

# Introducing the Dow Jones Taiwan Technology Dividend 30 Index

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## Introduction

[The Dow Jones Taiwan Technology Dividend 30 Index](#) takes an innovative approach to linking growth potential from technology companies with high dividend yield. It seeks to measure the performance of 30 Information Technology and Communication Services companies with the highest indicated annual dividend (IAD) yield in the Taiwan market, subject to fundamental and dividend sustainability criteria. From April 2013 to June 2024, the index had an average trailing 12-month dividend yield of 5.7% and an annual total return of 15.88%, outperforming the [S&P Taiwan BMI](#) by 2.59%.

In most markets, high-dividend-yield stocks are often associated with the Financials sector and defensive sectors such as Utilities, rather than growth sectors such as Information Technology. This implies that searching for yield could mean giving up growth exposure for many market participants. However, Taiwan is a unique exception.

In the 1960s, Taiwan emerged as a hub for integrated circuit (IC) assembly and packaging for foreign companies and later started to accumulate chip engineering and manufacturing know-how domestically. After a half-century of development, it is now home to 314 semiconductor companies, accounting for over 90% of worldwide production of below-7nm semiconductors.<sup>1</sup> Its Information Technology sector, which is predominately represented by semiconductor manufacturers, has evolved to be the core of Taiwan's economy. As of June 30, 2024, the Information Technology sector makes up 71.45% of the S&P Taiwan BMI.

Cultivated over nearly a half-century, technology companies in Taiwan grew to be mature enough to maintain a profit distribution policy. In the Information Technology sector, 91.5% of companies paid a dividend during the 2023 calendar year with an average payout ratio of 63.7%, and 71.6% of companies had paid a dividend for five consecutive years. In 2023, dividends from the Information Technology sector accounted for 57.8% of total dividends paid in the Taiwan market.

Additionally, surging global demand for semiconductor and related electrical components in recent years has benefited technology stocks in the Taiwan market. In 2023, the Information Technology sector of the S&P Taiwan BMI posted a positive price return of 41.63% in USD terms, outperforming the [S&P 500<sup>®</sup>](#) by 17.4%.

Taiwan's unique economic development and the characteristics of its market today provide a potential opportunity to track high-dividend-yielding technology companies. Over the 11-year back-tested period, the Dow Jones Taiwan Technology Dividend 30 Index was able to maintain a level of price appreciation comparable to that of its broad market benchmark, while also delivering significant outperformance in terms of total return, showing the index's historical ability to track high-dividend-yielding companies while maintaining growth exposure.

## Dow Jones Taiwan Technology Dividend 30 Index Construction

The starting universe for the Dow Jones Taiwan Technology Dividend 30 Index are stocks from the Information Technology and Communication Services GICS<sup>®</sup> sectors in the S&P Taiwan BMI that meet size and liquidity criteria, and that have paid dividends for five consecutive years. Then, those eligible stocks must pass two out of three fundamental screenings: positive free cash flow, positive ROE and positive five-year dividend growth. Finally, the 30 constituents with the highest IAD yield are selected.<sup>2</sup>

<sup>1</sup> Guide to Taiwan's Semiconductor Industry, April 2024, PWC. See <https://www.pwc.tw/en/publications/assets/taiwan-semiconductor-industry.pdf>

<sup>2</sup> For more information on index construction, see the index [methodology](#).

As Taiwan is a highly concentrated market, the 30 selected names are weighted by float-adjusted market capitalization in an effort to reduce tracking error against its broad market benchmark and increase liquidity. To avoid stock concentration risk, the weight of each stock within the index is capped at a maximum of 10%. The index is rebalanced semiannually in April and October.

### Exhibit 1: Dow Jones Taiwan Dividend 30 Index Construction

<b>Universe</b>	S&P Taiwan BMI, Information Technology and Communication Services (Sectors)
<b>Size and Liquidity</b>	Float-adjusted market capitalization $\geq$ TWD 10 billion 6-month median daily value traded (MDVT) $\geq$ TWD 30 million
<b>Dividend Screen</b>	Minimum of five consecutive years of dividend payments
<b>Fundamental Screens</b>	Two out of the following three criteria: Positive free cash flow to debt Positive ROE Positive 5-year dividend growth rate
<b>Selection</b>	Selection of the top 30 stocks based on IAD yield
<b>Weighting</b>	Float-market-cap weighted
<b>Constituent Capping</b>	10% cap on single constituents
<b>Rebalancing</b>	Semiannually, effective date the last business day of April and October
<b>First Value Date</b>	April 30, 2013
<b>Launch Date</b>	April 15, 2024

