Canadian Dividends: Poised for Recovery

Overview

- **Objective:** Counsel Canadian Dividend is focused on generating a high dividend yield, which differentiates it from many of its category peers.
- **Large-cap focused:** The Fund is 100% invested in Canada, with more than 70% in large-capitalization securities, making it somewhat distinctive in the Canadian Dividend category.[1]
- **Value style:** The Fund is sub-advised by Lincluden Investment Management, a Canadian firm that adheres to a value-based investment approach. While large-cap value stocks were challenged through most of 2020, markets appear poised to rotate into the large-cap value segment as the pandemic impact eases, which would greatly benefit the Fund.

Why Canadian Dividends Now?

For clients seeking a core Canadian mandate that aims to generate an attractive yield in this low-rate environment, we believe there's a strong case for including Counsel Canadian Dividend in their portfolio:

- Interest rates may remain at or near all-time lows for the foreseeable future. The Fund's high dividend yield becomes especially attractive in this extended low-rate environment.
- An emerging economic cycle should favour cyclical sectors like financials, industrials, and energy, where Canada is well represented, and which typically offer an attractive dividend yield. The Fund has high exposure (approx. 70%) to these sectors that likely stand to gain most in the foreseeable future.
- As the baby boomer generation increasingly seeks to generate income from their portfolios, fixed-income instruments like bonds and GICs probably won't suffice. Counsel Canadian Dividend can play a role in meeting their yield and cash-flow needs.

Performance Returns as of March 31, 2021

Period	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	Since Inception	Inception Date
Counsel Canadian Dividend F Series	7.47	13.72	25.98	45.44	5.42	6.40	3.83	6.83	01/14/2009
S&P/TSX Composite TR	3.87	8.05	17.75	44.25	10.19	10.05	6.00	10.08	01/03/1977
Peer Group Index*	6.05	9.49	19.80	35.70	7.11	7.19	5.92	9.46	06/29/2001

Risk Tolerance

Low	Low to Medium	Medium	Medium to High	High

	Counsel Canadian Dividend	S&P/TSX
Dividend Yield	3.7%	3.1%

[1]Peer Group is the Morningstar Canada Fund Canadian Dividend & Income Equity. Lincluden took over management of the Fund in July 2016.

Source: Counsel Portfolio Services and Morningstar® Direct, annualized as at March 31, 2021.

Dividends have consistently contributed to total returns, year after year

The following graph illustrates the significant difference that dividends can make to total returns. While the S&P/TSX Composite Index has made steady gains over the past four-plus decades, the positive impact of reinvested dividends has led to total returns that are higher by more than threefold. This superior growth profile has benefited investors in dividend mandates like Counsel Canadian Dividend.

Reinvesting Dividends Makes a Huge Difference

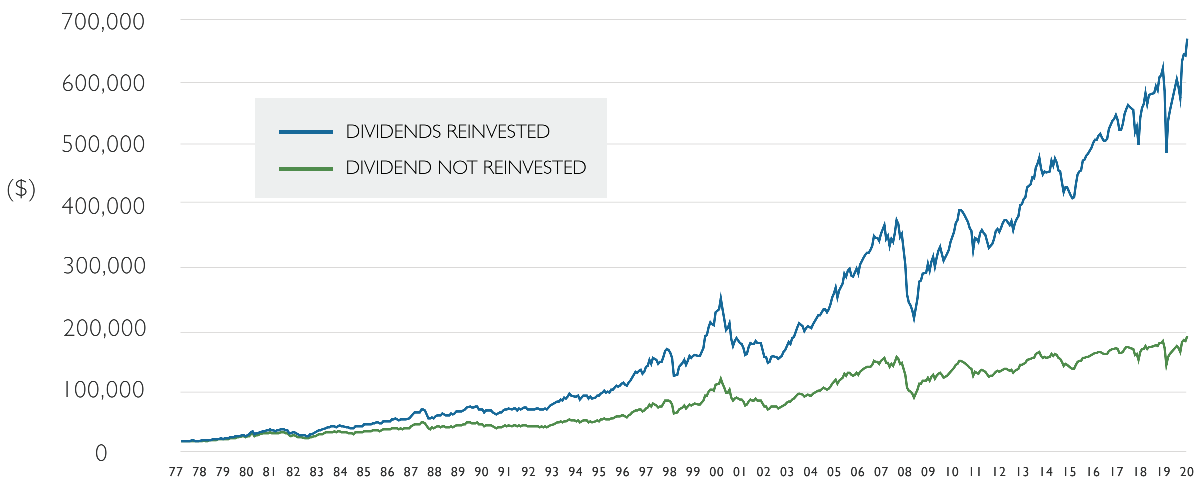


Chart is for illustrative purposes only. Index returns for S&P/TSX Composite TR and S&P/TSX Composite PR.
Source: Counsel Portfolios Services and Morningstar® Direct as at March 31, 2021.

