



# Dividend Strategies using Indices

**Jason Ye, CFA**  
**Director, Strategy Indices**  
**April 5<sup>th</sup>, 2023**

**S&P Dow Jones  
Indices**

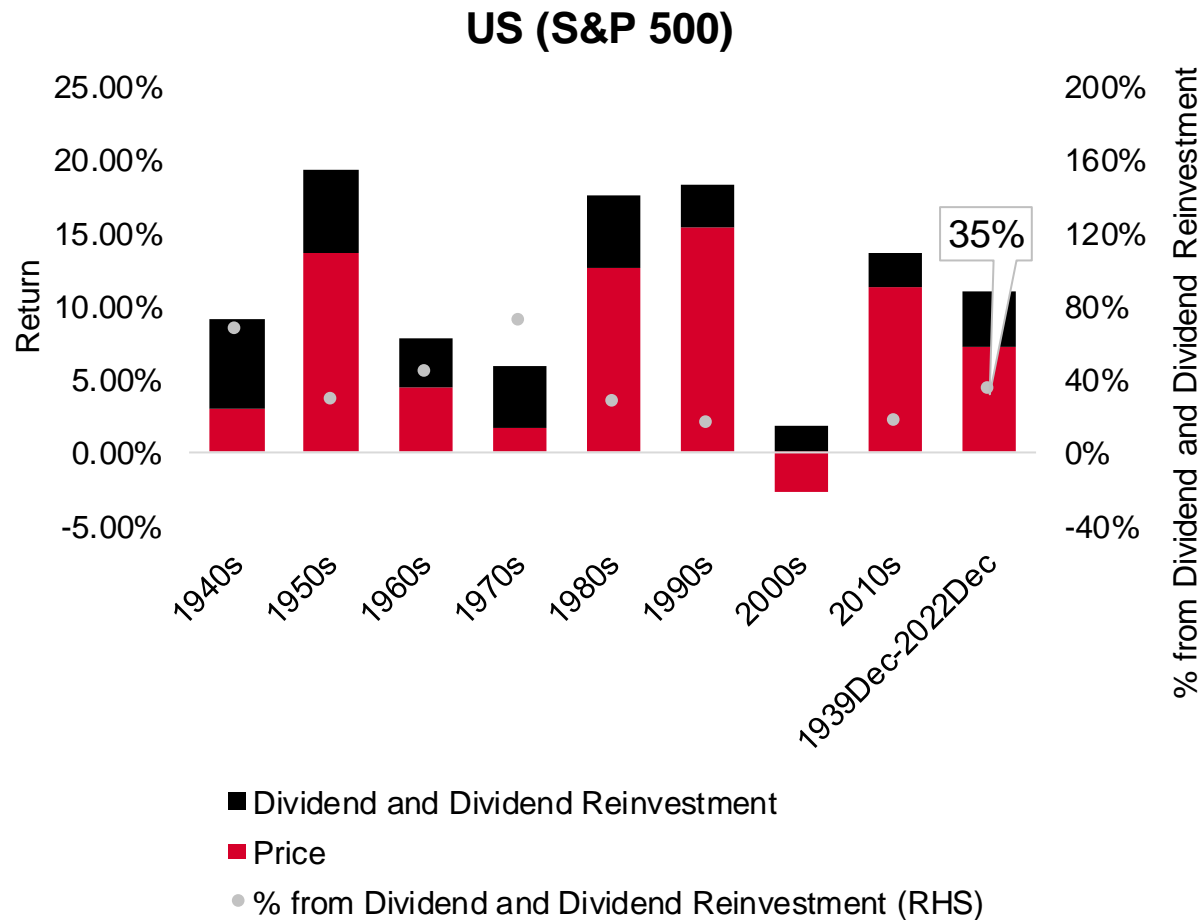
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S&P Dow Jones Indices – For Financial Professionals Only

# Why Dividend?

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## Important Source of Equity Total Return

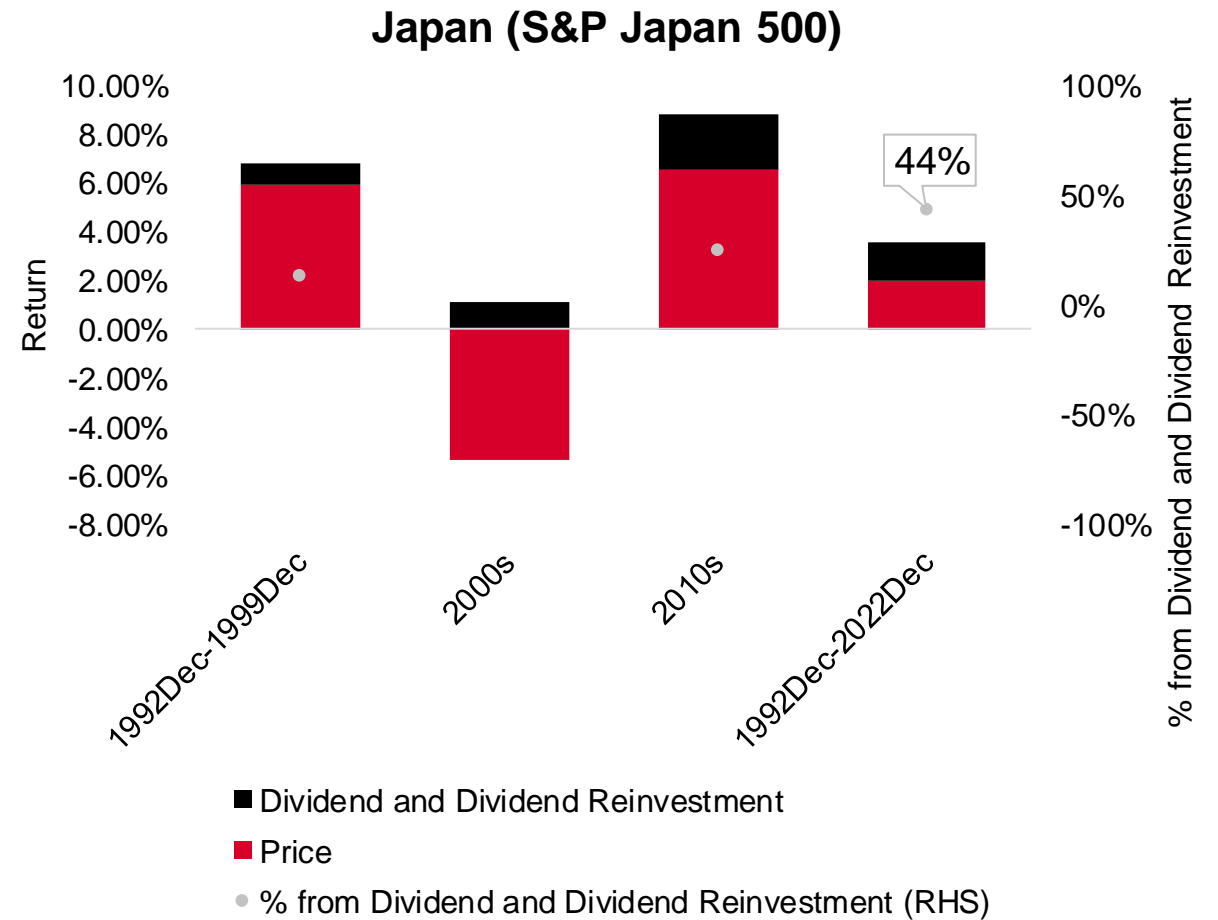
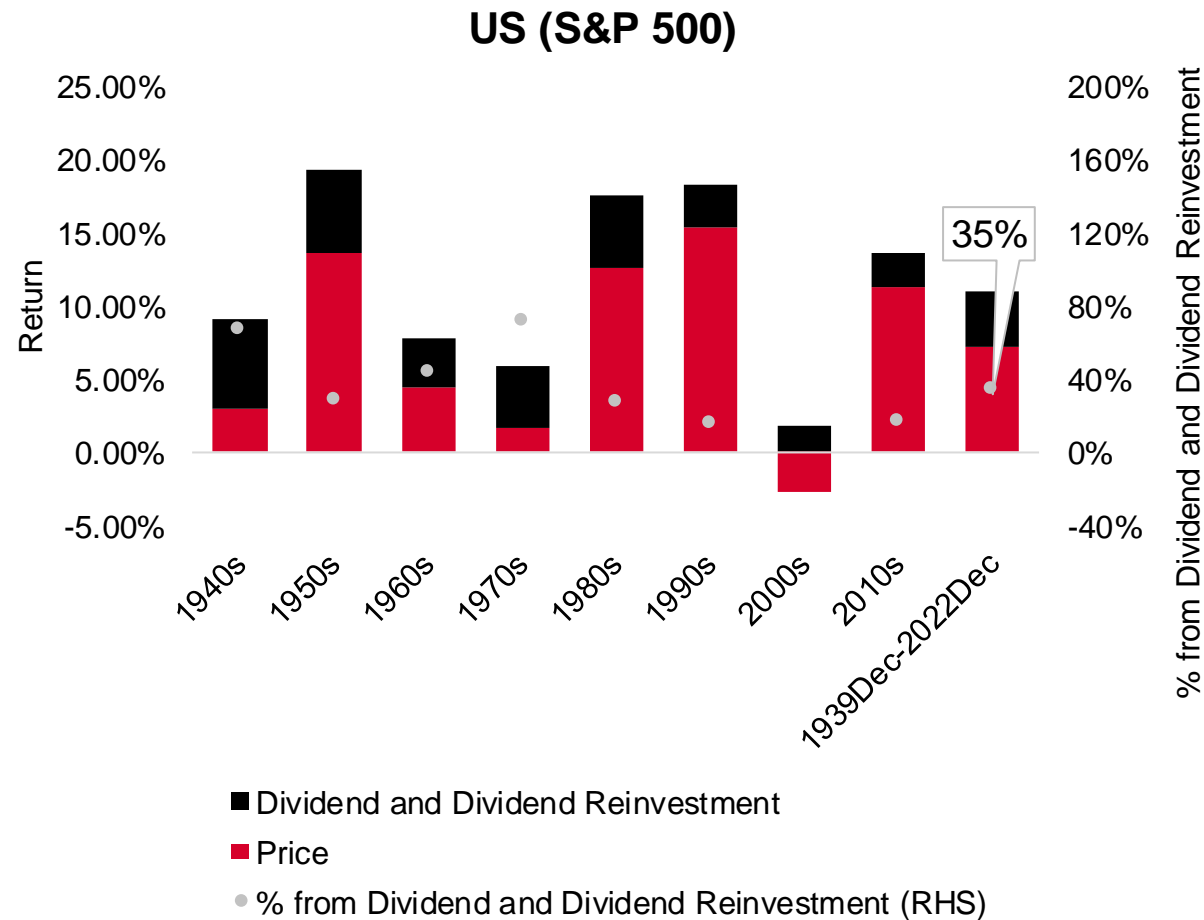


\*no % from dividend and dividend reinvestment was calculated for 2000s due to negative total return.

