The Power of Dividends

2022

ASSURICAN
PRIVATE WEALTH

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Assure your future.

GUIDE HIGHLIGHTS

- **Investors who buy shares in well-managed companies with a sustainable business that pay a steady, growing stream of dividends have seen their investment portfolios:**
  - **Earn significantly higher returns,**
  - **Be protected during market downturns, and**
  - **Exposed to less risk and volatility.**

- Key reasons why dividends make a difference:
  - Dividend-paying companies outperform
  - Dividend-paying companies hit the risk/return "sweet spot"
  - Dividends drive discipline and provide continuous feedback on company management
  - Unlike earnings, dividends can't be manipulated or misrepresented
  - Reinvested dividends are a major contributor to overall returns
  - You don't need a 50-year investment horizon to benefit from investing in dividend companies

Let the investment professionals at Assurican Private Wealth show you how investing in companies that pay dividends can benefit your investment portfolio.

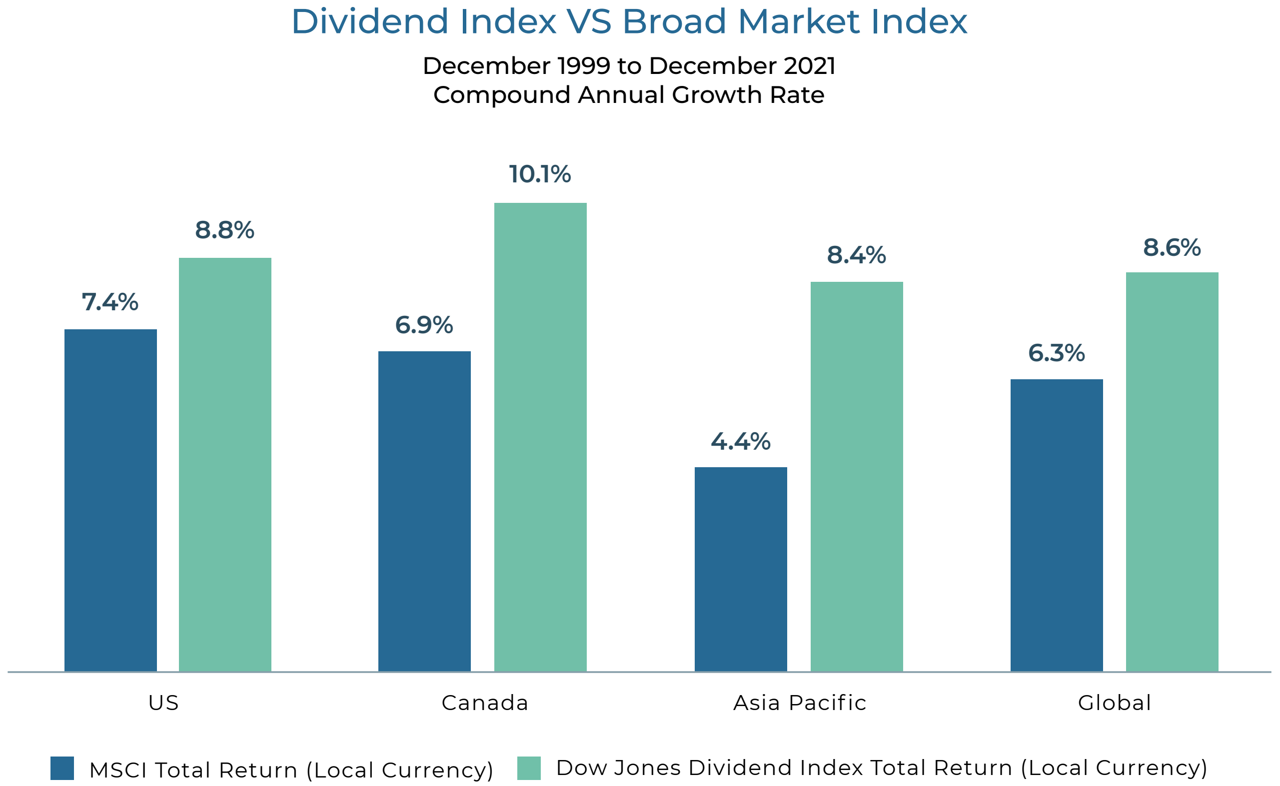
POWER OF DIVIDENDS

Investment fads come and go, and investors are the ones who usually pay the price. Afterward, the investor vows never to get caught up in the euphoria of an investment fad again. However, most investors forget that vow and are often easily enticed into the next "sure thing."

