

Dividend-Paying Equities

Not All Dividend-Paying Stocks Are Created Equal

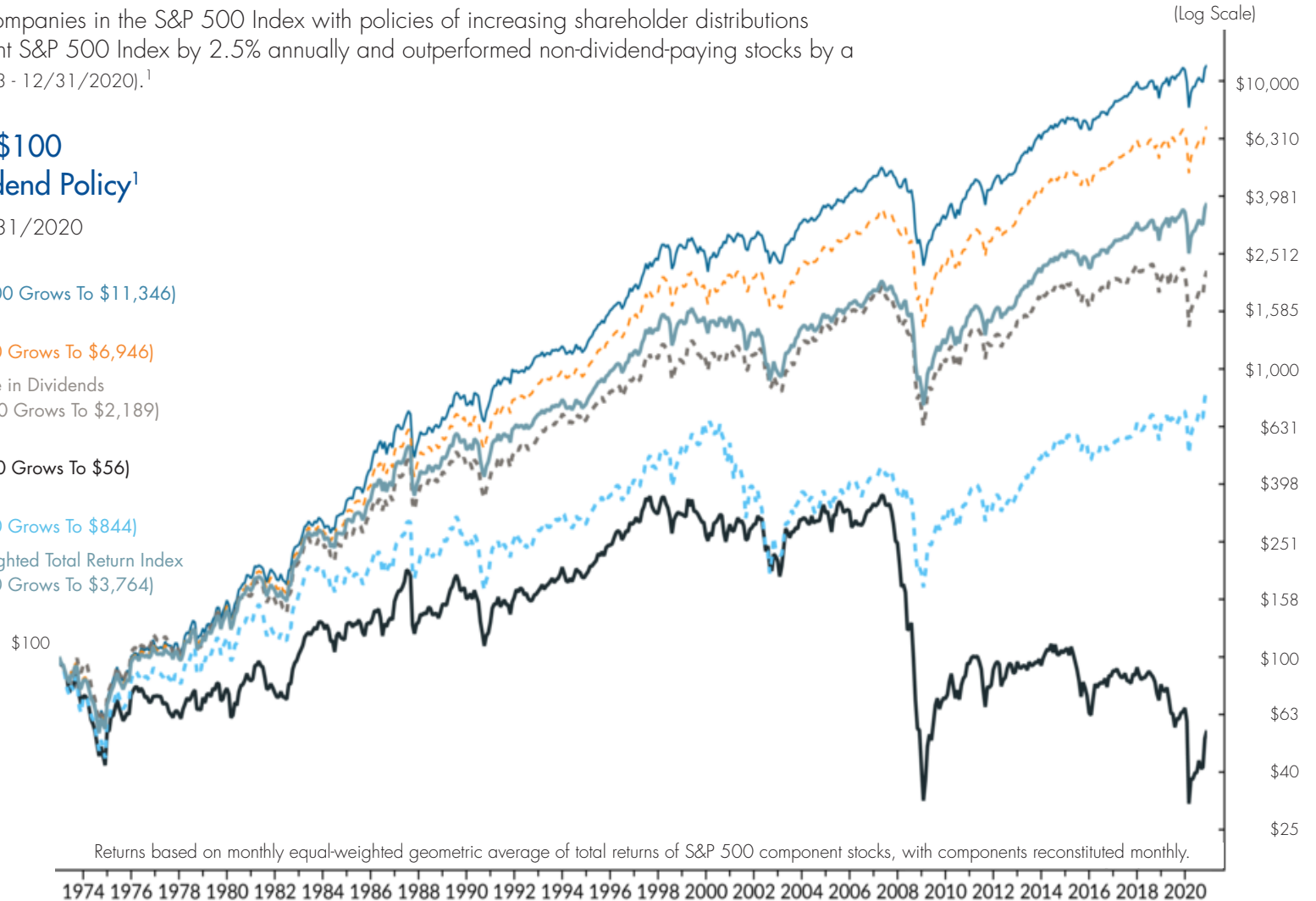
Dividends have historically added to total return in robust markets and, more importantly, provided an income cushion against market downturns.

As illustrated in the below chart, companies in the S&P 500 Index with policies of increasing shareholder distributions have outperformed the equal-weight S&P 500 Index by 2.5% annually and outperformed non-dividend-paying stocks by a shocking 5.9% annually (1/31/1973 - 12/31/2020).¹

Hypothetical Growth of \$100 S&P 500 Stocks by Dividend Policy¹

Monthly Data 1/31/1973 – 12/31/2020

- Dividend Growers & Initiators
Gain Per Annum = 10.4% (\$100 Grows To \$11,346)
- - All Dividend-Paying Stocks
Gain Per Annum = 9.2% (\$100 Grows To \$6,946)
- - Dividend Payers w/No Change in Dividends
Gain Per Annum = 6.6% (\$100 Grows To \$2,189)
- Dividend Cutters & Eliminators
Gain Per Annum = -1.2% (\$100 Grows To \$56)
- - Non-Dividend-Paying Stocks
Gain Per Annum = 4.5% (\$100 Grows To \$844)
- S&P 500 Geometric Equal-Weighted Total Return Index
Gain Per Annum = 7.9% (\$100 Grows To \$3,764)

