

# **S&P High Yield Dividend Aristocrats<sup>®</sup>: A Historical Perspective on Dividend Stability and Growth**

## **Introduction**

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Dividend growth strategies remain popular among investors due to their emphasis on companies that consistently increase dividend payouts, offering a blend of income and capital appreciation. Firms committed to dividend growth typically demonstrate financial stability and robust cash flows, which tends to translate to providing reliable income. Furthermore, their increasing dividends have historically often outpaced inflation, helping to preserve purchasing power.

In addition to income, dividend growth strategies provide equity participation, historically providing strong long-term returns. Reinvesting dividends can significantly compound returns over the long term, appealing to those focused on total return. Additionally, since these strategies tend to track higher-quality companies, they have historically exhibited defensive characteristics, including lower volatility and drawdowns.

Launched in November 2005, the [S&P High Yield Dividend Aristocrats](#) (S&P HYDA) is a prominent dividend growth index, with nearly 20 years of live history. The index tracks stocks in the [S&P Composite 1500<sup>®</sup>](#) that have consistently increased their total dividends per share every year for at least 20 consecutive years.<sup>1</sup> The index universe covers large-, mid- and small-cap stocks in the U.S. equities market. This paper focuses on the S&P HYDA, examining its characteristics, risk/return profile and performance attribution.

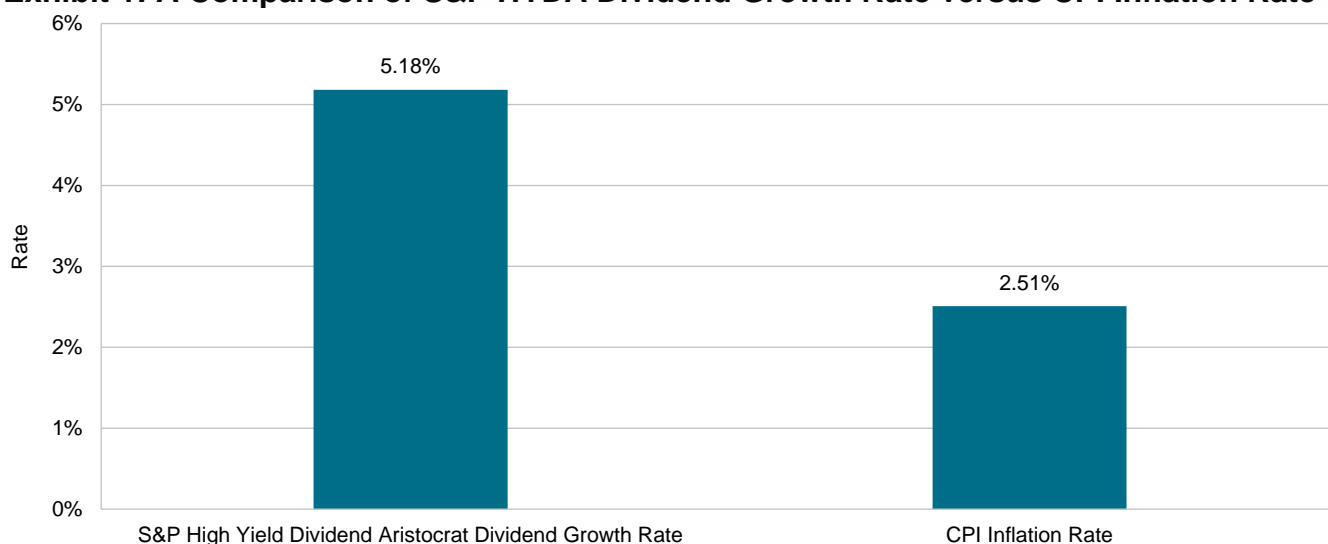
<sup>1</sup> For further information about the index, please see the [S&P High Yield Dividend Aristocrats Methodology](#).

# Regular Income that Preserves Purchasing Power

Dividend strategies are popular for several reasons, particularly their ability to provide a regular income stream. One key consideration when evaluating a dividend strategy is the potential for payouts to preserve purchasing power. While dividends can potentially offer a degree of protection against inflation, their effectiveness is influenced by various factors, such as the type of company and the consistency of dividend growth. Historically, companies included in the S&P HYDA, which have a track record of increasing their dividends for at least 20 consecutive years, have grown at a rate that exceeds inflation, therefore showing their potential to help investors maintain purchasing power.