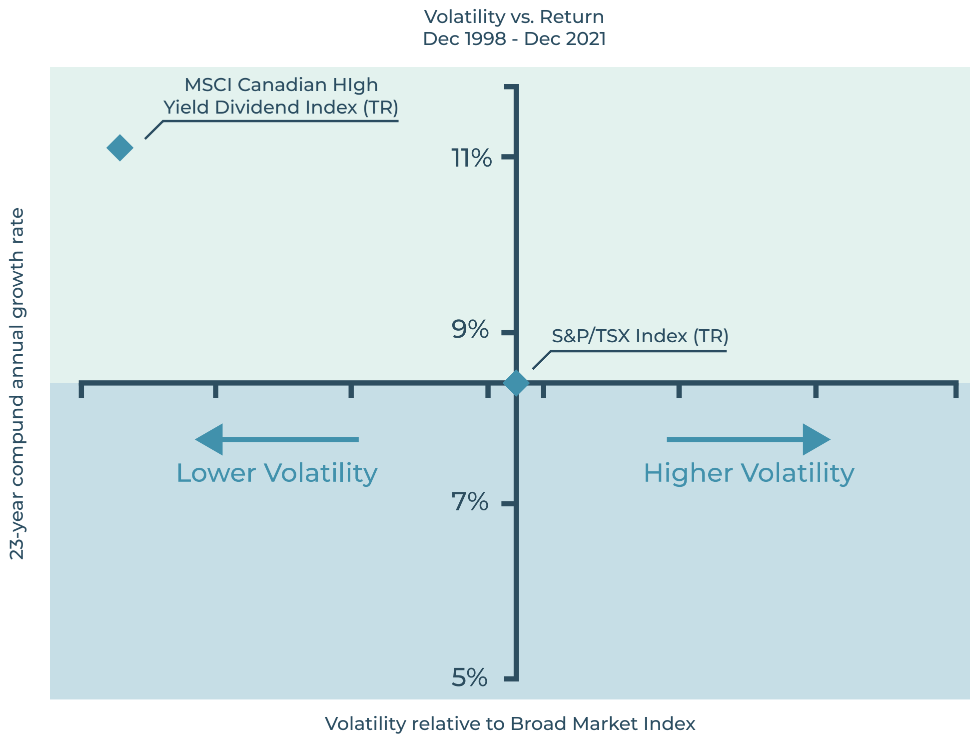
Although there may not be any "sure things" in investing, history has shown that when building long-term wealth, investors who buy shares in well managed companies with sustainable business that pay a steady, growing stream of dividends are usually successful. Historically, these investors have been in a position to earn significantly higher returns, have their investment protected during market downturns, and their portfolios have been subject to significantly less risk.

Key reasons why dividends make a difference

1. **Dividend-paying companies outperform,** and disciplined investors have been significantly rewarded. Let's examine how dividend-paying stocks have performed against the broader market. The chart below shows that over the last 22 years, dividend-paying stocks outperformed the broader-based market, with the outperformance ranging from 19% in the USA to more than 90% in the Asia Pacific market.



2. **Dividend-paying companies hit the risk/return "sweet spot"** for investors with higher returns with less volatility than the broad market. Over the last 23 years, not only has the dividend index outperformed the broad-based market index, but it has done so with considerably less volatility.



3. **Dividends drive discipline and provide continuous feedback on company management.** Legendary professor and investor Ben Graham spoke for higher dividends to keep management focused on getting high rates of return from their current businesses rather than chasing the next dream acquisition. Over the last 25 years, ill-advised acquisitions have resulted in staggering shareholder losses:

- America Online and Time Warner (2001): US$99 billion write-off
- Sprint and Nextel Communications (2005): US$30 billion write-off
- Daimler-Benz and Chrysler (1998): US$20 billion write-off
- Kmart and Sears (2005): US$11 billion write-off
- Yahoo and Tumbler (2013): US$1.1 billion write-off
- Microsoft and NOKIA (2014): US$7.9 billion write-off

Dividend payments that are constantly growing help investors identify companies with disciplined management teams that have, over time, shown that they are good capital allocators and strong cash flow managers. If a company has a history of increasing its dividend, an investor knows that it has a management team geared toward increasing shareholder value. Also, shareholders of dividend-paying companies do not have to wait five to ten years to determine if a company's strategy is working. Each dividend and dividend increase reassures the investor that the company's strategy is working.