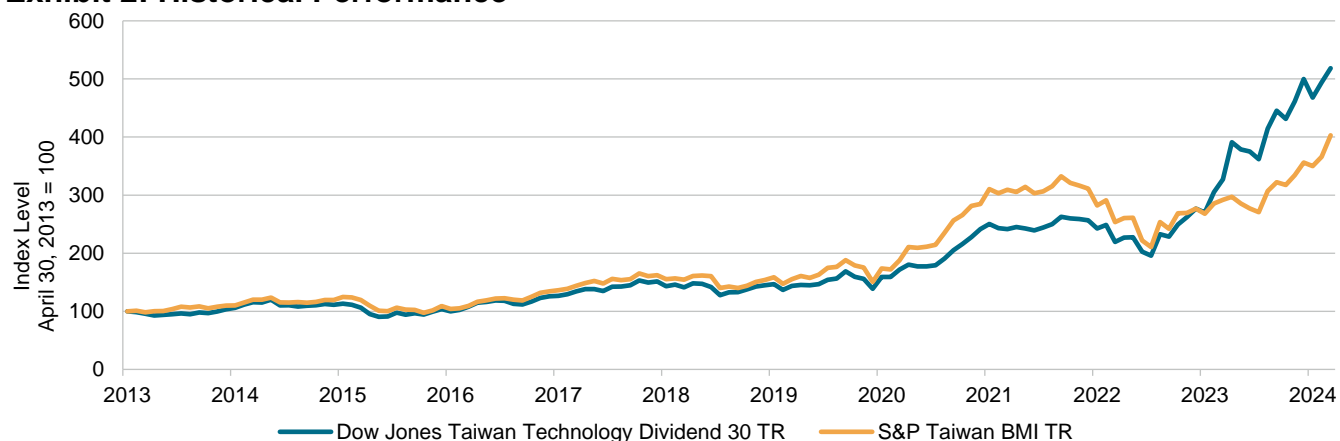
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Table is provided for illustrative purposes.

## Key Characteristics

### Historical Outperformance over the S&P Taiwan BMI

The Dow Jones Taiwan Technology Dividend 30 Index has delivered robust performance in the long and short term as of June 30, 2024 (see Exhibit 2). It has outperformed the S&P Taiwan BMI over the 1-, 3-, 5- and 10-year time horizons in terms of both absolute and risk-adjusted returns. Since its first value date (April 30, 2013), the index has outperformed its broad market benchmark by 2.59% per year.

Over the long term, the index has delivered a similar level of price return as the broad market benchmark while outperforming due to higher dividend yields. The price return from the Dow Jones Taiwan Technology Dividend 30 Index was 9.28% since April 30, 2013, which was the same as that of the S&P Taiwan BMI (see Exhibit 2). The Dow Jones Taiwan Technology Dividend 30 Index delivered a 6.6% return from dividends and dividend reinvestment, higher than the 4.02% from the broad market benchmark.