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1939, to Dec. 31, 2022. Index performance based on monthly total return in local currency. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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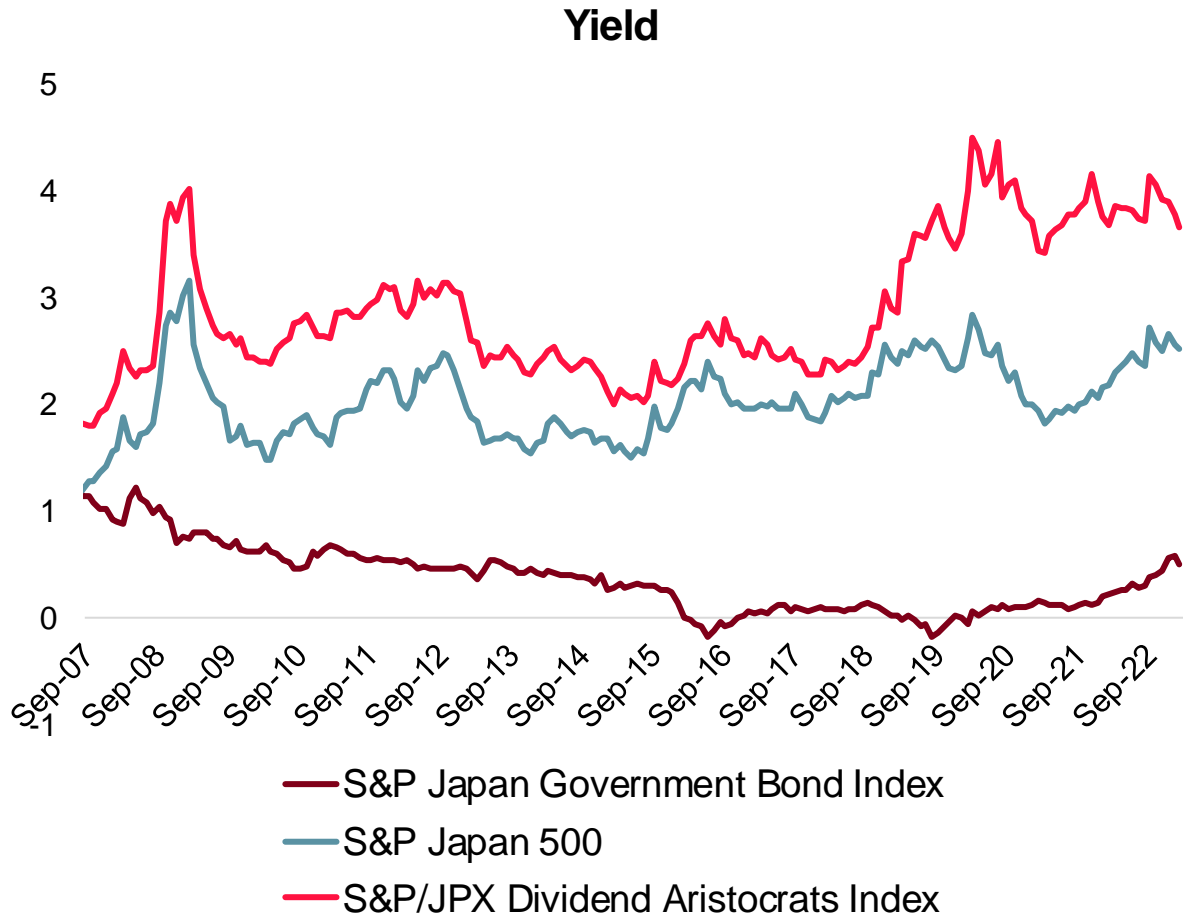


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# Why Dividend?

## Alternative Source of Income



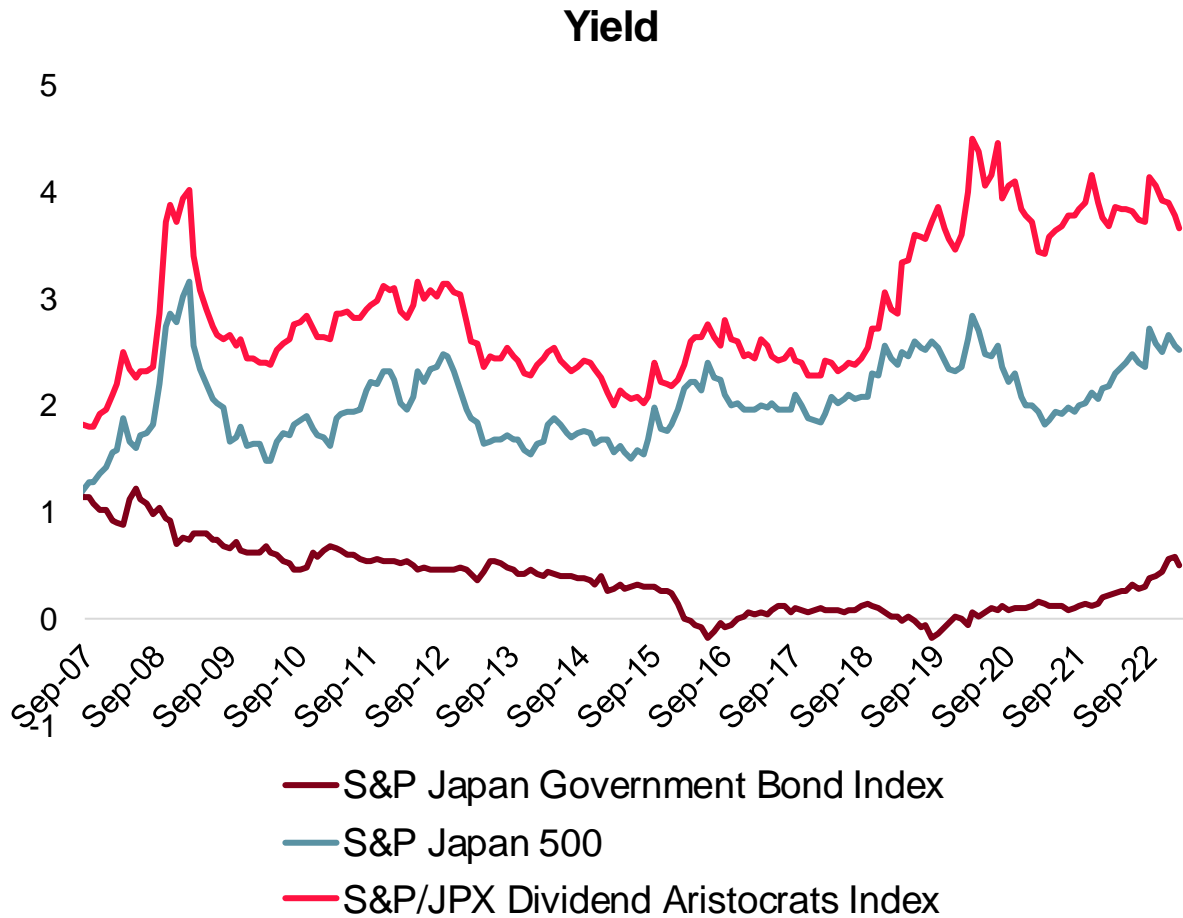
Source: S&P Dow Jones Indices LLC. Data as of February 28, 2023. Brazil, S&P/B3 Low Volatility High Dividend Index; Hong Kong, S&P Access Hong Kong Low Volatility High Dividend Index; Columbia, S&P Columbia Dividend Index; South Korea, S&P Korea Dividend Opportunities; Taiwan, Dow Jones Taiwan High Quality Dividend 30 Index; Australia, S&P/ASX Sustainability Screened Dividend Opportunities Index; Canada, S&P/TSX Composite Low Volatility High Dividend Index; China, S&P China A-Share Low Volatility High Dividend Index; U.S., S&P 500 Low Volatility High Dividend Index

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Indices**

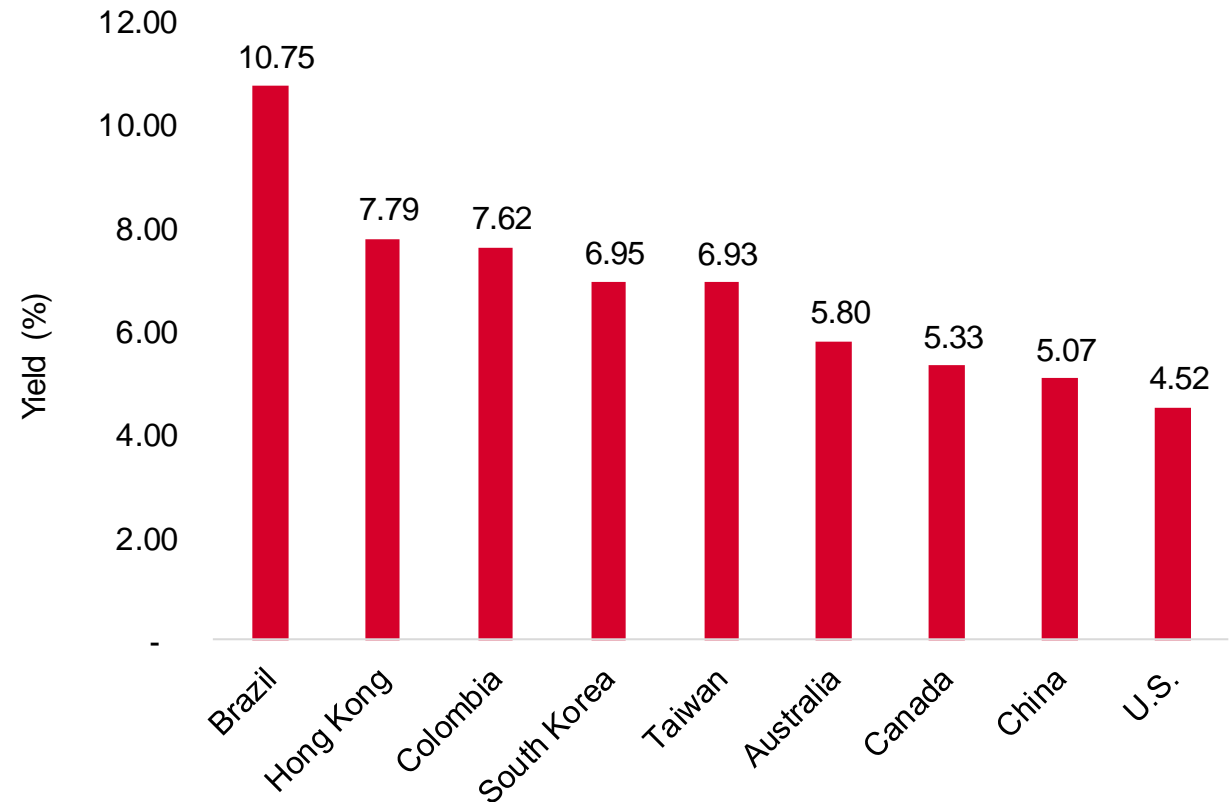
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# Why Dividend?