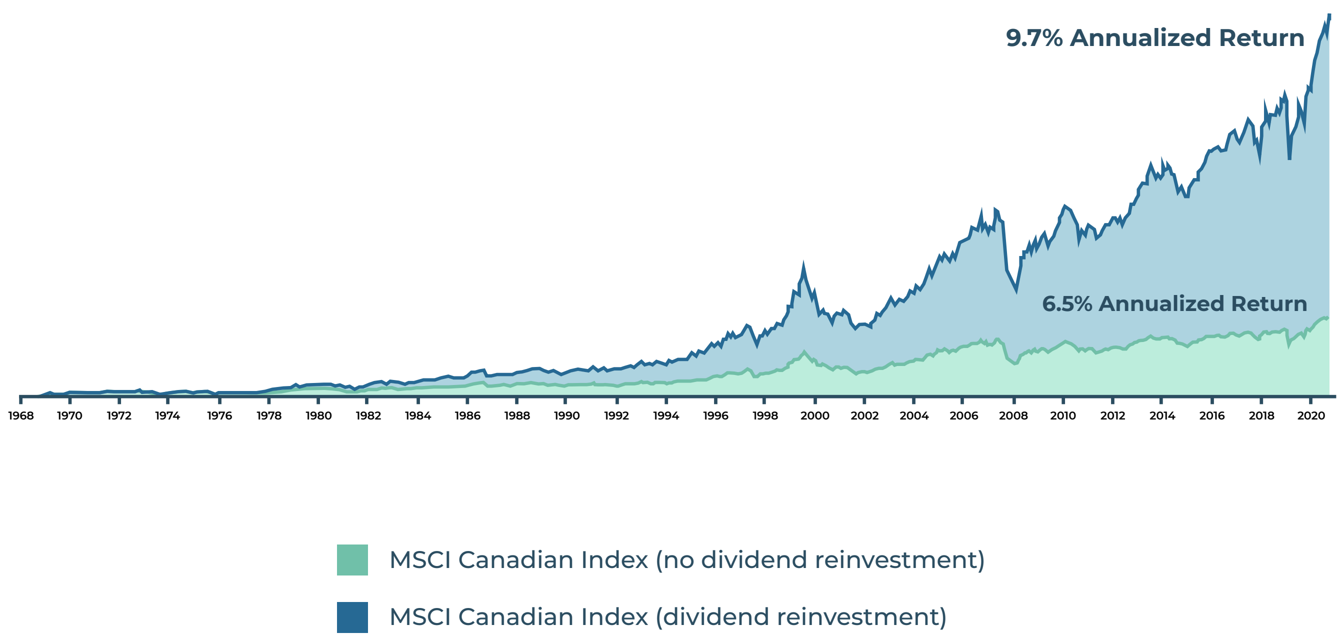
4. **Unlike earnings, dividends can't be manipulated or misrepresented.** From an accounting standpoint, it is relatively easy through fraud and manipulation to make an income statement look impressive. Just look at:

- Waste Management – 1998 – Reported $1.7 billion in fake earnings
- Tyco – 2002 – Inflated company income by $500 million
- HealthSouth – 2003 – Inflated earnings by $1.1 billion
- Freddie Mac – 2003 – Misstated $5 billion in earnings
- Satyam – 2009 – Falsely boosted revenues by $1.5 billion
- Olympus – 2014 – Buried losses over 13 years totalling $1.7 billion
- Tesco – 2014 – Overstated profits by $500 million
- Luckin Coffee – 2019 – Overstated profits by $310 million

