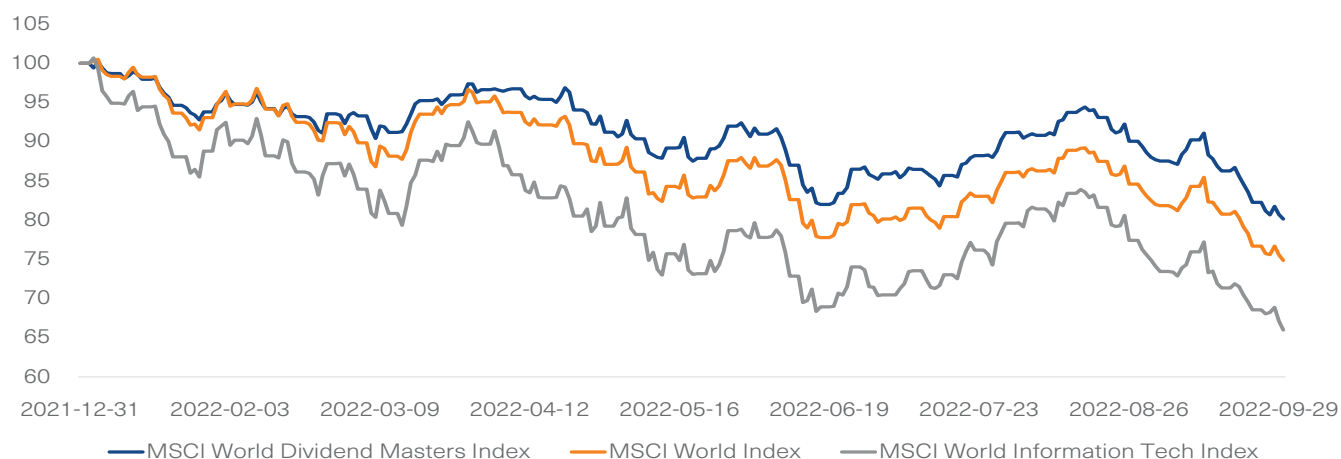


**Funds in focus:** [Brompton Global Dividend Growth ETF \(BDIV\)](#), [Brompton European Dividend Growth ETF \(EDGF\)](#), [Dividend Growth Split Corp. \(DGS, DGS.PR.A\)](#), [Global Dividend Growth Split Corp. \(GDV, GDV.PR.A\)](#)

**Higher returns, lower risk**

The MSCI World Index and MSCI World Information Technology Index (a proxy for high growth stocks) have reached bear market territory, falling more than 25% year to date. Most of this year’s stock market decline has come from earnings multiple contraction driven by rising inflation and interest rates. However, dividend growth stocks (represented by the MSCI World Dividend Masters Index) have shown strong resiliency and outperformed both indices during this year’s market downturn with less volatility as shown in the chart and table below.

**2022 Year-to-Date Total Return**

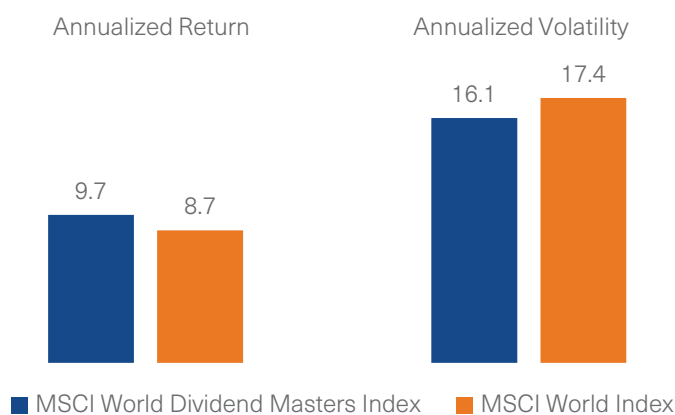


	<b>Return</b>	<b>Volatility</b>	<b>Max Drawdown</b>
MSCI World Dividend Masters Index	(19.9%)	19.6%	(20.0%)
MSCI World Index	(25.1%)	24.5%	(25.5%)
MSCI World Information Tech Index	(34.0%)	37.3%	(34.5%)

Source: Morningstar, January 1, 2022 to September 30, 2022, based on daily returns

From a longer-term performance perspective, global dividend growth stocks have outperformed the broader equity market by an average of 1.0% per year over the last ten years, with lower volatility as shown in the chart below.

**10-Year Return and Volatility**



Morningstar, October 1, 2012 to September 30, 2022

## Resilient during down markets

Since 1950, dividends have contributed 31.3% of the total return of the S&P 500 Index, and 35.7% of the total return of the S&P/TSX Composite Index.

