers determined yearly.

Additionally, shares of companies that pay dividends have historically shown lower volatility.

Dividend-paying stocks have displayed lower volatility over time  
Annualized volatility (1986 - 2017)



Source: RBC Capital Markets Quantitative Research.  
Annualized volatility is calculated on an equal weighted basis, S&P/TSX Composite Total Return Index, December 1986 – December 2017. Standard deviation/annualized volatility is a commonly used measure of risk and is applied to the annual rate of return of an investment to measure the investment’s volatility. Standard Deviation shows how much the return on an investment is deviating from expected normal returns. A high standard deviation indicates a greater variability in investment performance.

## Get a head start with dividends

Over the past 31 years, dividends have contributed an average of 2.7% per year to the S&P/TSX Composite Total Return Index, representing almost 33% of the average annual total return.

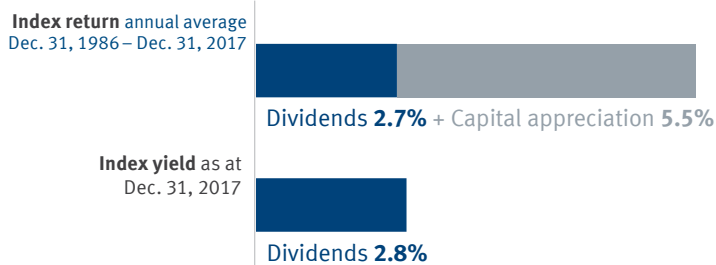
At the end of 2017, the dividend yield was consistent with its historical average, at 2.8%. Clean balance sheets, strong earnings growth and investor-friendly corporate dividend payout policies all continue to paint a bright picture for the future of dividend-paying equities.

While no one knows exactly when markets will move up or down, dividend income can help deliver consistent cash flow to investors. It can also provide exposure to the compelling growth opportunities that are emerging amid solid corporate earnings and improving global economic growth.

Dividend paying equities also offer a yield premium over Canadian government bonds and offer more favorable tax treatment.

## Dividends give your portfolio a head start

S&P/TSX Composite Total Return Index yields and capital appreciation



Source: Morningstar Direct.

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