From 2000 to 2023, the index's constituents have grown their dollar dividends at a compound annual growth rate of 5.18%, easily beating the Consumer Price Index (CPI) inflation rate of 2.51% over the same period (see Exhibit 1).<sup>2</sup>

## Exhibit 1: A Comparison of S&P HYDA Dividend Growth Rate versus CPI Inflation Rate

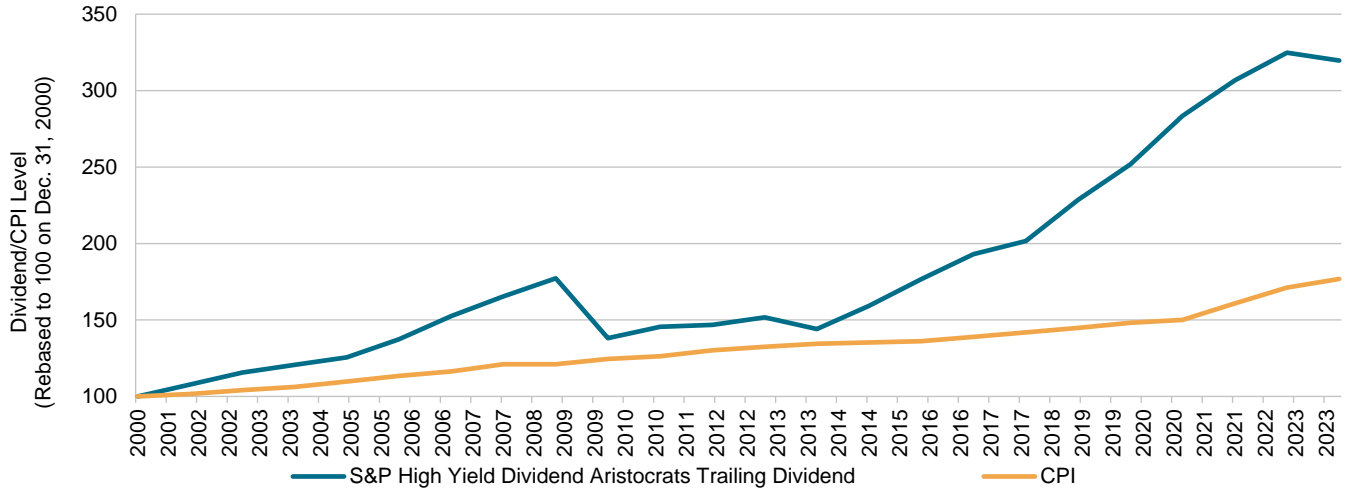


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Dec. 31, 2023. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes 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.

In Exhibit 2, the 12-month trailing dividends of the S&P HYDA and the CPI levels have been rebased to 100 as of Dec. 31, 2000. This allows us to track the growth of dividends in relation to the CPI inflation rate over time. From 2000 to 2023, the growth in S&P HYDA dollar dividends has significantly outpaced the CPI inflation rate.

<sup>2</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, Oct. 10, 2024.

**Exhibit 2: Dividend Growth versus CPI Inflation Rate**

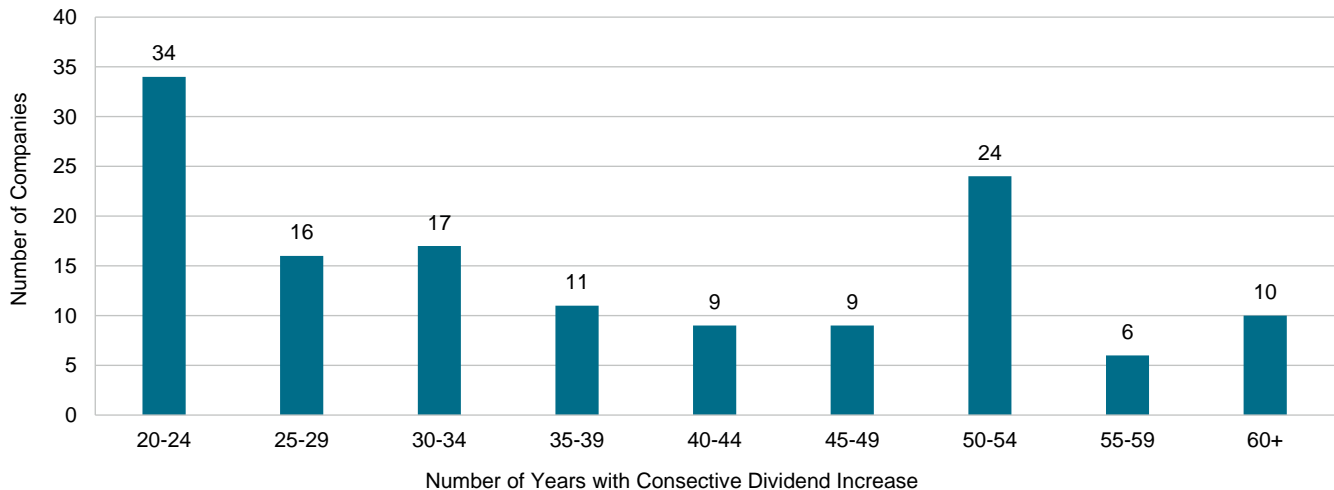


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2000, to Dec. 31, 2023. The S&P High Yield Dividend Aristocrats was launched Dec. 7, 1999. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# Long History of Dividend Increases

The constituents of the S&P HYDA must have a strong track record of increasing their dividends for inclusion in the index. Among the 136 current constituents, half have raised their dividends for over 35 years, while almost 30% have a history of increases spanning 50 years or more (see Exhibit 3).