**Exhibit 2: Historical Performance**

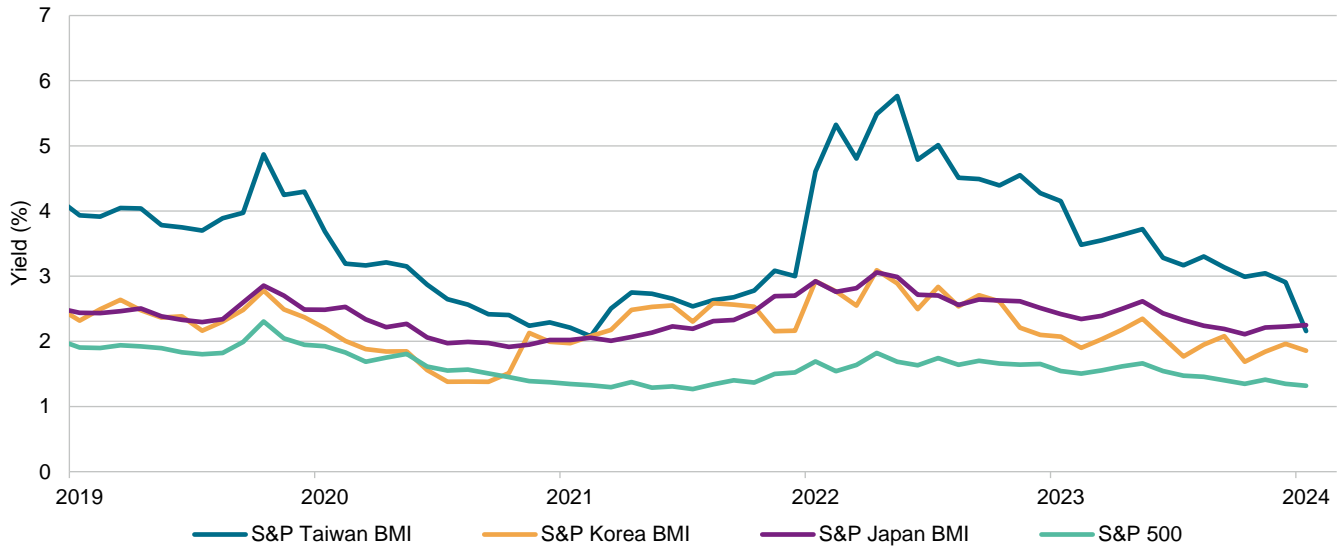
Period	Dow Jones Taiwan Technology Dividend 30 Index	S&P Taiwan BMI
<b>Annualized Return (%)</b>		
1-Year	58.54	38.01
3-Year	29.02	9.21
5-Year	29.24	21.01
10-Year	16.18	12.88
Since April 30, 2013	15.88	13.29
<b>Annualized Volatility (%)</b>		
1-Year	27.36	19.17
3-Year	24.66	23.54
5-Year	22.19	22.97
10-Year	18.72	19.09
Since April 30, 2013	17.95	18.25
<b>Return/Volatility</b>		
1-Year	2.14	1.98
3-Year	1.18	0.39
5-Year	1.32	0.91
10-Year	0.86	0.68
Since April 30, 2013	0.88	0.73
<b>Breakdown of Total Return(Since April 30, 2013) (%)</b>		
Annualized Price Return	9.28	9.28
Return from Dividend and Dividend Reinvestment	6.60	4.02
Dividend Contribution to Total Return	41.55	30.21

Source: S&P Dow Jones Indices LLC. Data from April 30, 2013, to June 30, 2024. Index performance based on monthly total return in USD. The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes and reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# Dividend Yield Opportunity

The Taiwan market is well-known for its high dividend yield. Compared with the U.S. and other major Asian markets, such as Korea and Japan, Taiwan had delivered an average trailing 12-month dividend yield of 3.5% over the past five years, while others have fluctuated at around 2% (see Exhibit 3).

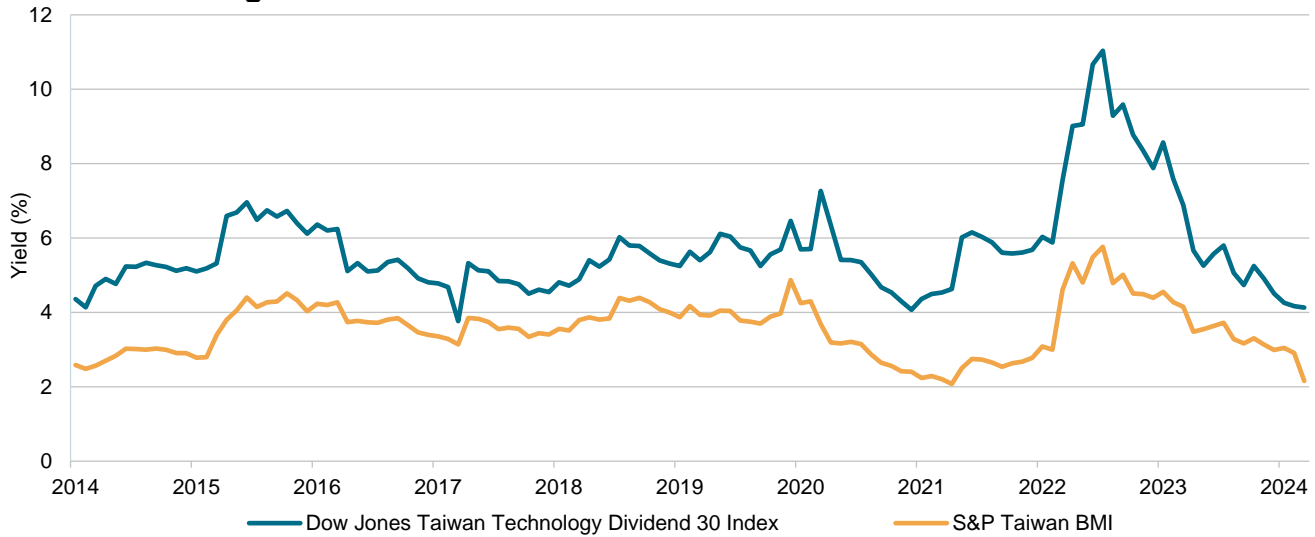
**Exhibit 3: Trailing 12-Month Gross Dividend Yield of U.S., Korea, Japan and Taiwan Markets**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Index performance based on monthly total return in USD. The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

