

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

# MONTHLY COMMENTARY

July 2023



## Equities push higher in July

### Earnings continue to impress

As second-quarter earnings continue to unfold, the results have been generally better than expected in Canada and especially in the United States, where almost 75% of companies have beaten earnings estimates. These results, combined with continued strong economic indicators, delivered lower recession probabilities for 2023 and pushed equities higher.

### Watch for sector rotation

With recession alerts diminishing, we've noticed a rotation into cyclicals in the past two months, including energy, materials, banks and select consumer stocks. These stocks had underperformed in the first portion of the year as investors braced for a recession. As this call gets pushed out or if we end up in a soft-landing scenario, these areas of the market should continue to perform well.

## Performance analysis

In Canada, the health care and information technology sectors helped returns, along with strong performances by Nutrien and Magna. Energy and financials were the largest detractors, led by TC Energy and Intact.

In the United States, health care was the sector with the largest outperformance, mainly because of stock selection, including AbbVie and Elevance. In contrast, information technology was the largest drag on performance, as Microsoft and Oracle underperformed.



## 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

### The benefits of diversification

Overall, second-quarter earnings have generally come in much better than the low bar investors had set. In addition, with employment levels remaining strong and inflation receding, recession risks continue to diminish. In fact, cyclicals have rebounded, which is positive for the financials and energy sectors in Canada.

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"With this good news comes the realization that we may need to deal with higher interest rates for longer than originally expected."

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Our investment strategy has not changed; we aim to hold a diversified portfolio of quality businesses that operate in profitable industries, are well managed and can increase cash flow and dividends over time. We are also focusing on being properly diversified by sector and individual security while aiming to maintain a good relative performance in any market situation.

### Key Takeaways

- As recession risks fade, equities continue their run
- U.S. stocks are reporting strong second-quarter earnings
- We are staying diversified for all potential economic outcomes

### 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.

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