**Exhibit 3: Long History of Dividend Increases of the S&P High Yield Dividend Aristocrats Constituents**

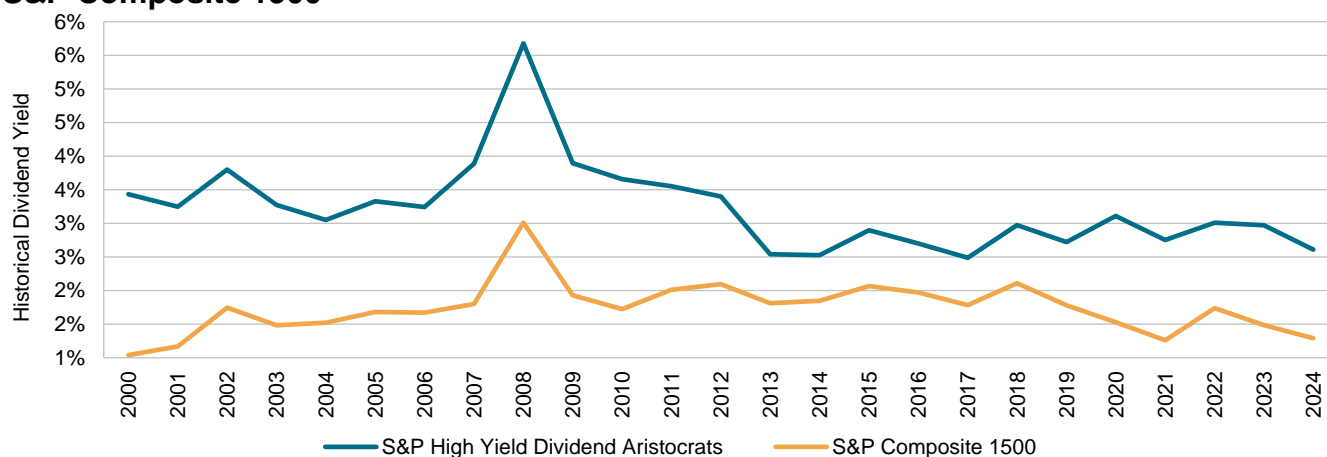


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Jan. 31, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes 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.

## Higher Yield than Its Benchmark

The ability to increase dividends for 20 consecutive years or more did not come at the expense of lower yields. From Dec. 31, 1999, to Sept. 30, 2024, the S&P HYDA consistently exhibited higher trailing dividend yields than its benchmark (see Exhibit 4) thanks to its selection approach and the yield-weighting methodology. The average yield of the index was 3.2%, ranging between 2.5% and 5.7% over the period studied. In comparison, the average yield of the S&P Composite 1500 was 1.7%, with a range of 1.0% to 3.0%. On average, the S&P HYDA yielded 1.5% more than its benchmark.

### Exhibit 4: Historical Yields of the S&P High Yield Dividend Aristocrats versus the S&P Composite 1500



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to such 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.

## Equity Participation with Strong Total Returns

In addition to providing income, dividend strategies enable market participants to benefit from the potential capital appreciation of equity markets. This aspect is particularly important when comparing these strategies to long-term bonds, which are often considered alternatives for generating steady income. Over the last decade, however, the [S&P U.S. Treasury Bond 10+ Year Index](#) has lagged the CPI inflation rate, delivering only a 0.83% annualized return. In contrast, the S&P HYDA generated an annualized return of 10.42% during this same period (see Exhibit 6). Moreover, the S&P HYDA outperformed the CPI inflation rate across all periods studied.

Exhibit 5 also illustrates that the S&P HYDA has outperformed its benchmark, the S&P Composite 1500, by 2.43% on an annualized return basis from Dec. 31, 1999, to Sept. 30, 2024. The index's reduced volatility contributed to a significantly better risk-adjusted return of 0.71 compared to the S&P Composite 1500's 0.51.