Post the 2009 Financial Crisis, a period characterized by low interest rates, low inflation and strong stock price returns, especially for high growth stocks, dividends contributed only 17.9% of the total returns of U.S. stocks. The current market environment with high inflation and rising interest rates looks similar to the late 1960s / early 1970s. During the 1970s, dividends represented over 70% of total returns in the U.S. and over 40% in Canada, which suggests that investors today should place a higher importance on dividends to improve total returns.

Time Period	S&P 500		S&P/TSX	
	Annualized Total Return	Dividend Yield a % of Total Return	Annualized Total Return	Dividend Yield a % of Total Return
1950 to Present	11.2%	31.3%	9.9%	35.7%
1970s	5.9%	72.7%	10.2%	42.1%
Post Financial Crisis	12.2%	17.9%	7.1%	45.5%

*Note: Post Financial Crisis is the period post 2009 until Sept 29, 2022. All returns above are nominal.*

*Source: Bloomberg, Statcan, and CIBC World Markets Inc.*

By investing in high quality companies that are capable of consistently raising their dividends, investors can benefit from both reliable dividend income and stability during volatile market periods such as seen recently. Dividend growers have consistently outperformed the broader market in down market years since 2000:

Returns in Down Years (2000 to 2022 YTD)	2022 YTD	2018	2008	2002	2001	2000
S&P 500 Dividend Aristocrats Total Return Index	-17.4%	-2.7%	-21.9%	-9.9%	10.8%	10.1%
S&P 500 Total Return Index	-23.9%	-4.4%	-37.0%	-22.1%	-11.9%	-9.1%
Dividend Growth Outperformance	+6.5%	+1.7%	+15.1%	+12.2%	+22.7%	+19.2%

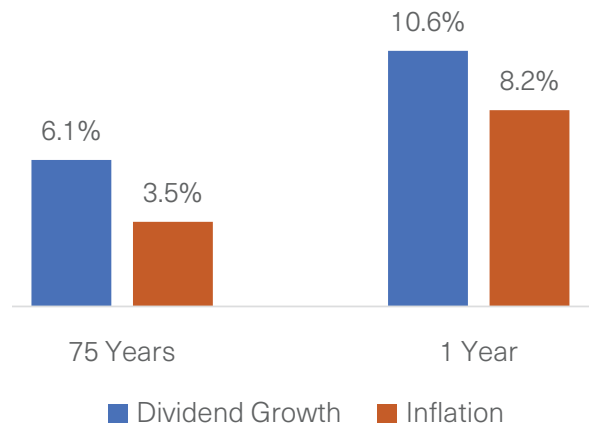
*Source: Morningstar, January 1, 2000 to September 30, 2022*

## Hedge against inflation

Dividend growth stocks tend to have competitive advantages and are leaders in their respective industry. During inflationary periods, these companies have pricing power or cost advantages that can allow them to absorb rising costs better than industry competitors or transfer the higher costs to their customers. For investors, these unique advantages can translate into dividend payments that can keep up with inflation and stability throughout market cycles.

Historically, dividends have had a solid track record of delivering growth in excess of inflation. Over the past 75 years, dividends paid by U.S. companies have grown 6.1% per year compared with 3.5% per year for inflation. Even over the one-year period ending June 30, 2022, when inflation was 8.2%, S&P 500 dividends grew by 10.6%.

## Annualized Dividend Growth of U.S. Stocks vs. Inflation



*Source: Shiller Data Library, <http://www.econ.yale.edu/~shiller/data.htm>. As of June 30, 2022. Dividend growth is based on S&P 500 Composite Index Dividends. Inflation is based on the U.S. Consumer Price Index (CPI).*

## Brompton's Approach

Brompton offers a variety of Dividend Growth products including [Brompton Global Dividend Growth ETF \(BDIV\)](#), [Brompton European Dividend Growth ETF \(EDGF\)](#), [Dividend Growth Split Corp. \(DGS, DGS.PR.A\)](#), and [Global Dividend Growth Split Corp. \(GDV, GDV.PR.A\)](#), which are all designed to invest in well-diversified portfolios of high-quality dividend growth equities.

Our Portfolio Management team employs both top-down and bottom-up market analysis to construct portfolios with strong earnings growth, pricing power and free cash flow growth. In addition, we use an active covered call writing overlay to enhance risk-adjusted returns.

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*There are ongoing fees and expenses with owning shares of an investment fund. An investment fund must prepare disclosure documents that contain key information about the fund. You can find more detailed information about the fund in the public filings available at [www.sedar.com](http://www.sedar.com). Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.*

*Certain statements contained in this document constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information may relate to matters disclosed in this document and to other matters identified in public filings relating to the Funds, to the future outlook of the Funds and anticipated events or results and may include statements regarding the future financial performance of the Funds. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.*

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