## Alternative Source of Income



**Trailing 12-month Dividend Yield of High Yield Strategies in Individual Markets**



Source: S&P Dow Jones Indices LLC. Data as of February 28, 2023. Brazil, S&P/B3 Low Volatility High Dividend Index; Hong Kong, S&P Access Hong Kong Low Volatility High Dividend Index; Colombia, S&P Colombia Dividend Index; South Korea, S&P Korea Dividend Opportunities; Taiwan, Dow Jones Taiwan High Quality Dividend 30 Index; Australia, S&P/ASX Sustainability Screened Dividend Opportunities Index; Canada, S&P/TSX Composite Low Volatility High Dividend Index; China, S&P China A-Share Low Volatility High Dividend Index; U.S., S&P 500 Low Volatility High Dividend Index

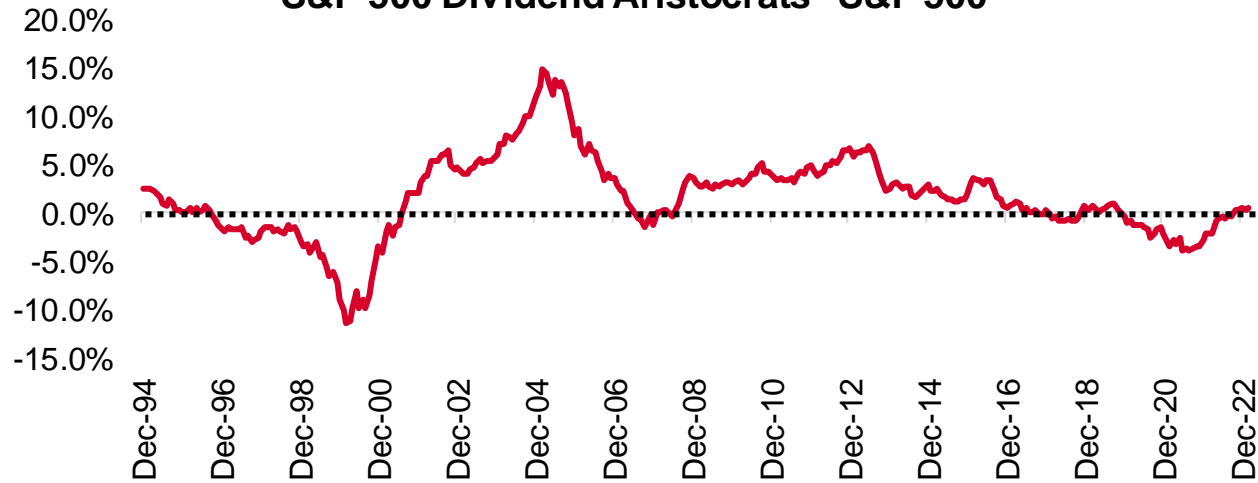
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# Why Dividend?

## Historical Outperformance against the Market

Rolling 5-Year Excess Return  
S&P 500 Dividend Aristocrats - S&P 500



	<b>Dividend Grower</b>
	S&P 500 Aristocrats - S&P 500
<b>Observations</b>	277
<b>Average</b>	<b>2.18%</b>
<b>Standard Error</b>	0.26%
<b>T-Stats</b>	8.35
<b># of Beat</b>	201
<b>% of Beat</b>	<b>72.56%</b>

**S&P Dow Jones  
Indices**

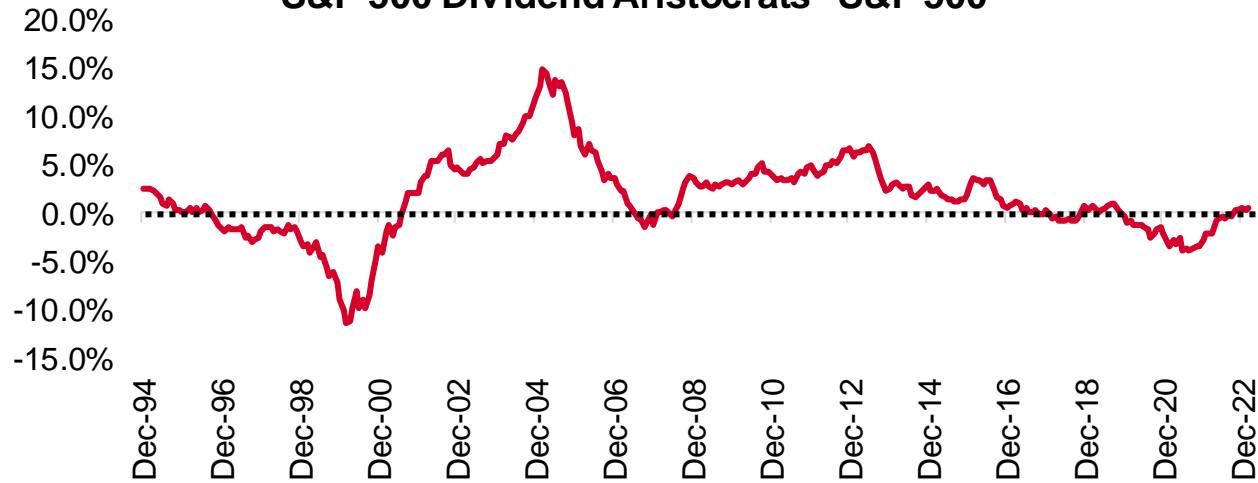
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Source: S&P Dow Jones Indices LLC. Ken French Data Library. Data as of December 31, 2022. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects 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..

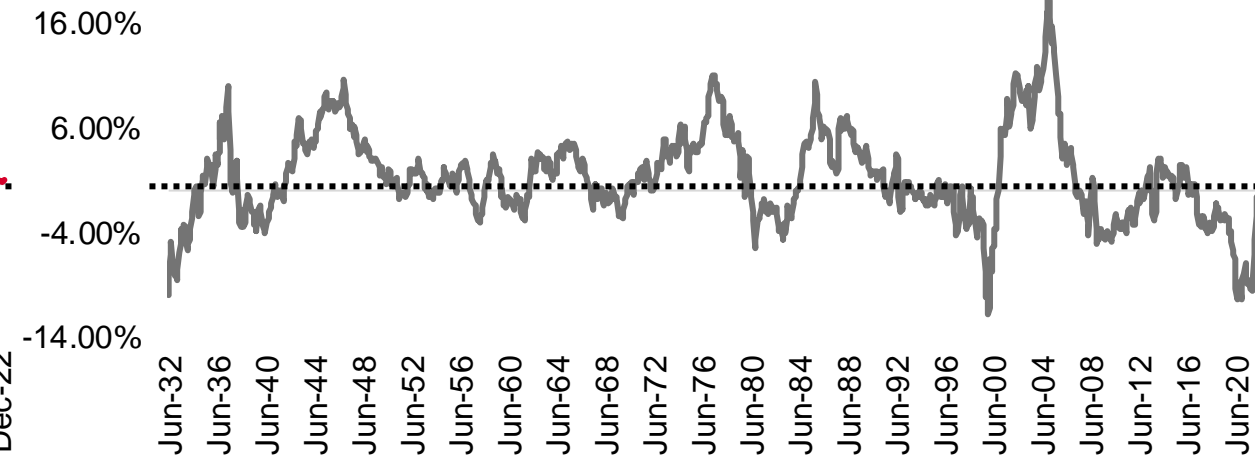
# Why Dividend?

## Historical Outperformance against the Market

Rolling 5-Year Excess Return  
S&P 500 Dividend Aristocrats - S&P 500



Rolling 5-Year Excess Return  
High Yield Portfolio - Market in U.S.



	Dividend Grower	High Yield					
	S&P 500 Aristocrats - S&P 500	Non Payer - Market	Low 1 - Market	Low 2 - Market	Mid - Market	High 4 - Market	High 5 - Market
<b>Observations</b>	277	1087	1087	1087	1087	1087	1087
<b>Average</b>	<b>2.18%</b>	-0.32%	-0.49%	0.19%	0.20%	<b>1.63%</b>	<b>1.19%</b>
<b>Standard Error</b>	0.26%	0.23%	0.09%	0.06%	0.07%	0.09%	0.13%
<b>T-Stats</b>	8.35	-1.35	-5.41	3.31	2.78	17.91	9.18
<b># of Beat</b>	201	477	521	530	659	763	633
<b>% of Beat</b>	<b>72.56%</b>	43.88%	47.93%	48.76%	60.63%	<b>70.19%</b>	<b>58.23%</b>



