INVESTMENT FUNDS

Dividend Growth (iA) & US Dividend Growth (iA)

# QUARTERLY COMMENTARY

**December 2023**

## Equities finish the year strongly

### Santa Claus rally caps a solid year for equities

Equities in Canada and the United States continued their year-end rally, bolstered by Jerome Powell's dovish comments signalling that interest rates had peaked, with cuts forecast for 2024. Sector performance was similar to November's, with 2023's laggards, such as financials and real estate, leading the way.

### Equity setup for 2024

The S&P 500 Index returned an impressive 24% in 2023, driven by the technology sector, and easily beat the S&P/TSX, which returned 8%. We think sector returns will be more balanced in 2024, which should lead to a better relative performance for the Canadian market. Relative valuation also bodes well for Canada, with the S&P/TSX continuing to trade at a historically large discount to the S&P 500.

## Performance analysis

In Canada, the information technology and materials sectors outperformed, led by Broadcom. Financials were the largest drag, mainly because of our underweight in the sector, with Intact and TD Bank being the weakest performers.

In the United States, financials and consumer staples were the best-performing sectors, owing to Bank of America and Costco. In contrast, health care and technology were the largest drags on performance, driven by Cisco and Apple.

iA Financial Group

#1 in net sales of segregated funds in Canada since 2016

Donny Moss, CFA

Senior Director, Portfolio Manager, North American Equities

— Joined iA in 2008
— More than 20 years of investment experience
— Bachelor's degree in commerce, Dalhousie University

## Cautious on the Canadian consumer

We think Canada will perform better on a relative basis in 2024 because we see improved earnings growth ahead. In 2023, commodity prices fell after an exceptionally strong 2022, pushing energy earnings down 30%, while bank earnings fell 6% on higher provisions and employee expenses. We think this performance won't be repeated; current estimates show S&P/TSX earnings growth for 2024 at an average of about 7%.

"A continuing area of concern is the Canadian consumer."

Even High interest rates, coupled with higher debt levels and slower GDP growth than in the United States, led to more restrained spending in Canada in 2023, and we think the trend will continue in 2024.

This view is reflected in the portfolio, with its low weighting of discretionary categories and exposure to companies that provide value, such as Dollarama and Loblaw.

## Key Takeaways

— Equities finished the year strongly.
— The fund performance was weaker in Canada and the United States.
— The Canadian consumer is prompting us to proceed cautiously.

## About iAGAM

A magnet for top investment talent, iAGAM is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.