Discover the power of dividends

Mackenzie Portfolios RE:Constructed PM Event Summary

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1. The compounding effect of reinvested dividends can play a critical role in total return

Dividend investing has been overlooked over the last decade in what has been a low-inflation, predominantly growth-driven market. We believe we're in the midst of a regime change. As such, we believe an investment strategy focused on high-quality dividend-paying companies will play a more important role in generating attractive total returns in the decade ahead. Research shows the difference between a price-only return and a total return that includes reinvested dividends can be substantial, due to the compounding effect of reinvested dividends over time.

Examining the 10-year period from 2010 to 2020, we find that dividends made up just 15% of the total return of the S&P 500 Index. However, if we look at a 120-year history of the index's returns, we find that dividends have contributed more than 40% of the total return. We believe the contribution of dividends to total return will look more like this longer term average than it has over the last decade. Traditionally, owning high-quality dividend-paying companies has been a great way to maintain purchasing power in times of elevated inflation.

2. The team's style agnostic approach allows for flexibility at all points in the market cycle

The beauty of our team's investment strategy is that we are style agnostic across the value-growth spectrum. We're proud of our ability to navigate a wide variety of market environments and deliver attractive relative performance. When you look at the track record of Mackenzie Global Dividend Fund, it has performed well over the short-term, medium-term and long-term.

The bedrock of our investment philosophy is to own market leaders and high-quality businesses. We can own companies at different ends of the value-growth spectrum in terms of fundamental valuation. That permeates across the portfolio and even within our sector allocations. Looking at our financials exposure as an example, we own banks, which are traditionally considered more value-oriented with low P/E ratios and high dividend yields; we also own financial companies that might be considered growth-oriented, such as rating agencies. Within health care, we own a diverse range of stocks from more value-oriented companies like AbbVie, to growth-oriented companies like Thermo Fisher Scientific. We think this mix of companies with very different profiles and market dynamics adds to the resilience of the portfolio through a market cycle.

3. A high-quality portfolio for uncertain markets

We are stock pickers. Our ultimate focus is to identify a diverse collection of the best businesses we can find around the world to provide an attractive risk-adjusted return over time. When you look at the characteristics of the fund relative to the benchmark MSCI World, the differences are immediately apparent. The companies we own have sustainable dividends, higher profit margins, reasonable growth rates and stronger balance sheets. All together, these characteristics contribute to the attractive longer-term returns and lower volatility of the fund relative to the benchmark. This is a compelling reason to own Mackenzie Global Dividend Fund.

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