Fund Codes & MER

Fund	Font End	MER
Counsel Canadian Dividend 'A'	CGF0400	2.33%
Counsel Canadian Dividend 'F'	CGF0409	1.07%
Counsel Canadian Dividend 'I'	CGF0418	0.16%

Counsel Strategic Portfolios Have Your Covered

If you have clients invested in Counsel High Income Portfolio, we have you covered with a well-diversified strategic investment solution that has a 15% allocation to Canadian dividends.

Quick Takes

Steady cash flow: A strong dividend yield and monthly distribution schedule can accommodate the need for regular income.

Tax efficiency: For clients holding the Fund in non-registered accounts, the distributions are tax efficient relative to interest income.

Portfolio diversifier: The Fund's ability to generate high income makes it a strong complement to any balanced core holding.

Favourable investment style: Lincluden's deep-value approach is positioned well for a burgeoning economic recovery where value stocks have traditionally shone.

Our Investment Specialists

Peter Chin, Vice President and Portfolio Manager at Lincluden, began his value investing career in 1987.

Lincluden

James Lampard joined the equity team at Lincluden in 2003 as a Vice President and Portfolio Manager.

Lincluden

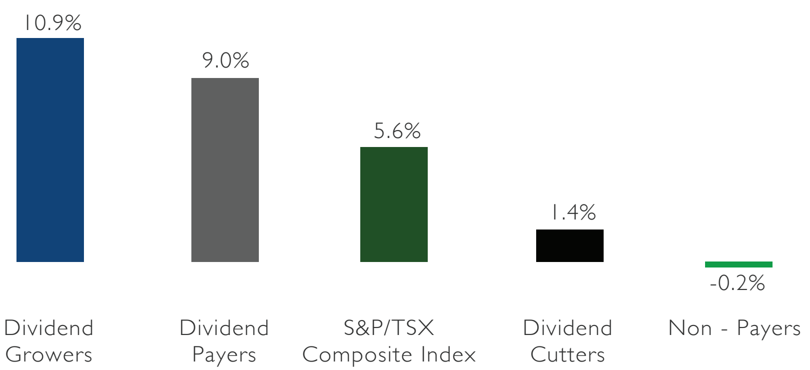
Lincluden focuses on identifying mispriced securities to create diversified client portfolios that are designed to outperform over time.

A History of Relative Outperformance

Over the long term, dividend growers and payers have handily outperformed broad-based indices (Figure 1). Dividend growers may offer the added benefit of downside protection in bearish markets when volatility increases. The pandemic induced a shift in performance as investors sold almost everything in the market panic of March 2020. Subsequent efforts by governments and central banks to stimulate the economy through aggressive fiscal and monetary policies drove investors to forego value stocks (such as dividend-paying companies) and focus on growth stocks. We believe 2020 was an outlier from a performance perspective and anticipate that prevailing economic trends are again poised to favour dividend stocks and funds like Counsel Canadian Dividend.

(Figure 1)

Dividend-paying stocks have outperformed Compound annual total returns (1986-2018)



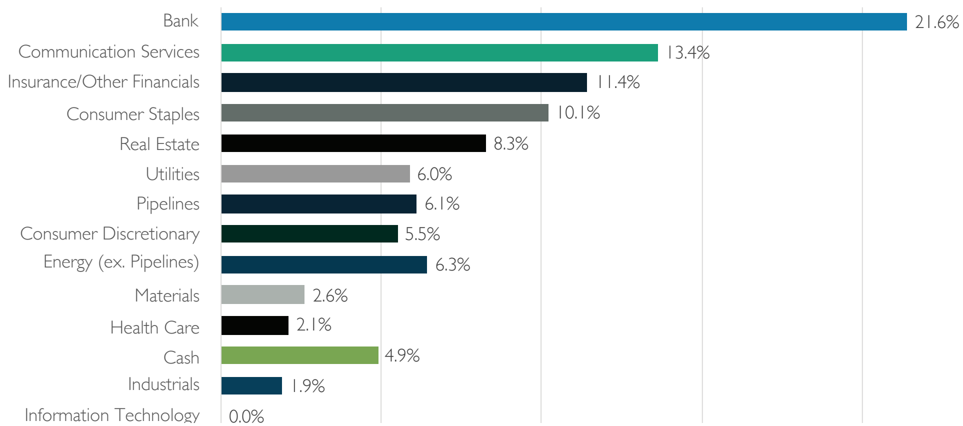
For Illustrative purposes only. Source: RBC Capital Markets Qualitative Research. Data calculated on a equal-weight basis. S&P/TSX Composite Total Return Index December 1986 – December 2018. Growers, Cutters, Payers and Non-Payers determined yearly.

