

## Guiding you through the importance of dividends

If you need more information on how dividends work and what they can offer, this quick guide will answer your questions *and* spark your interest.

### Dividends defined

Performance is a function of both stock price appreciation and dividends. Dividends represent an up-front return to shareholders. They are cash distributions paid by companies from earnings.

### Why dividends matter

Dividends are one of the simplest ways for companies to communicate their financial strength and stability. They are evidence of both the profitability and the financial health of a company. To a large extent, they reduce market uncertainty. While companies have been able to manipulate things like operating earnings on paper, cash dividends cannot be disguised, restated, or written off. In addition, dividends offer a way to value stocks. The dividend discount model offers a present-value calculation of future dividend payments equating to the stock price.

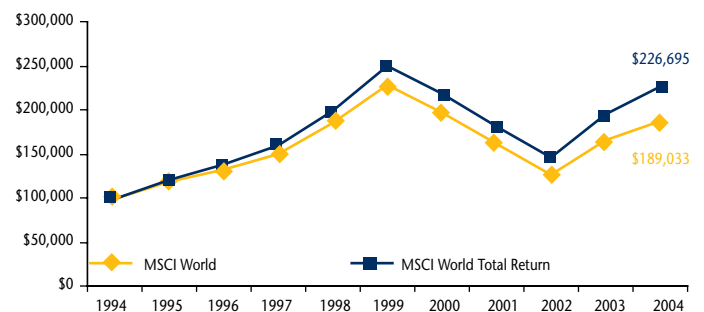
“Dividend focused funds should be the core equity holding in investors’ portfolios, given the superior long-term performance record of dividend-paying stocks.”

Roger Renaud  
President and Director  
Standard Life Investments Inc.

### Show me the money

There is no denying that dividends are an important component of total return. It’s not surprising, then, that dividend-paying stocks have historically outperformed their non-dividend paying counterparts over the long-term. In fact, a higher dividend yield has typically meant better performance over time.

### Dividends make up a large portion of total return



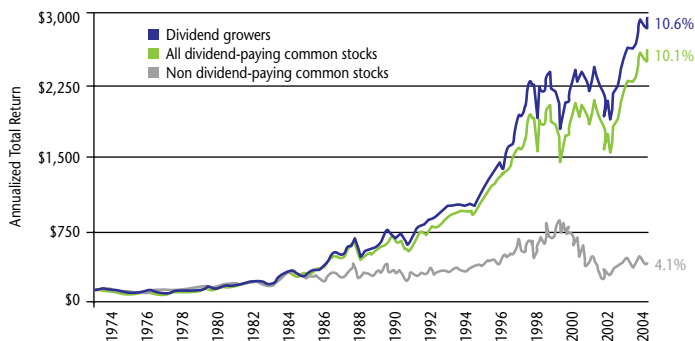
Source: [www.msci.com](http://www.msci.com) December 31, 2005

If you had invested \$100,000 in the MSCI World Index in 1994, you would have \$189,033 by the end of 2004. That’s a return of 6.57% on average. However, if you had invested in the MSCI World Total Return Index, which includes dividends, you would have \$226,695, or 8.53%. Over the last 10 years, the dividend component of the MSCI World Total Return Index would have added an additional 1.95% to your return per annum. Dividends comprised 22% of the MSCI World Total Return Index return.

## Dividend-paying stocks outperform non-dividend paying counterparts

Over the last 30 years, dividend-paying common stocks in the S&P 500 have significantly outperformed their non-dividend-paying counterparts. Those companies that have grown their dividends have outperformed by the widest margin.

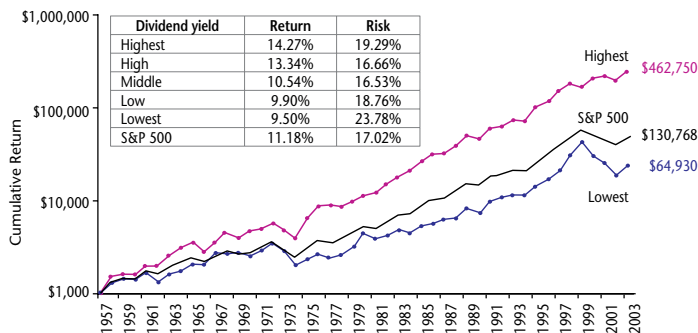
### Growth of \$1 in S&P 500 Companies (as of September 2005)



Source : Ned Davis Research Inc.

### The higher the dividend yield, the higher the return

This chart shows that, in increasing order, portfolios with higher dividend yields offer investors higher returns over time.



Source: The Future for Investors, Jeremy Siegel & jermysiegel.com.

## Take a look at our dividend fund options for your clients' portfolios today

### Standard Life Global Dividend Growth Fund

- Strong performer
- One of the few true global dividend funds available to Canadian investors
- An excellent complement to our Canadian Dividend Growth Fund
- Well positioned to benefit from recent dividend taxation cuts in the U.S.
- Segregated fund option available
- Managed by Standard Life Investments Inc.

### Standard Life Canadian Dividend Growth Fund

- Top quartile performer
- Long-term track record
- Benefit from the Canadian Dividend Tax Credit
- Segregated fund option available
- Managed by Standard Life Investments Inc.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual Funds are not guaranteed, their values change frequently and past performance may not be repeated.

[www.standardlife.ca](http://www.standardlife.ca)

Standard Life Mutual Funds Ltd.

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