**Exhibit 5: Index Performance Comparison versus U.S. CPI**

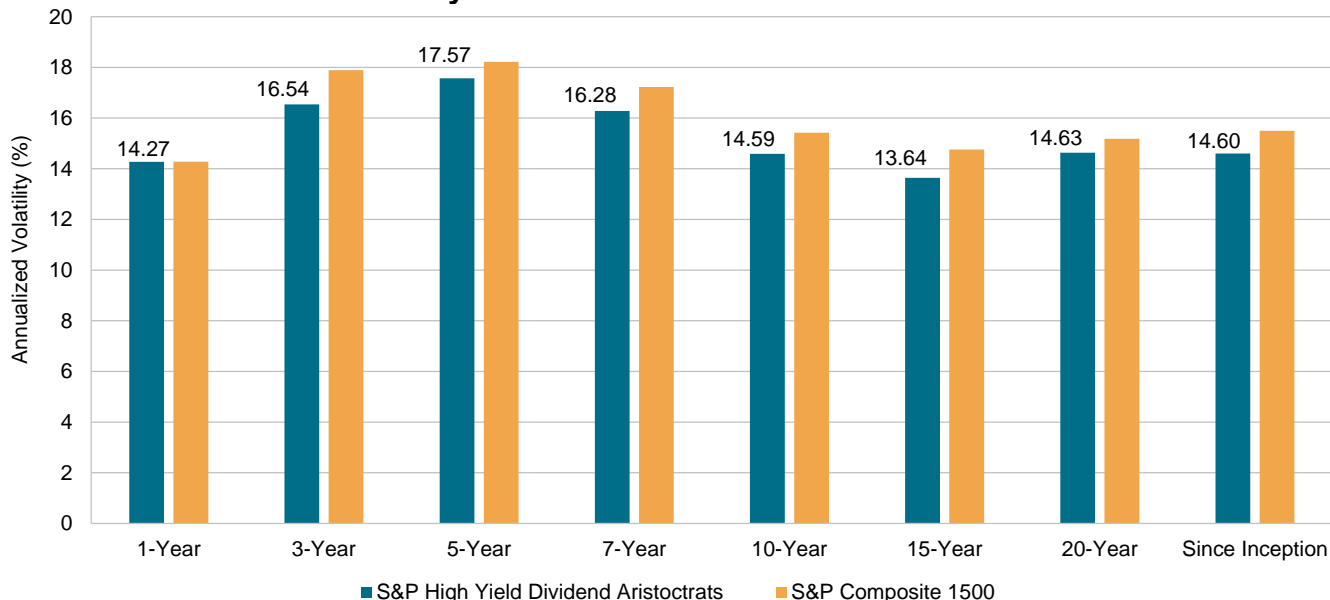
Period	S&P High Yield Dividend Aristocrats	S&P U.S. Treasury Bond 10+ Year Index	S&P Composite 1500	U.S. CPI
<b>Annualized Return/Change (%)</b>				
YTD	13.72	0.44	18.82	1.74
1-Year	17.93	4.91	26.42	2.59
3-Year	7.08	-9.84	9.01	4.81
5-Year	10.51	-5.17	15.58	4.17
7-Year	10.37	-1.06	14.11	3.60
10-Year	10.42	0.83	12.68	2.84
15-Year	12.44	3.15	14.14	2.55
20-Year	9.47	3.98	10.67	2.57
Since Inception	10.29	5.13	7.86	2.55
<b>Annualized Volatility (%)</b>				
YTD	11.70	11.25	10.30	-
1-Year	14.27	18.27	14.28	-
3-Year	16.54	15.84	17.89	-
5-Year	17.57	14.66	18.22	-
7-Year	16.28	14.00	17.23	-
10-Year	14.59	13.23	15.42	-
15-Year	13.64	12.81	14.76	-
20-Year	14.63	12.30	15.18	-
Since Inception	14.60	11.85	15.50	-
<b>Return/Risk</b>				
YTD	1.17	0.04	1.83	-
1-Year	1.26	0.27	1.85	-
3-Year	0.43	-0.62	0.50	-
5-Year	0.60	-0.35	0.85	-
7-Year	0.64	-0.08	0.82	-
10-Year	0.71	0.06	0.82	-
15-Year	0.91	0.25	0.96	-
20-Year	0.65	0.32	0.70	-
Since Inception	0.71	0.43	0.51	-

Source: S&P Dow Jones Indices LLC and U.S. Bureau of Labor Statistics. Data from Dec. 31, 1999, to Sept 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005, and the S&P U.S. Treasury Bond 10+ Index was launched March 24, 2010. All data prior to index launch date is back-tested hypothetical data. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure linked at the end of this post for more information regarding the inherent limitations associated with back-tested performance.

# Defensive Characteristics

A company’s ability to consistently grow dividends each year across varying economic environments is often indicative of financial strength and discipline. Consequently, the S&P HYDA tends to track higher-quality companies and has demonstrated defensive characteristics during the study period, generally experiencing reduced volatility compared to the S&P Composite 1500. Exhibit 6 shows the annualized volatility of the S&P HYDA, which, over time, has consistently been below that of its benchmark.

**Exhibit 6: Annualized Volatility Over Time**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. Index performance based on total return in USD. 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.

