



The power of dividends

Offering a winning strategy

Historically, dividends have helped investors to gain reliable income and additional growth from their investment portfolios over time. In fact, the boost that dividends provide can help to mitigate the effects of market volatility on a portfolio, thereby helping investors to feel more comfortable with their equity investments and stay invested through turbulent times. Moreover, many companies are able to grow their earnings and reward investors by increasing their dividend payouts, which can also lead to share-price gains.

Dividends play a key role in long-term returns

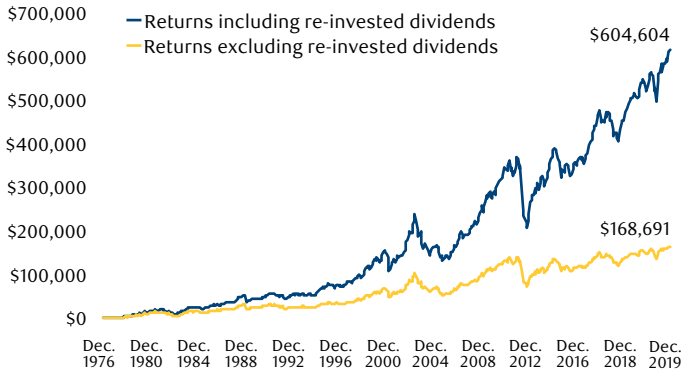
Dividend-paying companies represent a significant portion of the Canadian equity market and are typically well-established, soundly managed companies with stable businesses. Dividends can also be an important part of a portfolio's total return, helping to offset losses in times of market declines, while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

The power of dividends

As the charts below illustrate, the shares of companies that pay dividends during the year 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*



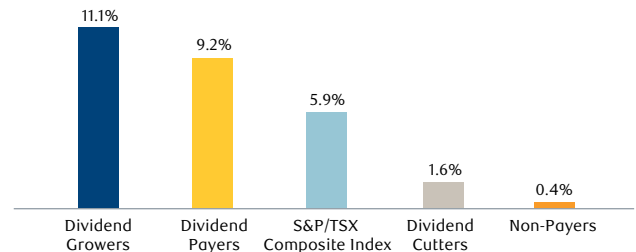
Source: Morningstar Direct: January 1977 – December 2019.

* 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

Compound annual total returns (1986 - 2019)

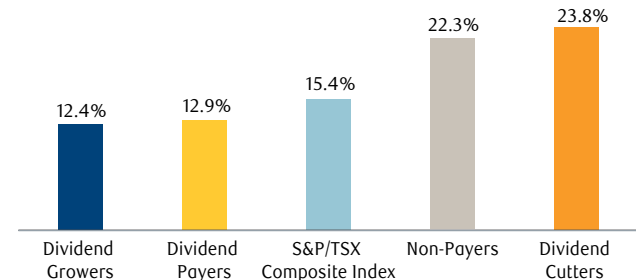


Source: RBC Capital Markets Quantitative Research, data is calculated on an equal weight basis, S&P/TSX Composite Total Return Index, December 1986 – December 2019. Growers, Cutters, Payers and Non-Payers determined yearly.

Additionally, shares of companies that pay dividends have historically shown lower volatility than those that did not in the same year.

Dividend-paying stocks have displayed lower volatility

Annualized volatility (1986 - 2019)



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 2019. 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

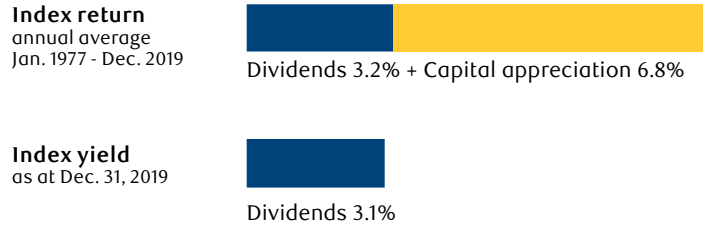
Over the past 42 years, dividends have contributed an average of 3.2% per year to the S&P/TSX Composite Total Return Index, representing approximately one third of the average annual total return.

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 compelling growth opportunities that emerge amid solid corporate earnings and improving global economic growth.

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

Dividends give your portfolio a head start

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



Source: Morningstar Direct.

Contact us for more information on the power of a dividend-focused investment strategy.

Talk to your advisor for more information about the role dividends can play in your portfolio.

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