From April 30, 2013, to June 30, 2024, the Dow Jones Taiwan Technology Dividend 30 Index has consistently provided a higher dividend yield than the S&P Taiwan BMI. Its average trailing 12-month dividend yield was 5.71%, higher than the 3.57% for the S&P Taiwan BMI (see Exhibit 4). The higher yield level echoes the observation that dividends were a major contributor of outperformance historically (as shown in Exhibit 2).

**Exhibit 4: Trailing 12-Month Gross Dividend Yield**



Source: S&P Dow Jones Indices LLC. Data from April 30, 2014, to June 30, 2024. The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All data prior to index launch date is back-tested hypothetical data. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

## Historical Downside Protection

During the period studied, the index has shown its ability to provide downside protection during down markets. Exhibit 5 shows a statistical summary of the index’s performance against the broad market benchmark during the up and down months of the S&P Taiwan BMI. The index was able to beat the broad market benchmark in 62% of down months, with an average excess return of 0.57%.

**Exhibit 5: Upside/Downside Performance against the S&P Taiwan BMI**

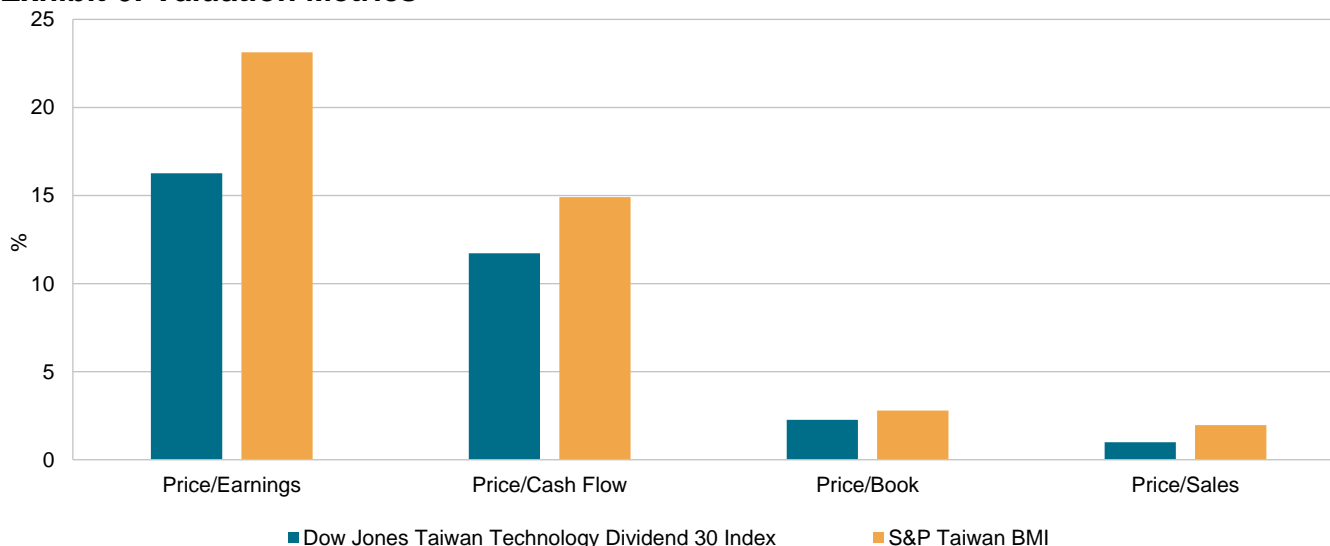
Metric	Total	Down Months	Up Months
Period Studied (Months)	134	50	84
Number of Months when the Index Outperformed the S&P Taiwan BMI	69	31	38
Win Rate (%)	51.49	62.00	45.24
Monthly Average Excess Return (%)	0.18	0.57	-0.05

