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.

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

* 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.

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

Dividend-paying stocks have outperformed over time
Compound annual total returns (1986 - 2016)


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

Dividend-paying stocks have displayed lower volatility over time
Annualized volatility (1986 - 2016)

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 2016.
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 30 years, dividends have contributed an average of 2.7% per year to the S&P/TSX Composite Total Return Index, representing almost 35% of the average annual total return.

At the end of 2016, the dividend yield was consistent with its historical average, at 2.7%. 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.

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

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Dividends give your portfolio a head start

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

| Source: S&P/TSX Composite Total Return Index. |