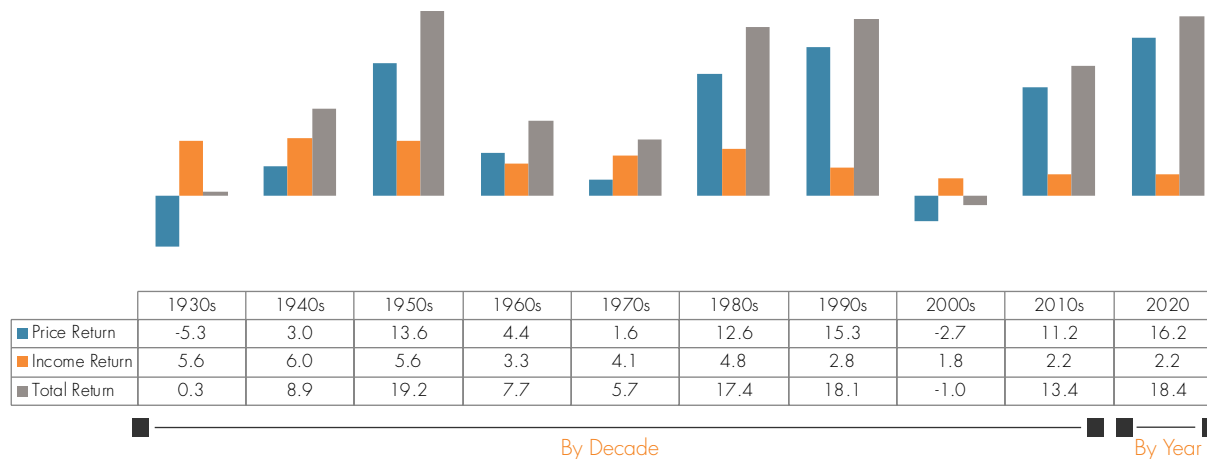


It is not possible to invest directly in an index. Past performance does not guarantee future results. Please see reverse for additional important information.

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S&P 500 Index Price, Income and Total Return (%)



- Historically, dividends have contributed a substantial portion of total market return – 40.7% of the total return on the S&P 500 Index from 12/31/1929 through 12/31/2020.
- More specifically, the S&P 500 without dividends returned an average 5.8% per year during this period, versus a total average annualized return (including reinvestment of dividends) of 9.8%.

Source: Ned Davis Research and Standard and Poor's. **It is not possible to invest directly in an index. Past performance does not guarantee future results.** The return of the price index is referred to as capital appreciation. Income return is assumed to be the Index's total return minus its capital appreciation. Total Return = Capital appreciation plus reinvested dividends during the time period.

Trade-Offs and Risks: Dividend Payment Risk: An issuer of a security may be unwilling or unable to pay income on a security. Common stocks do not assure dividend payments and are paid only when declared by an issuer's board of directors. The amount of any dividend may vary over time. **Market volatility.** A company's stock price, whether dividend-paying or not, may move up or down depending on various market conditions. Therefore, the initial principal invested may be worth less when an investor decides to sell, depending on the market value of the underlying holding. **Loss of income.** A company may choose to skip or suspend dividend payments. In this case, shareholders lose the investment income and might also see the value of their shares fall if income-oriented investors sell their holdings. **Underperformance.** During market rallies, dividend stocks historically lag the broader market, causing investors to accept relatively lower return potential in exchange for less volatility and income. **Increase in income tax rates.** The current dividend tax rate is subject to legislative changes. Please consult a tax professional regarding the taxation of dividends.

S&P 500 Index: The S&P 500 Index is an unmanaged market capitalization-weighted index used to measure 500 companies chosen for market size, liquidity and industry grouping, among other factors.

1. **Dividend-Paying vs. Non-Dividend-Paying Stocks:** Each stock's dividend policy is determined by its indicated annual dividend. Ned Davis Research classifies a stock as a dividend-paying stock if the company indicates that it is going to be paying a dividend within the year. A stock is classified as a non-payer if the stock's indicated annual dividend is zero.

The index returns are calculated using monthly equal-weighted geometric averages of the total returns of all dividend-paying (or non-paying) stocks. A stock's return is only included during the period it is a component of the S&P 500 Index. The dividend figure used to categorize the stock is the company's indicated annual dividend, which may be different from the actual dividends paid in a particular month.

Dividend-Growing, No-Change-In-Dividend, and Dividend-Cutting: Dividend Growers and Initiators include stocks that increased their dividend anytime in the last 12 months. Once an increase occurs, it remains classified as a Grower for 12 months or until another change in dividend policy. No-Change stocks are those that maintained their existing indicated annual dividend for the last 12 months (i.e., companies that have a static, non-zero dividend). Dividend Cutters and Eliminators are companies that have lowered or eliminated their dividend anytime in the last 12 months. Once a decrease occurs, it remains classified as a Cutter for 12 months or until another change in dividend policy.

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