

Lower Dividend Yield, Higher Potential Total Return

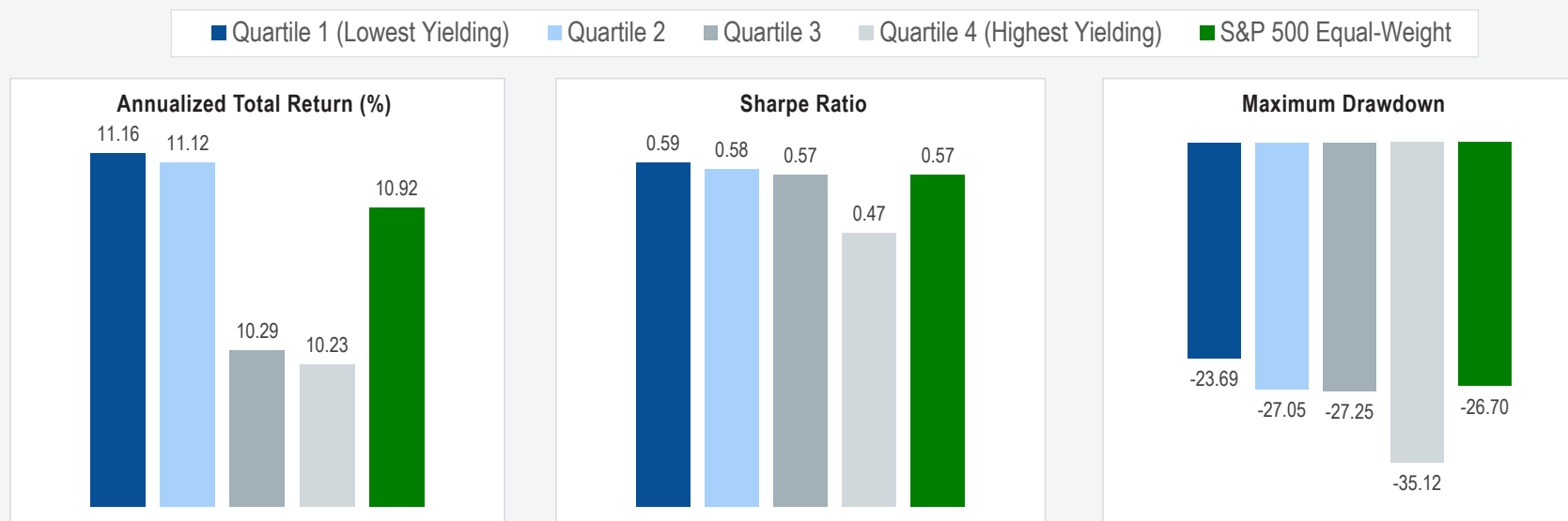
Income has historically generated a robust percentage of the S&P 500 Index's total return and dividend-paying equities are an important allocation in many investors portfolios. However not all dividend-payers are the same. When looking to include dividend-paying equities in a portfolio, many investors focus solely on dividend yield and limit their investment universe to stocks with a minimum absolute yield of 2% or another arbitrary minimum. While these higher yielding stocks may offer a more attractive level of current income, **lower yielding stocks have generated both a higher total return (income plus price appreciation) and risk-adjusted return**, as illustrated below.

Some notable facts:

- Stocks yielding less than 2% comprised 58% of the S&P 500 Index¹ and represent missed opportunity if eliminated from the investable universe.
- Dividend Growers & Initiators in the S&P 500 have outperformed those companies with no change to their dividends, regardless of starting absolute yield.²
- The quartile of dividend-payers in the S&P 500 with the lowest yield have outperformed over the last one, three, five and 10 years ending 3/31/24.³

There are several reasons lower yielding stocks could have a total return advantage. For example, lower yielding companies tend to be more growth-oriented, choosing to invest earnings back into the company. Retained earnings can provide ballast during an economic downturn. In addition, companies that have recently initiated dividend payments tend to fall into the lower yielding quartiles.

S&P 500 STOCKS BY DIVIDEND YIELD QUARTILE (10 Years Ending March 31, 2024)



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S&P 500 STOCKS BY DIVIDEND YIELD QUARTILE

	1 Year Ending 3/31/24			3 Years Ending 3/31/24			5 Years Ending 3/31/24		
	Annualized Total Return	Sharpe Ratio	Maximum Drawdown	Annualized Total Return	Sharpe Ratio	Maximum Drawdown	Annualized Total Return	Sharpe Ratio	Maximum Drawdown
Quartile 1 (Lowest Yielding)	28.83	1.35	-10.59	11.74	0.46	-23.69	14.25	0.61	-23.69
Quartile 2	19.58	0.85	-9.39	10.57	0.43	-18.16	13.63	0.58	-27.05
Quartile 3	16.38	0.73	-10.09	7.66	0.29	-17.15	10.30	0.45	-27.25
Quartile 4 (Highest Yielding)	13.00	0.38	-11.87	8.35	0.29	-17.08	10.43	0.36	-35.12
S&P 500 Equal-Weight	19.33	0.81	-11.82	8.15	0.29	-20.68	12.34	0.50	-26.70

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Visit www.aamlive.com or contact a financial professional for more information on the potential benefits of an allocation to dividend-paying equities.

¹ Source: Factset Research and Brentview Investment Management. Investable Universe data as of 11/2023. Universe was created using a quarterly snapshot of S&P 500 constituents. Companies were categorized and based upon current yield and placed in the appropriate category.

² Source: Ned Davis Research. 1/31/1973-3/31/2024. Dividend Growers and Initiators include stocks in the S&P 500 Index 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.

³ Source: Ned Davis Research. Periods ending 3/31/2024. Historical total returns of stocks based on their dividend yields, using indicated annual dividends. The indices are equal-weighted indices based on total returns, with the constituents of each index reconstituted quarterly.

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. 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.

DEFINITIONS: **Dividend yield** is a stock's annual dividend relative to the stock price. **Drawdown** refers to how much an investment or trading account is down from the peak and are often used as a measure of downside volatility. **Sharpe Ratio** is a measure for calculating risk-adjusted returns. The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The higher the Sharpe ratio, the better the risk-adjusted performance. 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.

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