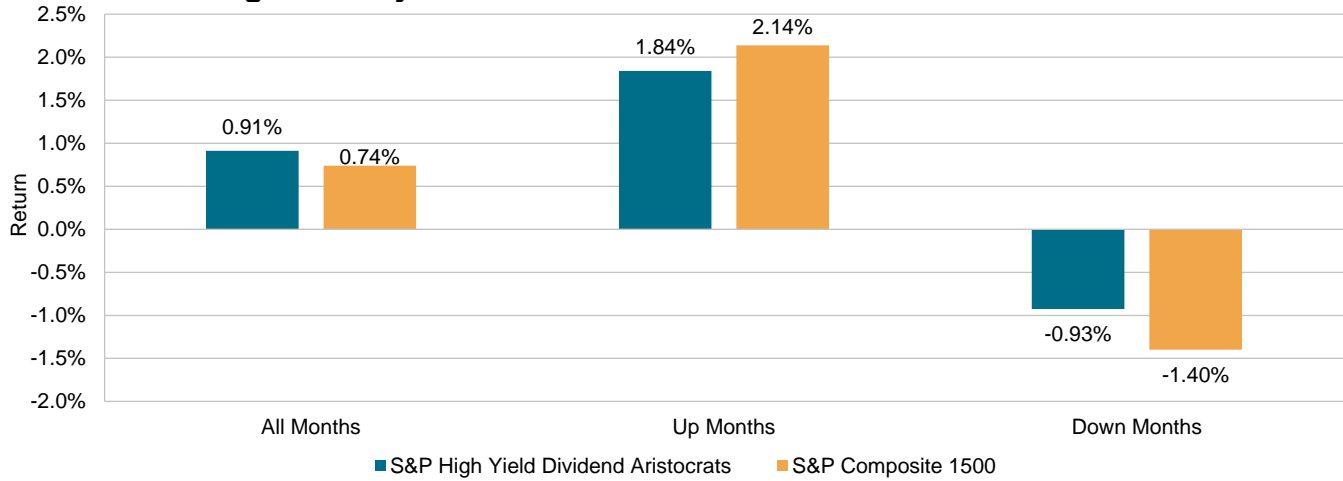
The defensive qualities of this index are further highlighted by its historical capture ratios, which reflect its ability to participate meaningfully in the market<sup>3</sup> upside while offering protection during downturns. Over the study period, the index had a capture ratio<sup>4</sup> of 86% during up months (see Exhibit 7) and 66% during down months. Overall, the index tended to outperform, with a persistent hit ratio<sup>5</sup> of 70% in down markets and 38% in up markets.

<sup>3</sup> “The market” is defined as the monthly performance of the S&P Composite 1500 from Dec. 31, 1999, to June 30, 2019.

<sup>4</sup> “Capture ratio” is defined as the ratio of the average month return of the strategy versus that of the benchmark during a certain period and is expressed as a percentage.

<sup>5</sup> The “persistent hit ratio” is defined as the total number of periods during which the strategy outperforms the benchmark and is expressed as a percentage.

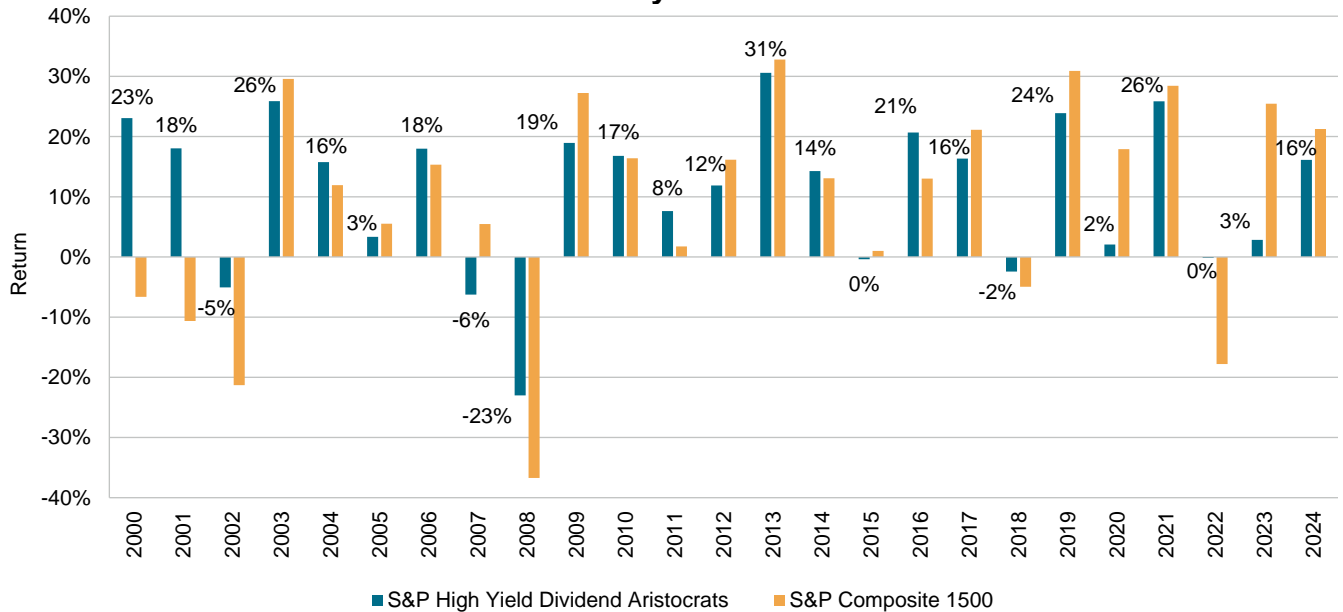
**Exhibit 7: Average Monthly Returns in Different Market Environments**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to index launch date is back-tested hypothetical data. Index performance based on total return in USD. 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.

The resilience of the S&P HYDA is also evident in its calendar-year returns (see Exhibit 8). In each down-market year—defined as years where the S&P Composite 1500 had a negative return—the S&P HYDA outperformed by a significant margin. This outperformance was most striking in 2000 and 2001, when the S&P HYDA recorded positive returns of 23% and 18%, respectively, while the S&P Composite 1500 experienced negative returns of -7% and -11%.