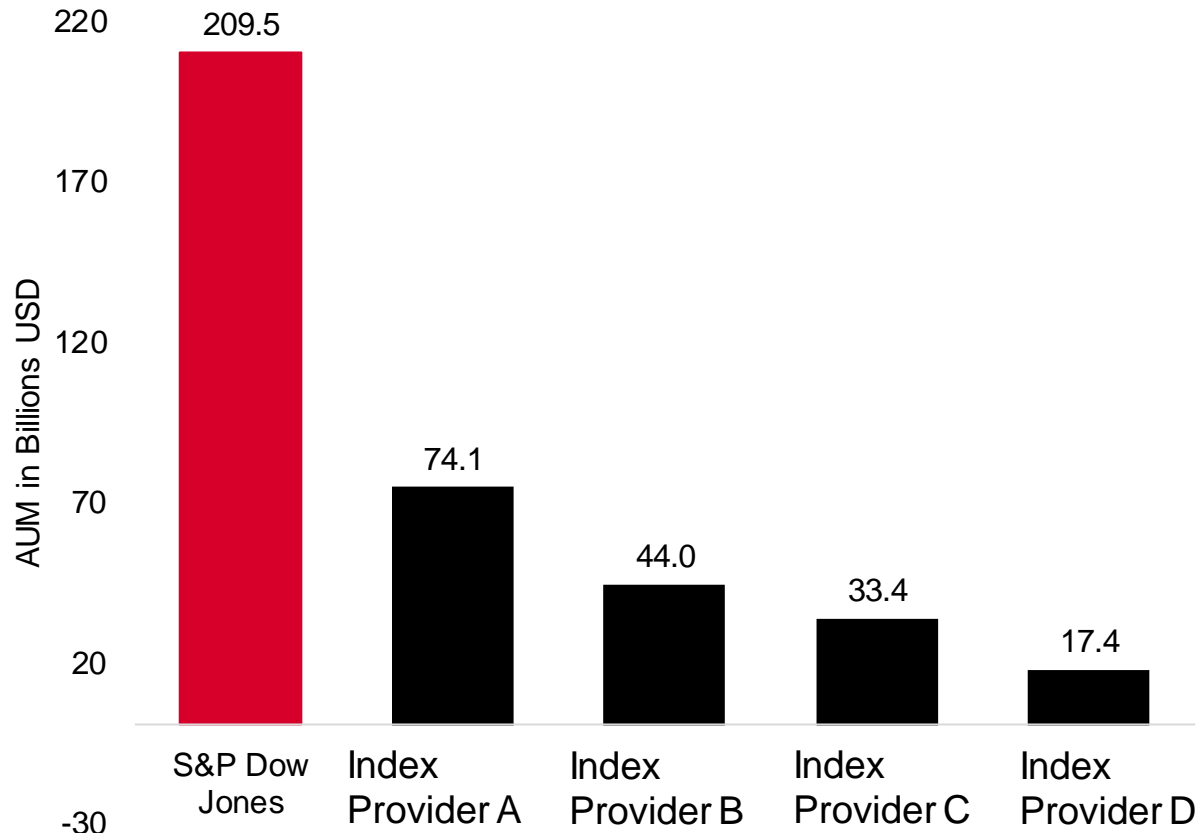
# Dividend Strategies

# Dividend ETF Market

Over 50% of Dividend ETF Assets tracking S&P Dow Jones Dividend Indices

As of December 31, 2022, \$209.5 billion in combined ETF assets were tracking S&P Dow Jones dividend indices, comprising leading ETF names in the US, Canada, International and Emerging markets.

## Global Dividend ETF AUM by Index Providers



**S&P Dow Jones Indices**

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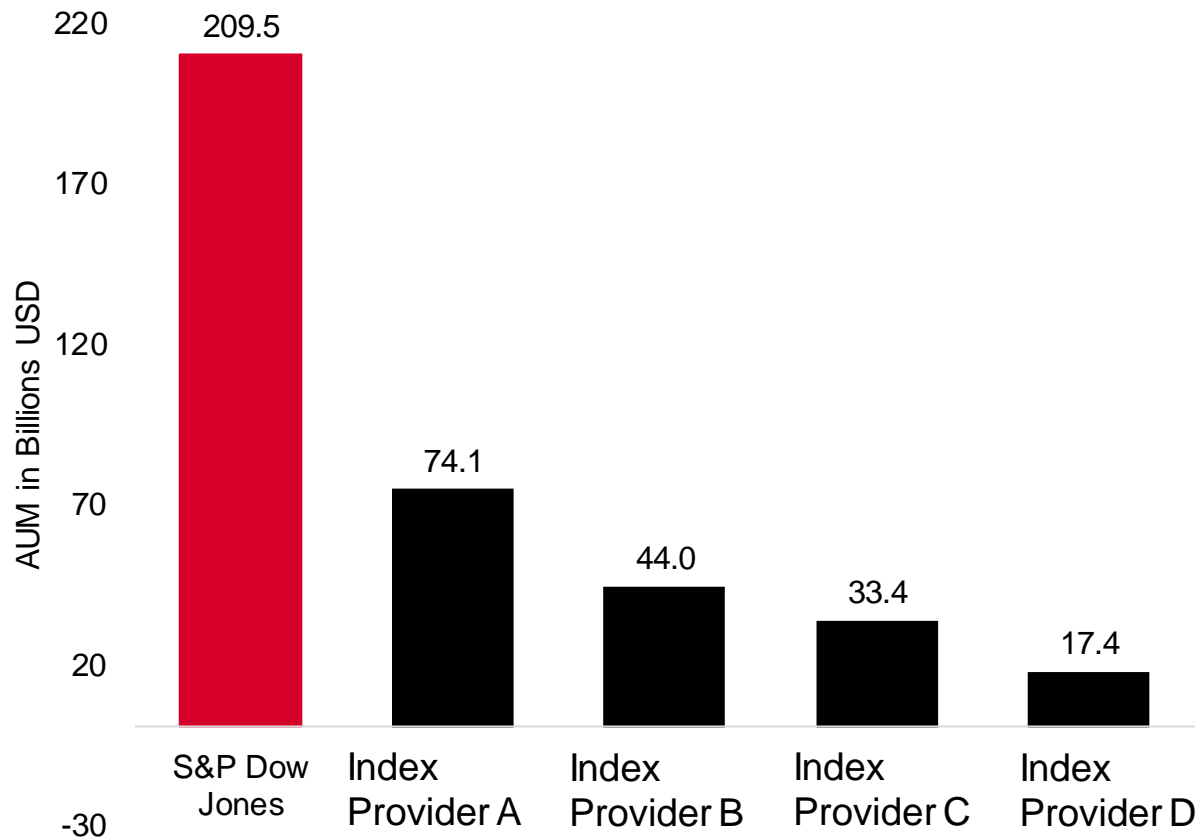
Source: Morningstar Direct. Data as of December 31, 2022. Table is provided for illustrative purposes.

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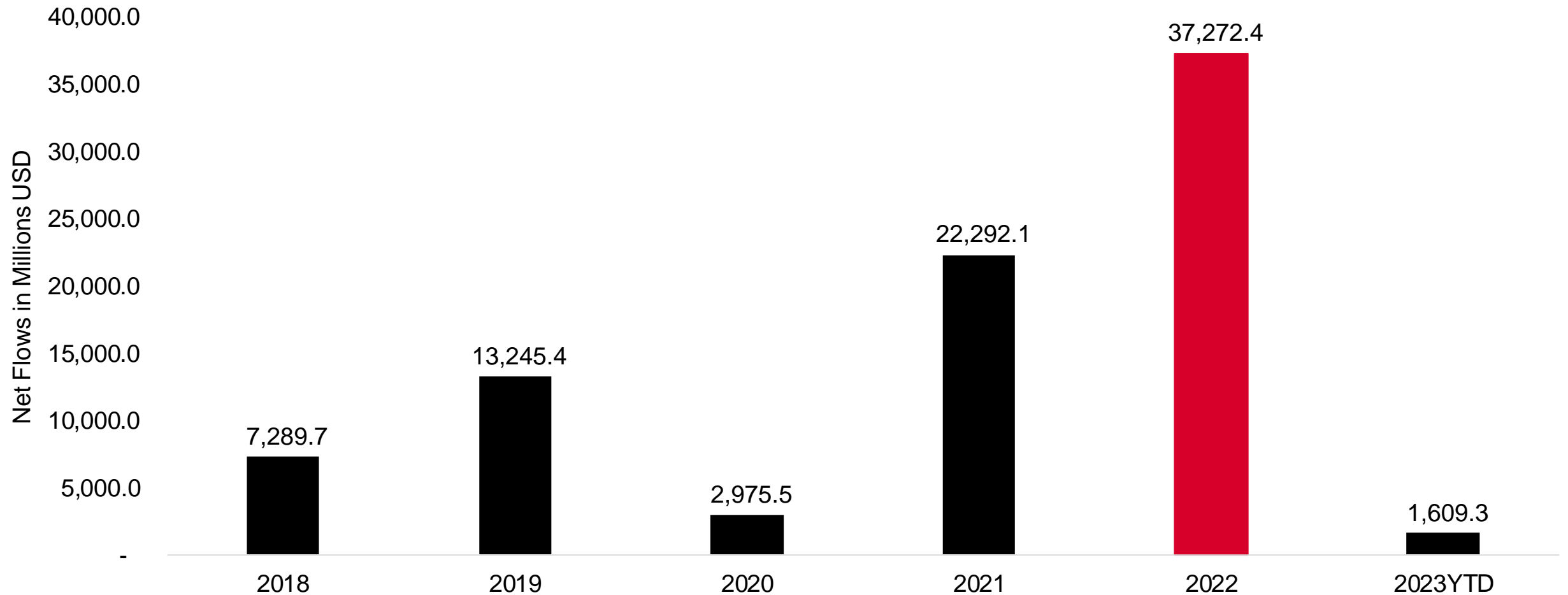
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Source: Morningstar Direct. Data as of December 31, 2022. Table is provided for illustrative purposes.

Rank	Name	Ticker	Primary Benchmark
1	Vanguard Dividend Appreciation ETF	VIG	S&P US Dividend Growers TR USD
2			
3	Schwab US Dividend Equity ETF™	SCHD	Dow Jones US Dividend 100 TR USD
4			
5	SPDR® S&P Dividend ETF	SDY	S&P High Yield Dividend Aristocrats TR USD
6	iShares Select Dividend ETF	DVY	Dow Jones US Select Dividend TR USD
7			
8			
9	ProShares S&P 500 Dividend Aristocrats	NOBL	S&P 500 Dividend Aristocrats TR USD
10			

# ETF Flows

## Annual Flows of Dividend ETFs tracking S&P Dow Jones Dividend Indices



Source: Morningstar Direct. Data as of February 28, 2023. Table is provided for illustrative purposes.

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# S&P Dividend Index Families

## Not All Dividend Strategies are Created Equal

While the Aristocrats family relies on a very stringent quality screen of consistent dividend growth over time – a trademark of the methodology – the Select and Opportunities families incorporate stability and fundamental criteria which are put in place to avoid yield traps.

### Dividend Growth



- ❖ Constituents must follow a managed-dividends policy of consistently increasing dividends every year

### Dividend Aristocrats

- ❖ For example,  $\geq 25$  years of increasing dividends for the US index

### Dividend Grower

- ❖ For example,  $\geq 10$  years of increasing dividends for the US index
- ❖ Exclude top 25% highest-yielding eligible companies

Source: S&P Dow Jones Indices. Table is provided for illustrative purposes.