An Optimistic Outlook for Dividend Stocks

In Canada, dividend stocks are typically clustered in five industry sectors. Each of these sectors is positioned well to thrive as the economy gradually reopens and expands once the impact of the pandemic subsides.

- **Consumer staples:** This sector includes the grocery industry, which has been thriving and historically has passed along rising costs to consumers.
- **Energy:** Should fare well as rising rates usually indicate robust economic activity, leading to potentially higher oil and gas prices.
- **Financials:** Includes banks and insurance companies, which are poised to benefit given higher interest margins and the ability to invest premiums at favourable yields.
- **Real estate:** Companies have historically been able to pass on higher rents to tenants as leases expire and are renewed on more favourable terms.
- **Utilities:** Companies generally benefit from the regulated, contractual and essential nature of their services, making them a more resistant to the eroding effects of inflation.

Sector & Sub-sector Weights*



* As at March 31, 2021

An Opportunistic Approach to Exploiting Economic Trends with Counsel Canadian Dividend

In the first quarter of 2020, Counsel Canadian Dividend, along with the rest of the Canadian dividend-paying space, was disproportionately impacted by the global pandemic. Meanwhile, sectors that dividend managers do not usually participate in, like Information Technology, Industrials and Materials, experienced massive gains coming out of the March downturn.

Amid the vaccine rollout, we have seen continued rotation out of overvalued and defensive sectors, and into more cyclical and undervalued sectors, which benefits the Fund's diversified holdings. With markets in panic mode and the price discovery process essentially broken, Lincluden took the opportunity to look beyond the crisis and redeploy cash into select high-quality holdings while adding new positions at compelling relative valuations. Examples include CN Railway, Magna, Brookfield Asset Management, Canadian Apartment REIT, Empire Co., Suncor and Alimentation Couche-Tard.

These moves are now paying off for Counsel Canadian Dividend as the market broadens and the economy is poised to grow. We believe the Fund offers exceptional potential for gains over the long term, particularly as Lincluden sees a more normalized market environment where total return expectations appear highly attractive. Meanwhile, the Fund's dividend yield is attractive and likely sustainable at over 3.7%.

Lincluden anticipates a moderate rise in inflation rather than a large spike. Based on its effectively diversified sector/sub-sector allocation, Counsel Canadian Dividend is well positioned if inflationary pressures prompt interest rates to rise moderately in the mid-to-long term, with approximately 70% of the Fund's exposure to sectors that should benefit.

Attractive Portfolio Valuation*

	Counsel Candian Dividend	S&P/TSX
P/E using FY1 Est	13.6x	15.4x
Price/Book	1.6x	2.0x
Price/Sales	1.3x	1.9x
Price/Cash Flow	5.3x	8.0x

* As at March 31, 2021

Speak with your Business Development Representative about how you can enhance your clients' portfolios with Counsel Canadian Dividend.

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Disclaimer:

[1]According to the CIFSC (Canadian Investment Funds Standards Committee), Counsel Canadian Dividend resides in the "Canadian Dividend & Income Equity" category. The Fund is 100% invested in Canada, has more than 70% exposure to large-cap equities and is focused on generating a high dividend yield. However, this category is broad and includes funds with high exposure to small- and mid-cap securities. Many of those funds also have high foreign exposure (roughly 30%). Therefore, assessing relative performance and other metrics within this category is challenging and rarely an "apples to apples" comparison. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. This document includes forward-looking information that is based on forecasts of future events as of the publication date. Counsel Portfolio Services will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. This information is not investment advice and should be used only in conjunction with a discussion with your IPC Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. Counsel Portfolio Services is a wholly-owned subsidiary of Investment Planning Counsel Inc. IPC Private Wealth is a division of IPC Securities Corporation. IPC Securities Corporation is a member of the Canadian Investor Protection Fund. Mutual Funds available through IPC Investment Corporation and IPC Securities Corporation. Securities available through IPC Securities Corporation, a member of the Canadian Investor Protection Fund. Past performance is no guarantee of future results.