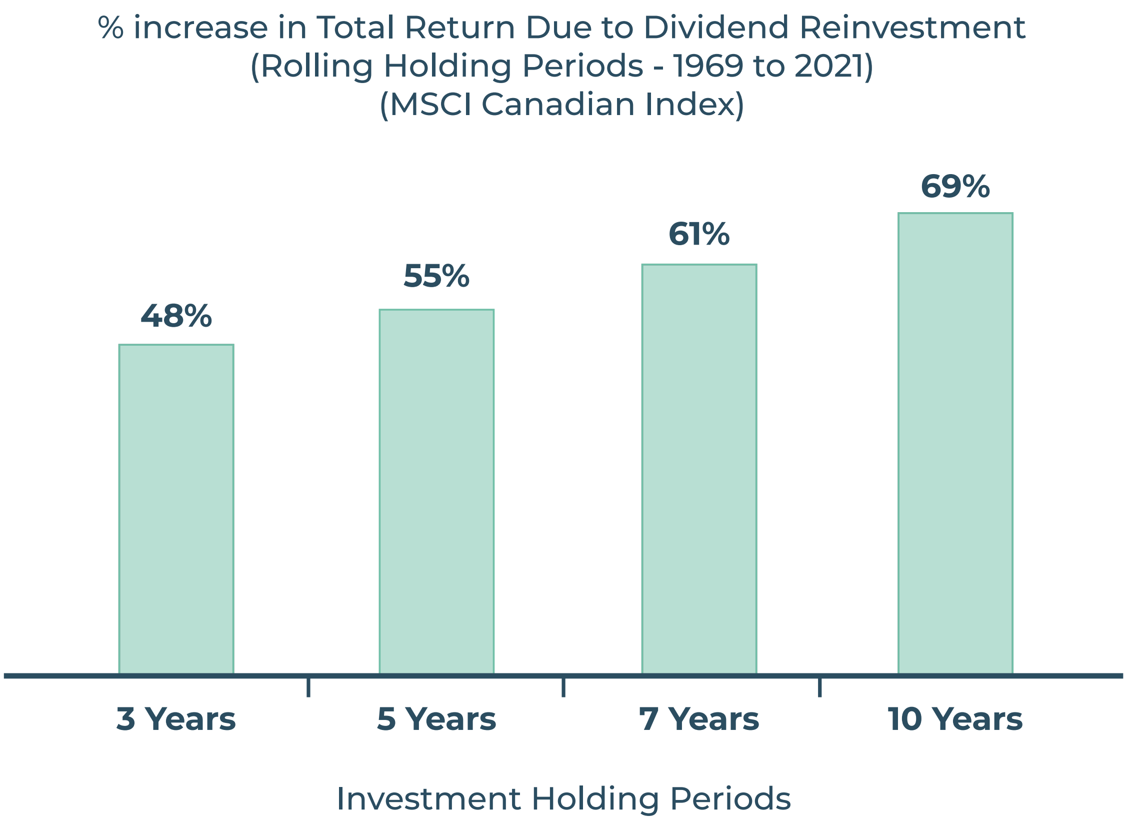
Revenue and profits may be manipulated, but dividends are a matter of fact. Dividends are paid in "hard cash." They cannot be manipulated by creative accounting. A dollar paid out to the investor is just that.

5. **Reinvested dividends are a major contributor to overall equity returns.** Short-term performance may be driven primarily by capital appreciation, but reinvested dividends significantly augment long-term performance. Over the last 52 years, reinvested dividends accounted for 33% of the total annualized returns in the Canadian equity markets.

The Impact of Dividend Reinvesting
1969 to 2021



6. **You don't need a 50-year investment horizon to benefit from investing in dividend companies**. A common misconception is that an investor must wait 20 years or more to benefit from dividend-paying companies. However, as the graph below clearly indicates, investing in dividend-paying companies and reinvesting those dividends can show meaningful outperformance in as little as three years and significant outperformance in ten years. The chart shows the average excess return generated by reinvested dividends over various holding periods.



Investors should not overlook the overall importance of dividends when creating an investment portfolio. At Assurican Private Wealth, we understand that there are no "sure things," but we firmly believe that investors who accumulate shares in well-managed companies with a sustainable business that pays a steady, growing stream of dividends will be successful.

MAKE THE POWER OF DIVIDENDS WORK FOR YOU

Investing in companies that pay dividends can benefit your investment portfolio in many ways:

1. **DIVIDEND-PAYING COMPANIES OUTPERFORM**

2. **DIVIDEND-PAYING COMPANIES HIT THE RISK/ RETURN "SWEET SPOT"**

3. **DIVIDENDS DRIVE DISCIPLINE AND PROVIDE CONTINUOUS FEEDBACK ON COMPANY MANAGEMENT**

4. **UNLIKE EARNINGS, DIVIDENDS CAN'T BE MANIPULATED OR MISREPRESENTED**

5. **REINVESTED DIVIDENDS ARE A MAJOR CONTRIBUTOR TO OVERALL RETURNS**

6. **YOU DON'T NEED A 50-YEAR INVESTMENT HORIZON TO BENEFIT FROM INVESTING IN DIVIDEND COMPANIES**

Let the investment professionals at **Assurican Private Wealth** show you how the **Power of Dividends** can benefit your investment portfolio today.

Improve your financial position now by working with the investment experts at Assurican Private Wealth. Contact us today at inquiries@assurican.com to get started.