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### Dividend Growth



- ❖ Constituents must follow a managed-dividends policy of consistently increasing dividends every year

### Dividend Yield



- Focus on high-yield stock
- Apply fundamental screening

### Dividend Aristocrats

- ❖ For example,  $\geq 25$  years of increasing dividends for the US index

### Dow Jones Select Div.

- Subject to dividend sustainability criteria
  - ✓ dividend payout in the past # of years
  - ✓ Dividend growth criteria
  - ✓ Profitability criteria

### Dividend Grower

- ❖ For example,  $\geq 10$  years of increasing dividends for the US index
- ❖ Exclude top 25% highest-yielding eligible companies

### Dividend Opportunity

- Subject to dividend sustainability criteria
  - ✓ Earnings growth criteria
  - ✓ Profitability criteria
  - ✓ Payout ratio criteria

### Low Vol. High Div.

- Excluding high volatility stocks

Source: S&P Dow Jones Indices. Table is provided for illustrative purposes.

S&P Dow Jones Indices

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# S&P 500 Dividend Aristocrats

S&P 500 Dividend Aristocrats Index measure the performance of companies that have increased dividends for at least 25 number of years within S&P 500

## Methodology Snapshot

<b>Universe</b>	S&P 500
<b>Size</b>	FMC >= US\$ 3 billion
<b>Liquidity</b>	5M ADVT >= US\$ 5 million
<b>Dividend Growth</b>	Constituents must follow a managed-dividends policy of consistently increasing dividends every year for at least <b>25 years</b> .
<b>Selection</b>	All eligible stocks are selected
<b>Weighting</b>	Equally weighted
<b>Capping</b>	GICS sector weight <= 30%
<b>Rebalancing</b>	Annually reconstitution in January, quarterly re-weight

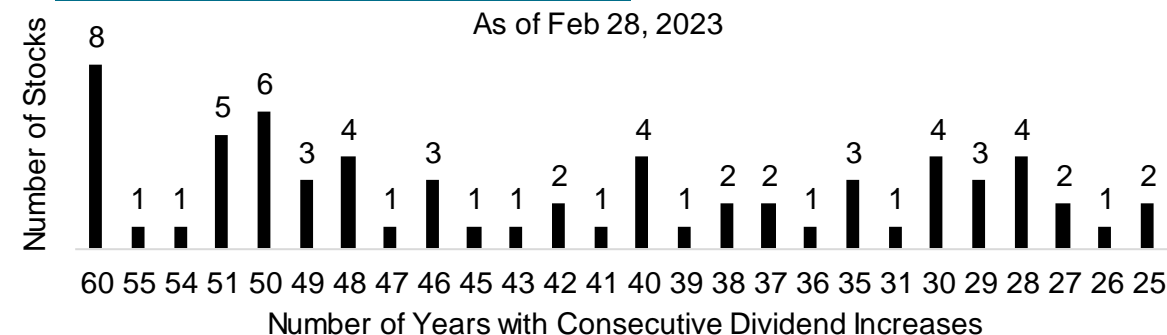
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## A Long History of Dividend Growth





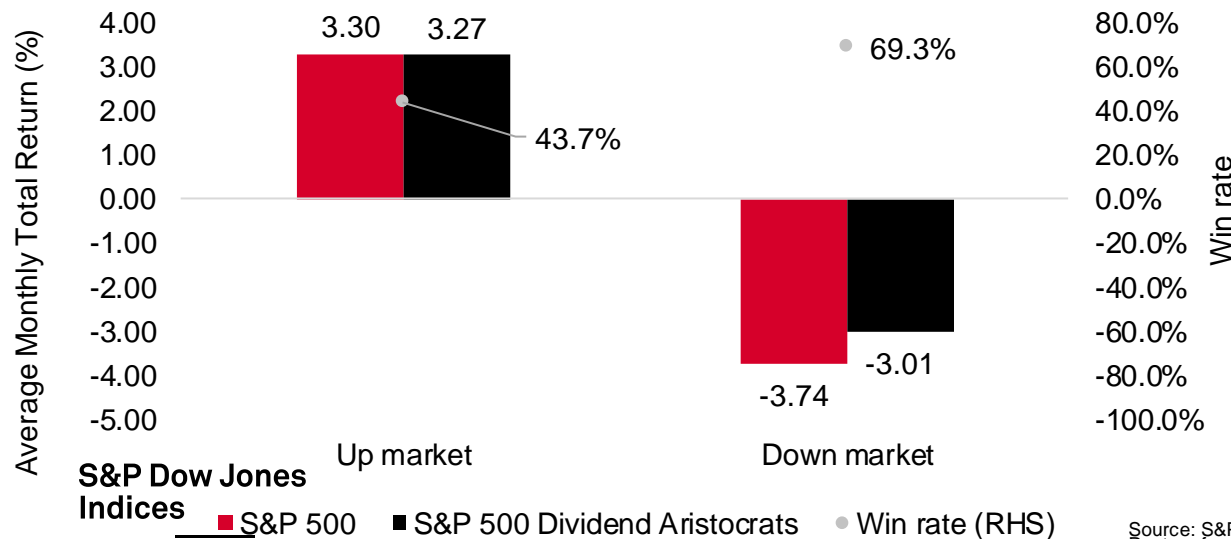
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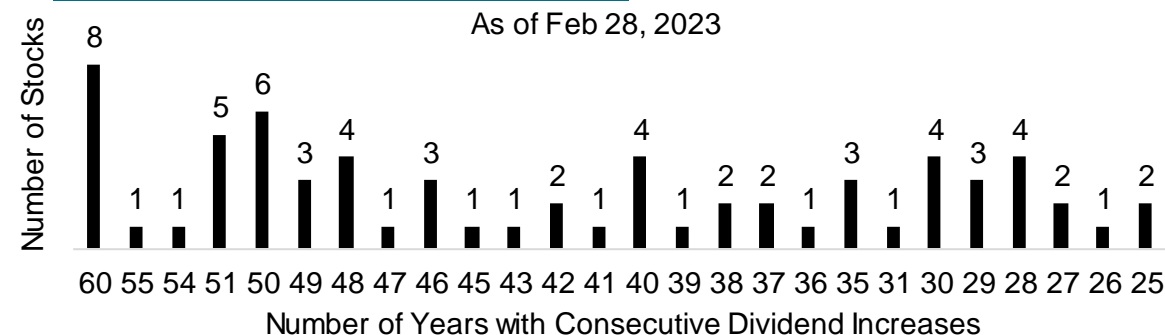
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## Up/Down Market Performance



## A Long History of Dividend Growth



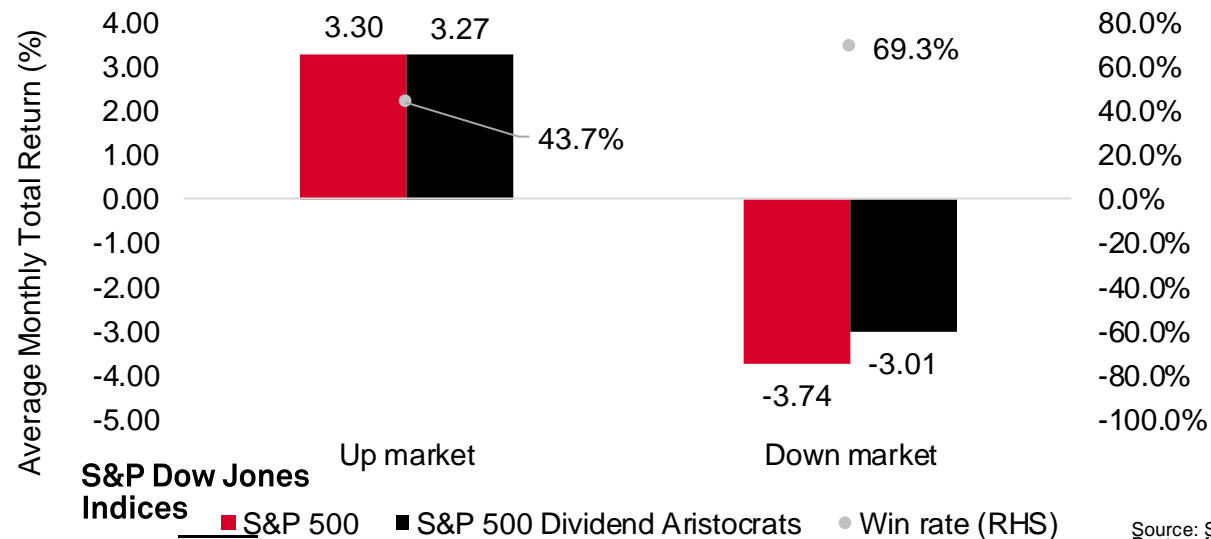
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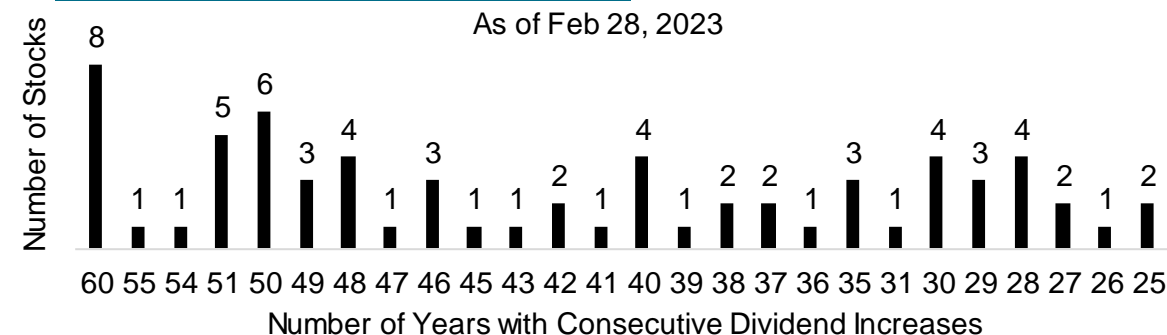
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## Up/Down Market Performance



## A Long History of Dividend Growth



## Performance

USD, TR, as of 31 Dec, 2022	S&P 500	S&P 500 Dividend Aristocrats
Ann. Rtn (%)		
1-Year	-18.11	<b>-6.21</b>
3-Year	7.66	<b>8.70</b>
5-Year	9.42	<b>9.84</b>
10-Year	12.56	<b>12.90</b>
Since 31 Dec, 1989	9.75	<b>11.78</b>
Ann. Vol (%)		
3-Year	21.16	20.43
5-Year	18.69	17.77
10-Year	14.77	14.24
Since 31 Dec, 1989	14.95	13.99
Rtn/Vol		
3-Year	0.36	<b>0.43</b>
5-Year	0.50	<b>0.55</b>
10-Year	0.85	<b>0.91</b>
Since 31 Dec, 1989	0.65	<b>0.84</b>