**Exhibit 8: Historical Annual Performance by Calendar Year**

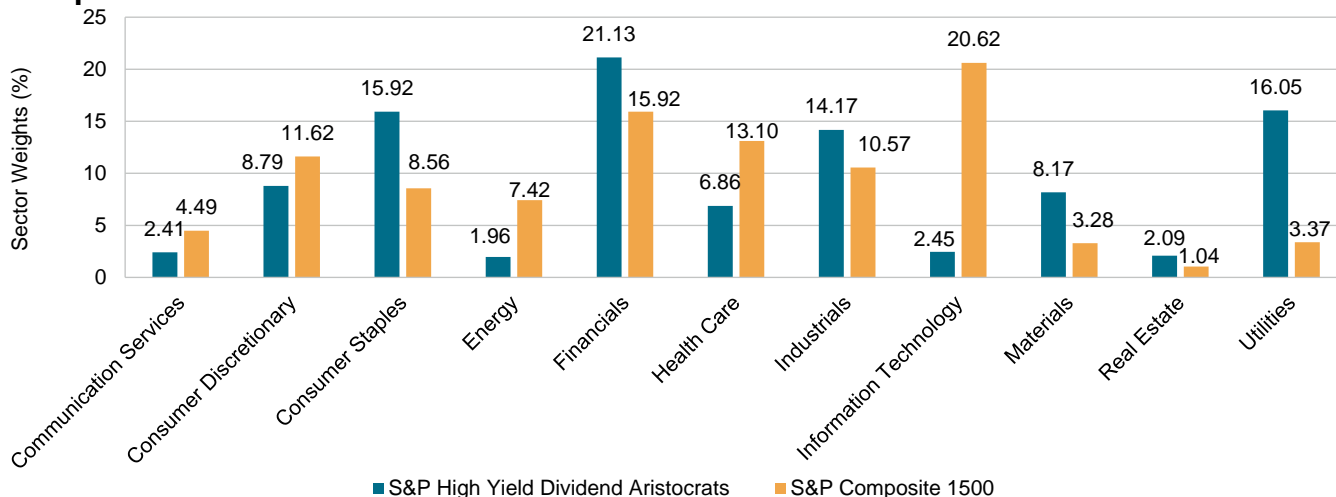


Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to index launch date is back-tested hypothetical data. Index performance based on total return in USD. Past performance is no guarantee of future 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.

# Sector Composition

Historically, the S&P HYDA has had greater weight to the Financials, Utilities, Consumer Staples, Industrials and Materials sectors, both in absolute weight and relative to the S&P Composite 1500. Conversely, it has had significantly lower weight to the Energy, Information Technology and Health Care sectors (see Exhibit 9). A time series of historic sector weights of the S&P HYDA and S&P Composite 1500 are available in the Appendix.

**Exhibit 9: Sector Weights of the S&P High Yield Dividend Aristocrats versus the S&P Composite 1500**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. 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.

# Decomposition of Excess Return

We analyzed the sources of historical excess returns of the S&P HYDA compared to the S&P Composite 1500, examining both the sector allocation<sup>6</sup> and individual stock-selection effects (see Exhibit 10).

<sup>6</sup> The sector allocation effect is the portion of index excess return attributed to taking on sector bets in comparison with the benchmark. Individual stock-selection effect is the portion of index excess return attributable to individual stock selection when the sector weight is the same as that of the benchmark.



**Exhibit 10: S&P High Yield Dividend Aristocrats Performance Attribution**

Sector	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Communication Services	29.32	-29.20	0.12
Consumer Discretionary	23.74	23.61	47.35
Consumer Staples	28.19	92.09	120.28
Energy	-17.76	4.17	-13.59
Financials	-21.66	183.22	161.56
Health Care	0.19	2.49	2.68
Industrials	12.33	101.16	113.49
Information Technology	-116.88	-3.33	-120.21
Materials	2.21	113.18	115.39
Real Estate	-23.69	-28.46	-52.15
Utilities	46.73	62.32	109.05
Total	-37.17	521.24	484.08

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to index launch date is back-tested hypothetical data. Index performance based on total return in USD. 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.

Performance attribution reveals that individual stock selection was the primary driver of the S&P HYDA's outperformance, while sector allocation—particularly underweights in Information Technology—negatively affected the index's performance. Thus, the S&P HYDA's superior performance mainly came from stock selection rather than sector allocation.

## Tilts to Quality & Value

We used the Fama/French Five-Factor Model<sup>7</sup> to dissect the historical returns of the S&P HYDA (see Exhibit 11). The factor coefficient estimates and associated t-statistics reveal that the index constituents had positive tilts toward lower beta, lower value, higher operating profitability and more conservative investment growth. Both profitability and investment growth are recognized as quality factors.

The empirical results show that the constituents possess superior valuation and quality characteristics compared to the overall market. These high-quality fundamentals create a solid foundation for consistent dividend increases.