Source: S&P Dow Jones Indices LLC. Data from April 30, 2013, to June 30, 2024. Index performance based on monthly total return in USD. The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# Reasonable Valuation

A potential overvaluation of technology stocks could be one of the reasons why some market participants are hesitant to seek strategies in this space. As selection by dividend yield would naturally result in a tilt toward the value factor, the Dow Jones Taiwan Technology Dividend 30 Index could be expected to include technology stocks at reasonable valuations. The index tended to be cheaper than the broad market benchmark in terms of multiple valuation metrics (see Exhibit 6).

**Exhibit 6: Valuation Metrics**



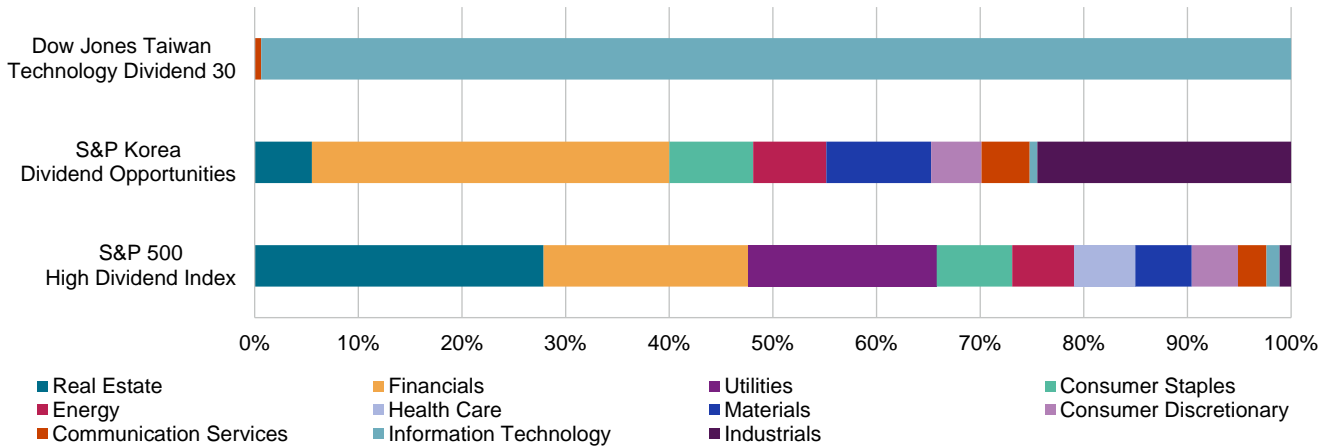
Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2024. Index performance based on monthly total return in USD. The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All data prior to index launch date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# Complementing Traditional Dividend Holding

A lack of growth sector weighting is a common challenge faced by many income-seeking market participants. Exhibit 7 shows the sector breakdown of high-yield strategies in the U.S. and Korea. High-dividend strategies tended to have a strong bias toward Financials, Real Estate and Utilities, while underweighting Information Technology and Communication Services.

The Dow Jones Taiwan Technology Dividend 30 Index is designed to track technology companies with high dividend yield. The Dow Jones Taiwan Technology Dividend 30 Index could help diversify sector weights without compromising dividend yield, as shown by historical performance.

### Exhibit 7: Sector Breakdown



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2024. Chart is provided for illustrative purposes.

## Conclusion

Taiwan is a leading player in the semiconductor industry, supplying advanced semiconductors that power next-generation technology, such as AI and 5G. During the period studied, the Dow Jones Taiwan Technology Dividend 30 Index was able to track the price appreciation from technology stocks and deliver a robust total return with a higher dividend yield than its benchmark, without disregarding growth stocks. The Dow Jones Taiwan Technology Dividend 30 Index could complement other high-dividend-yield strategies due to its sector weightings, while historically offering high dividend yield .



## Performance Disclosure/Back-Tested Data

The Dow Jones Taiwan Technology Dividend 30 Index was launched on April 15, 2024. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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