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Source: S&P Dow Jones Indices LLC. Data from December 31, 1989 to December 31, 2022. Index performance based on monthly 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

# S&P 500 Quality High Dividend

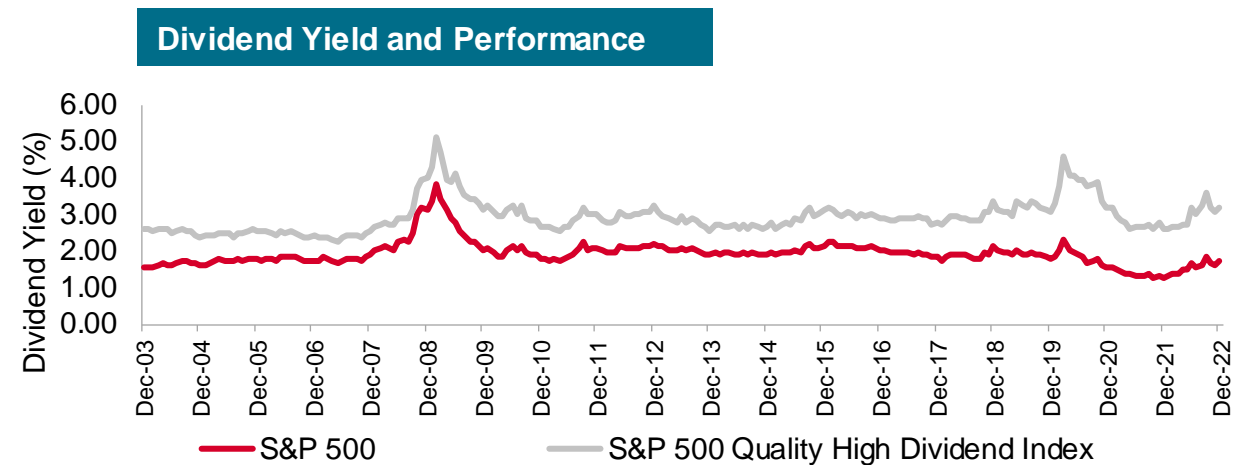
The S&P 500 Quality High Dividend Index seeks to track quality stocks with high dividend yields - it selects stocks that rank within the top 200 of the S&P 500 by quality score and dividend yield

Methodology Snapshot	
<b>Universe</b>	S&P 500
<b>Selection</b>	Stocks that meet both criteria are selected: 1) Ranks within the top 200 of the index universe by quality score. 2) Ranks within the top 200 of the index universe by indicated annual dividend yield
<b>Weighting</b>	Equally weighted
<b>Capping</b>	GICS sector weight ≤ 25%
<b>Rebalancing</b>	Semi-annually in June and December

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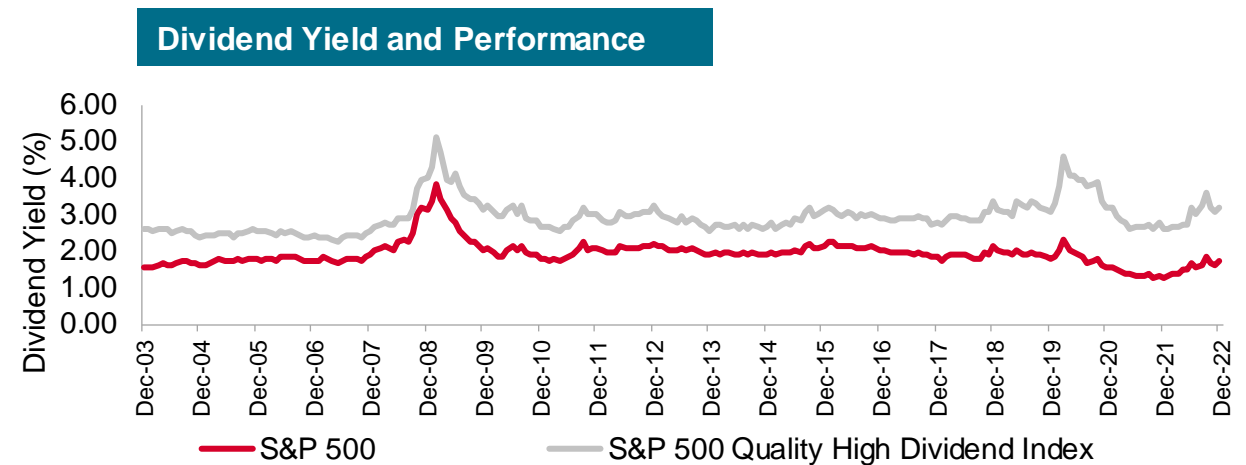
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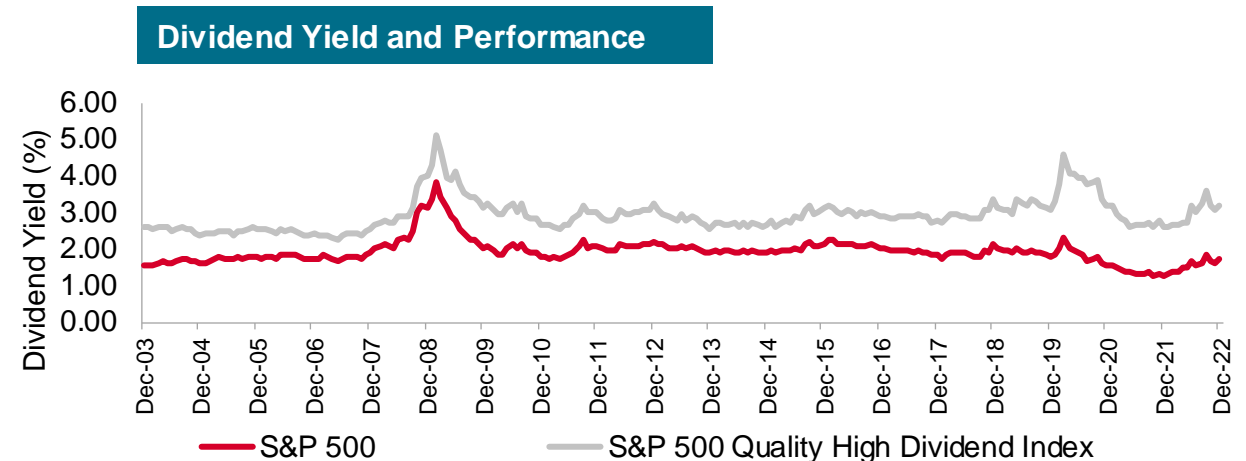
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USD, TR, as of 31, Dec, 2022	S&P 500	S&P 500 Quality High Dividend Index
<b>Ann. Rtn (%)</b>		
1-Year	-18.11	<b>-0.31</b>
3-Year	7.66	<b>8.93</b>
5-Year	9.42	<b>8.56</b>
10-Year	12.56	<b>13.09</b>
Since 31 Dec, 1996	8.53	<b>12.08</b>
<b>Ann. Vol (%)</b>		
3-Year	21.16	22.98
5-Year	18.69	20.30
10-Year	14.77	16.06
Since 31 Dec, 1996	15.71	15.67
<b>Rtn/Vol</b>		
3-Year	0.36	<b>0.39</b>
5-Year	0.50	<b>0.42</b>
10-Year	0.85	<b>0.82</b>
Since 31 Dec, 1996	0.54	<b>0.77</b>

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# Dow Jones U.S. Dividend 100

The Dow Jones U.S. Dividend 100 seeks to track high dividend yield stocks with strong fundamentals

## Methodology Snapshot

<b>Universe</b>	Dow Jones U.S. Broad Market Index, excluding REITs.
<b>Eligibility Screening</b>	<ul style="list-style-type: none"><li>• Dividend: minimum 10 consecutive years of dividend payments</li><li>• Size: minimum float-adjusted market capitalization of US\$ 500 million</li><li>• Liquidity: minimum three-month ADVT of US\$ 2 million</li></ul>
<b>Yield Selection</b>	Stocks that pass the screens are ranked in descending order by indicated annual dividend yield. The top half are eligible for selection
<b>Fundamental Selection</b>	Stocks are then ranked by a composite score of cash-flow-to-total-debt ratio, ROE, dividend yield, and five-year dividend growth rate. The top 100 are selected as constituents.
<b>Weighting</b>	FMC weighted
<b>Capping</b>	<ul style="list-style-type: none"><li>- Single stock weight <math>\leq</math> 4%,</li><li>- GICS sector weight <math>\leq</math> 25%</li></ul>
<b>Rebalancing</b>	Annually in March

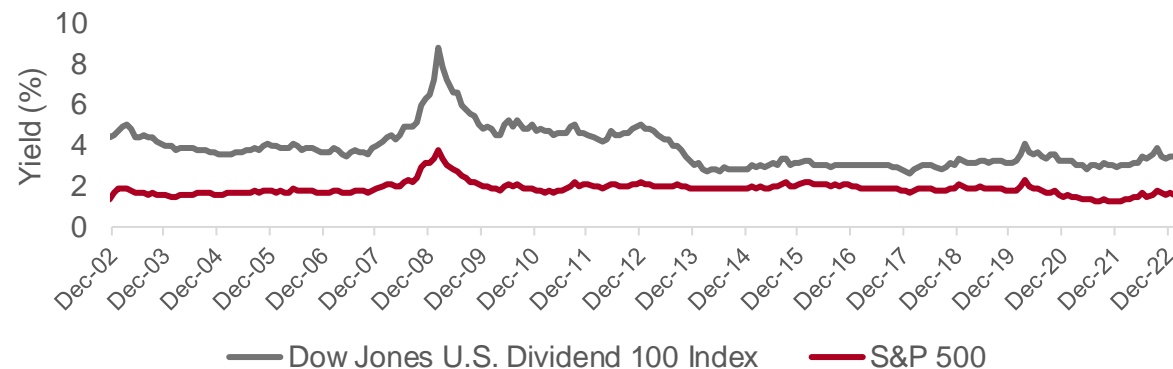
# Dow Jones U.S. Dividend 100

The Dow Jones U.S. Dividend 100 seeks to track high dividend yield stocks with strong fundamentals