<sup>7</sup> Fama, E. and French, K. "Dissecting Anomalies with a Five-Factor Model," *The Review of Financial Studies*, Volume 29, Issue 1, 2016, pp. 69-103.

**Exhibit 11: Factor Coefficient Estimates of the S&P High Yield Dividend Aristocrats**

Factors	Factor Coefficient Estimates	T-Statistics
Market Risk	0.82	33.70
Size	0.04	1.01
Value	0.33	8.22
Profitability	0.34	7.59
Investment	0.21	3.55

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. All data prior to index launch date is back-tested hypothetical data. Index performance based on total return in USD. 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.

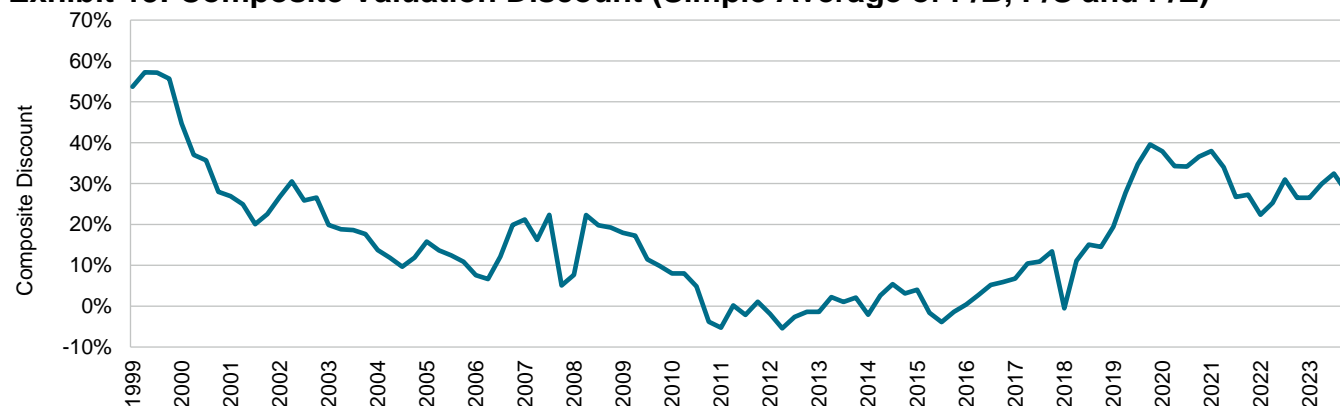
## Valuation Comparison

Exhibits 12 and 13 show the current valuations versus the S&P Composite 1500 relative to history. As shown in Exhibit 12, the S&P HYDA is trading at discounts of 33.3% for price-to-book (P/B), 32.9% for price-to-sales (P/S), 18.0% for price-to-earnings (P/E) and 28.1% on a composite basis (simple average of the three metrics) as of Sept. 30, 2024. The current 28.1% discount places it in the 81<sup>st</sup> percentile of cheapness relative to its historical valuations.

**Exhibit 12: Composite Valuation Discount**

Metric	P/B	P/S	P/E	Average
Current Discount (%)	33.3	32.9	18.0	28.1
Percentile Relative to History	81 <sup>st</sup>	70 <sup>th</sup>	72 <sup>nd</sup>	81 <sup>st</sup>

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. 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.

**Exhibit 13: Composite Valuation Discount (Simple Average of P/B, P/S and P/E)**

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. 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.

# Conclusion

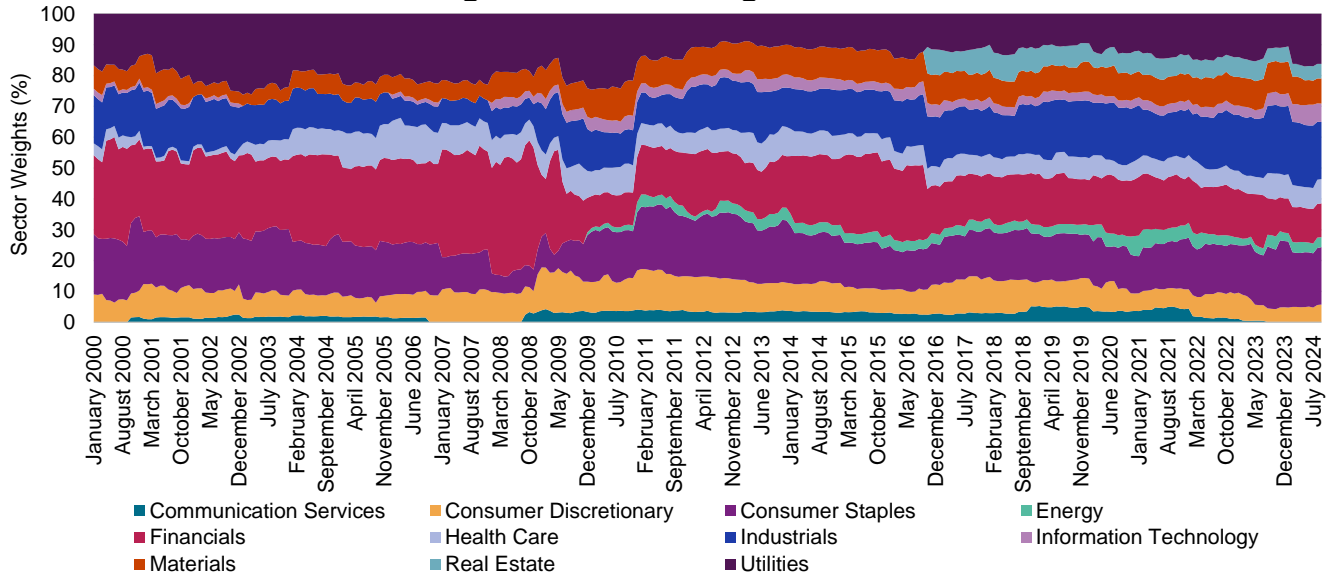
The S&P High Yield Dividend Aristocrats is distinguished by its stringent quality screening, requiring constituents to increase their dividends for at least 20 consecutive years. During the period studied, the index's constituents grew their dollar dividends at a rate that comfortably outpaced inflation, thereby preserving purchasing power. By weighting constituents based on yield, the S&P HYDA not only exceeded its benchmark by an average of 1.5% but also offered a higher yield than other dividend growth indices.