## Methodology Snapshot

<b>Universe</b>	Dow Jones U.S. Broad Market Index, excluding REITs.
<b>Eligibility Screening</b>	<ul style="list-style-type: none"> <li>• Dividend: minimum 10 consecutive years of dividend payments</li> <li>• Size: minimum float-adjusted market capitalization of US\$ 500 million</li> <li>• Liquidity: minimum three-month ADVT of US\$ 2 million</li> </ul>
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<b>Rebalancing</b>	Annually in March

## Dividend Yield and Performance





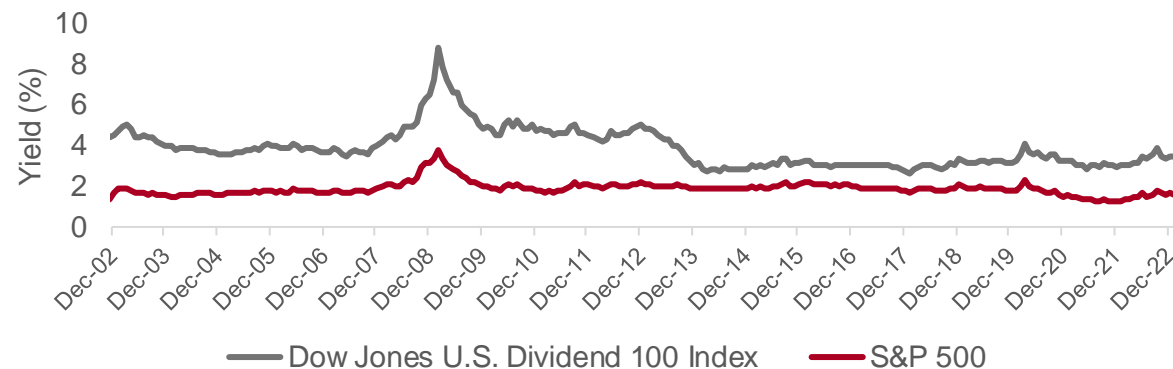
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<b>Rebalancing</b>	Annually in March

## Dividend Yield and Performance

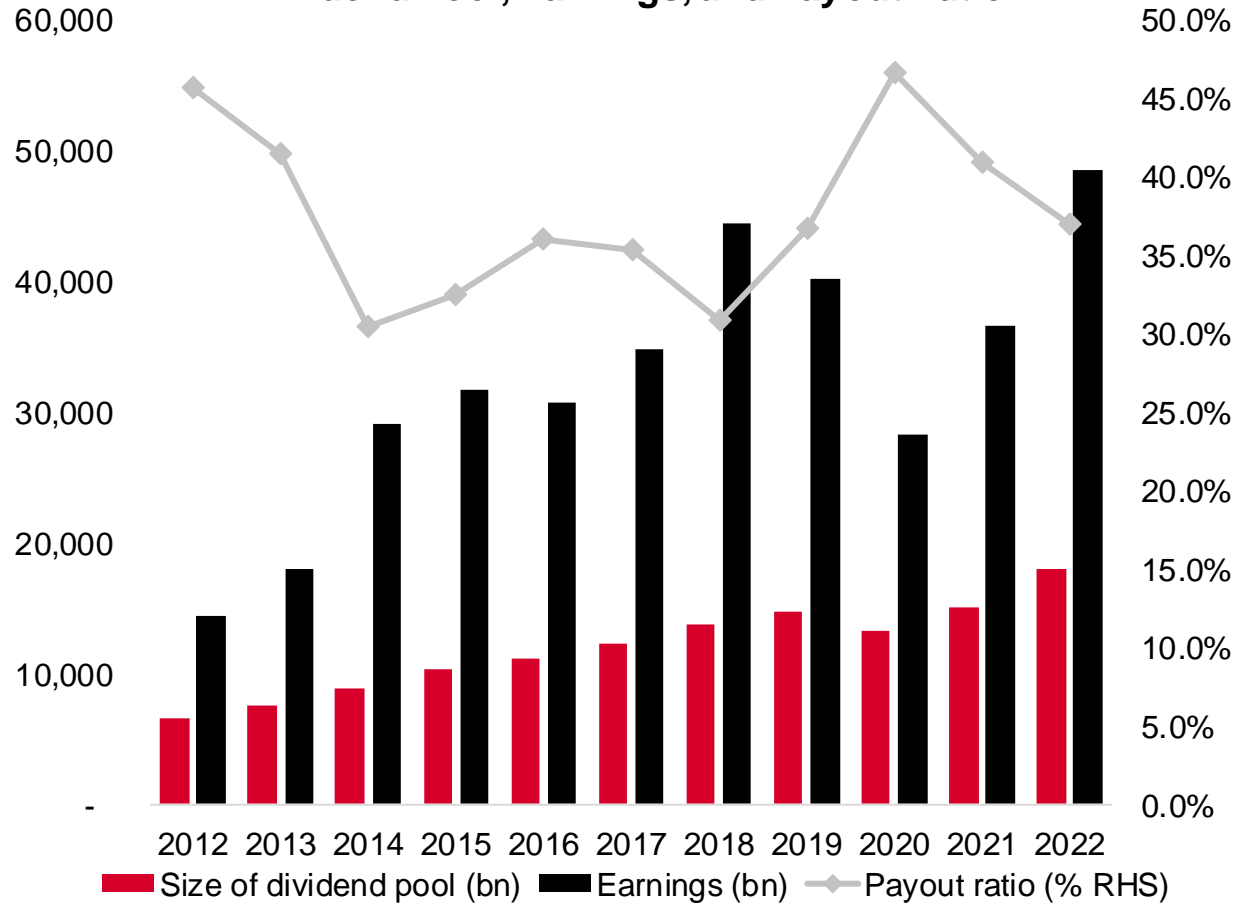


USD, TR, as of 31 Dec, 2022	S&P 500	Dow Jones U.S. Dividend 100
<b>Ann. Rtn (%)</b>		
1-Year	-18.11	<b>-3.16</b>
3-Year	7.66	<b>13.18</b>
5-Year	9.42	<b>11.80</b>
10-Year	12.56	<b>13.84</b>
Since 31 Dec, 1998	6.84	<b>10.95</b>
<b>Ann. Vol (%)</b>		
3-Year	21.16	20.35
5-Year	18.69	18.08
10-Year	14.77	14.31
Since 31 Dec, 1998	15.40	14.45
<b>Rtn/Vol</b>		
3-Year	0.36	<b>0.65</b>
5-Year	0.50	<b>0.65</b>
10-Year	0.85	<b>0.97</b>
Since 31 Dec, 1998	0.44	<b>0.76</b>

# Dividend Strategies for Japan Market

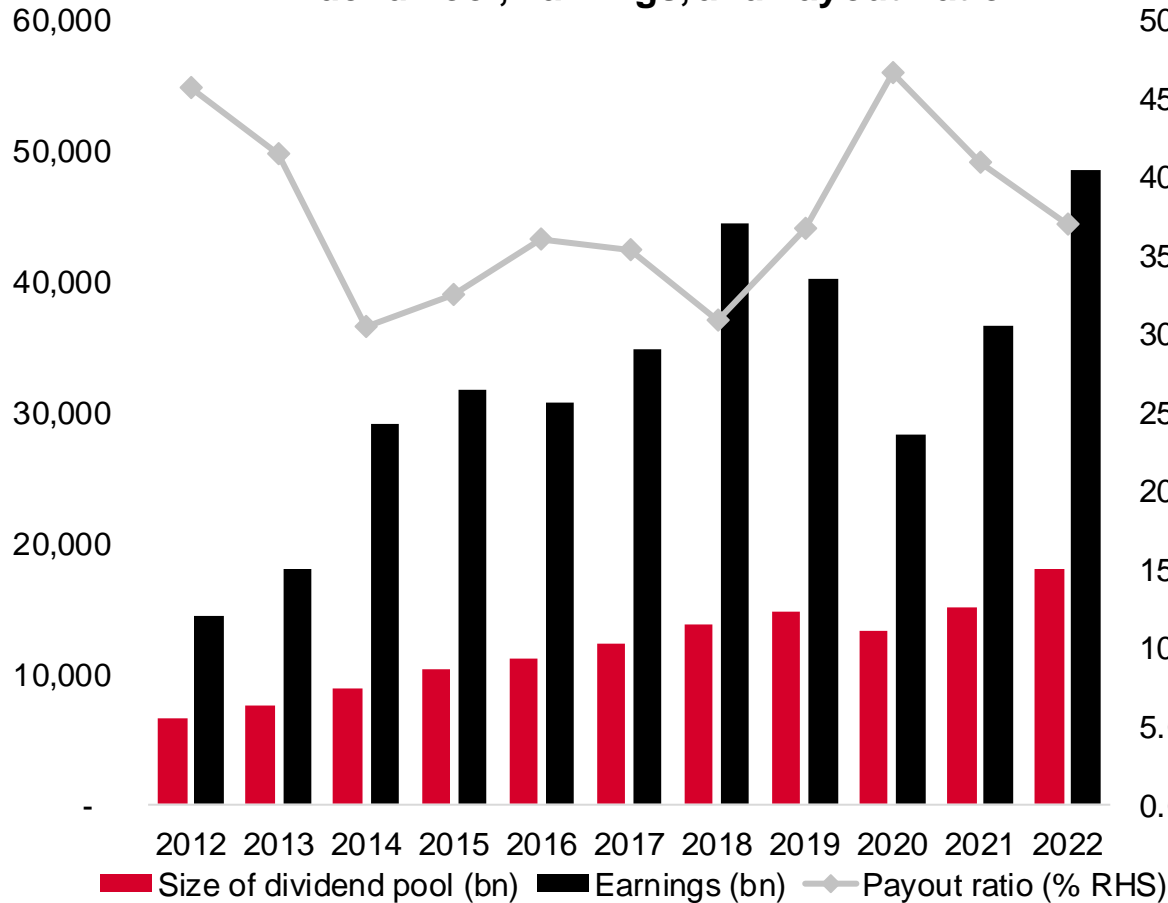
# Japan: A Continuously Growing Dividend Pool with Resilience