Over the long term, reinvesting dividends has led to impressive total returns, with the S&P HYDA outperforming the S&P Composite 1500 by 2.43% annualized. Our analysis showed that this outperformance was achieved with lower volatility and drawdowns due to its focus on higher-quality companies.

Our sector attribution analysis shows that stock selection, rather than sector allocation, has been the primary driver of the S&P HYDA's outperformance. Additionally, when viewed through a factor-based lens, the analysis reveals that the index's constituents had lower valuations and strong quality characteristics. The S&P HYDA is a compelling index offering, with historical characteristics like income stability, inflation protection, robust fundamentals and strong growth potential.

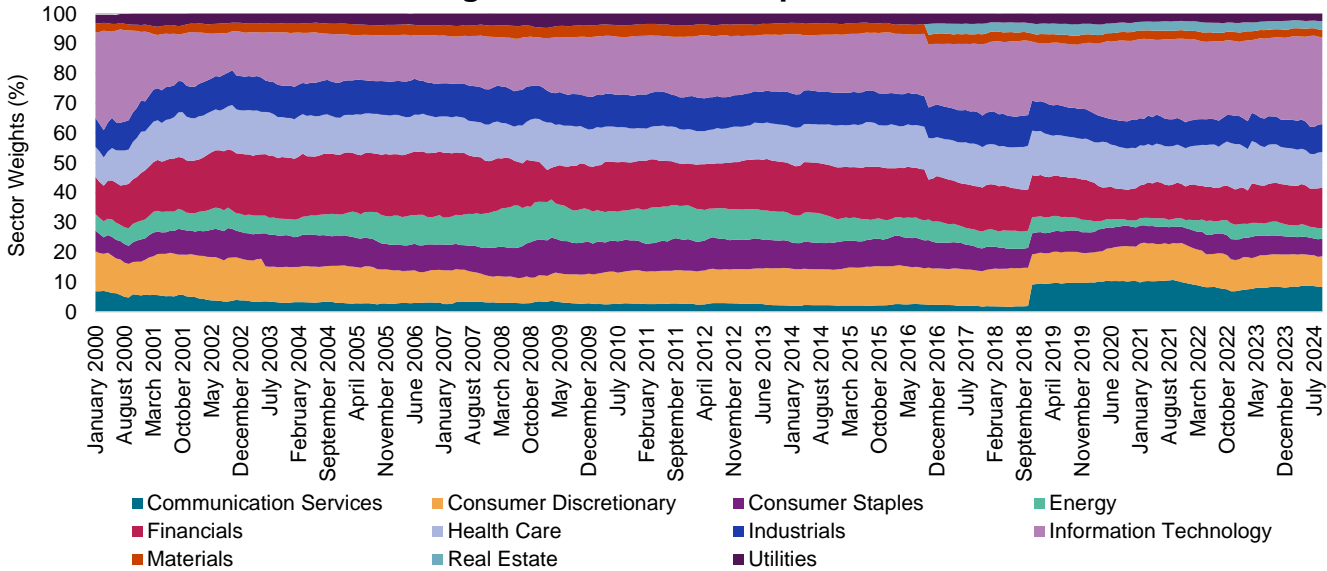
# Appendix

**Exhibit 14: Historic Sector Weights of the S&P High Yield Dividend Aristocrats**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. Past performance is no guarantee of future results. 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.

**Exhibit 15: Historic Sector Weights of the S&P Composite 1500**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1999, to Sept. 30, 2024. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. 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.

## Performance Disclosure/Back-Tested Data

The S&P High Yield Dividend Aristocrats was launched November 9, 2005. The S&P Composite 1500 was launched May 18, 1995. The S&P 500 was launched March 4, 1957. 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.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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