Dividend Pool, Earnings, and Payout Ratio

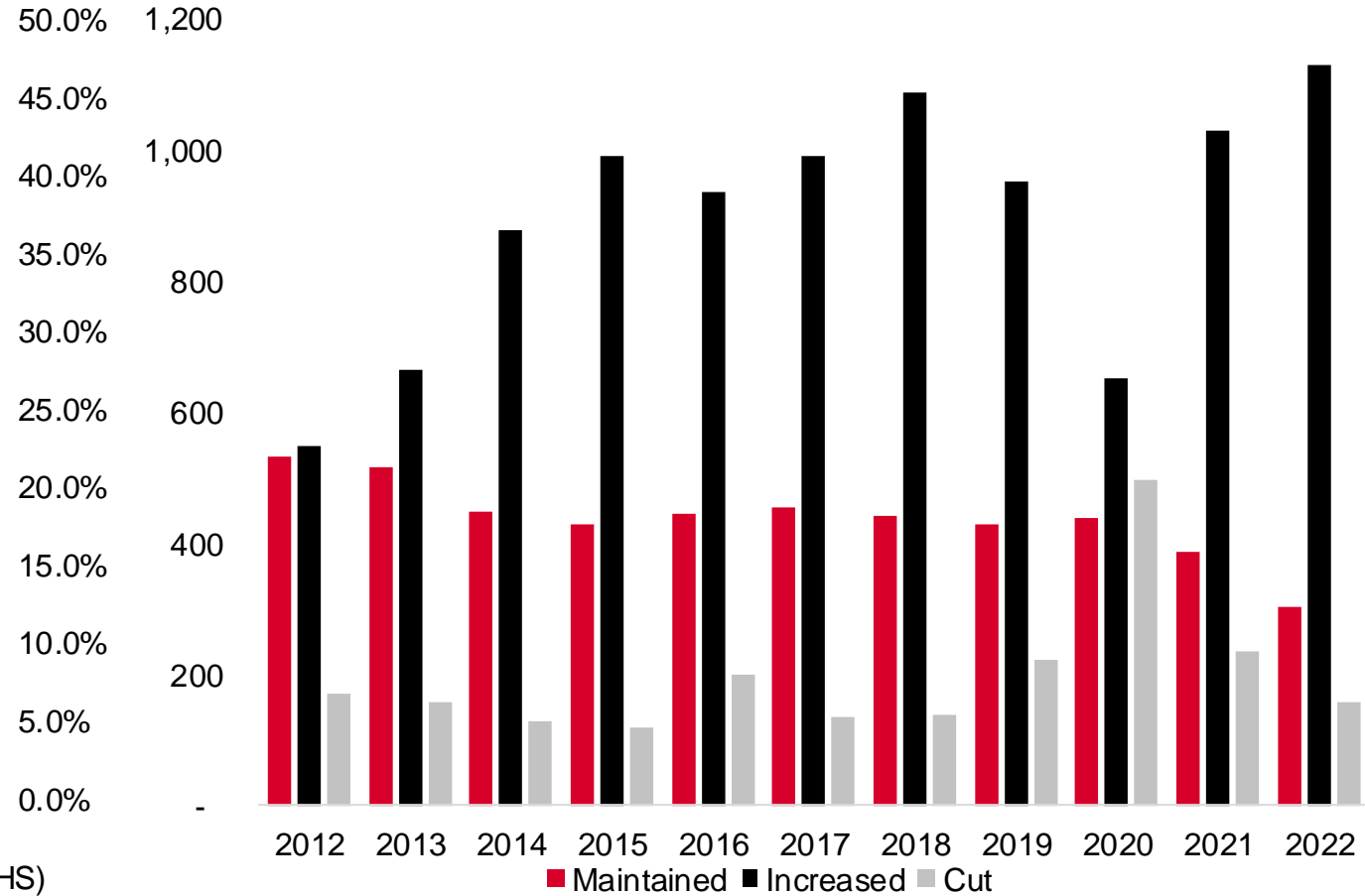


# Japan: A Continuously Growing Dividend Pool with Resilience

Dividend Pool, Earnings, and Payout Ratio



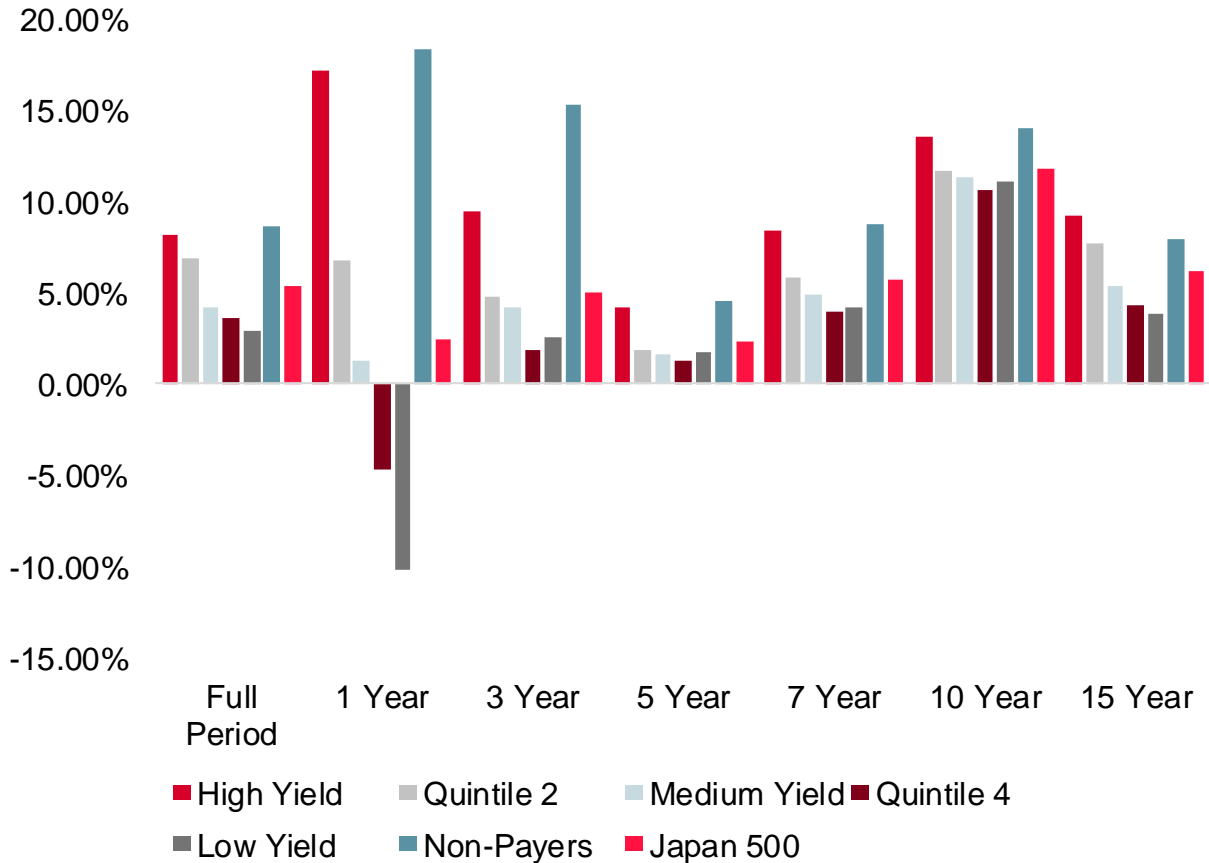
Year-Over-Year Dividend Change



# Japan High Yield Strategy

## High Dividend Yield Strategy Outperformed the Market

Annualized Compounded Returns

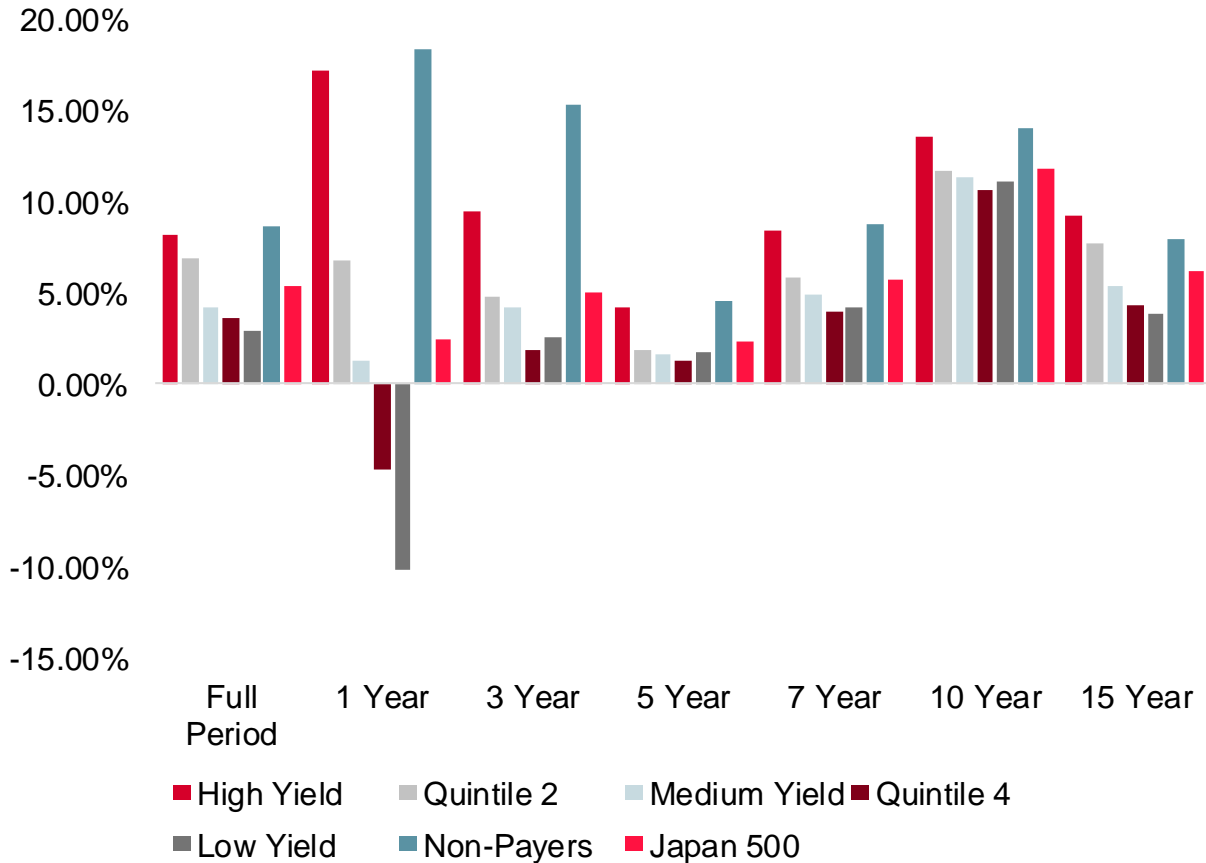


Source: S&P Dow Jones Indices LLC. FactSet, Data from December 31, 2007, to December 31, 2022. Equal Weighted Performance of Japan 500 stocks sorted into dividend portfolios

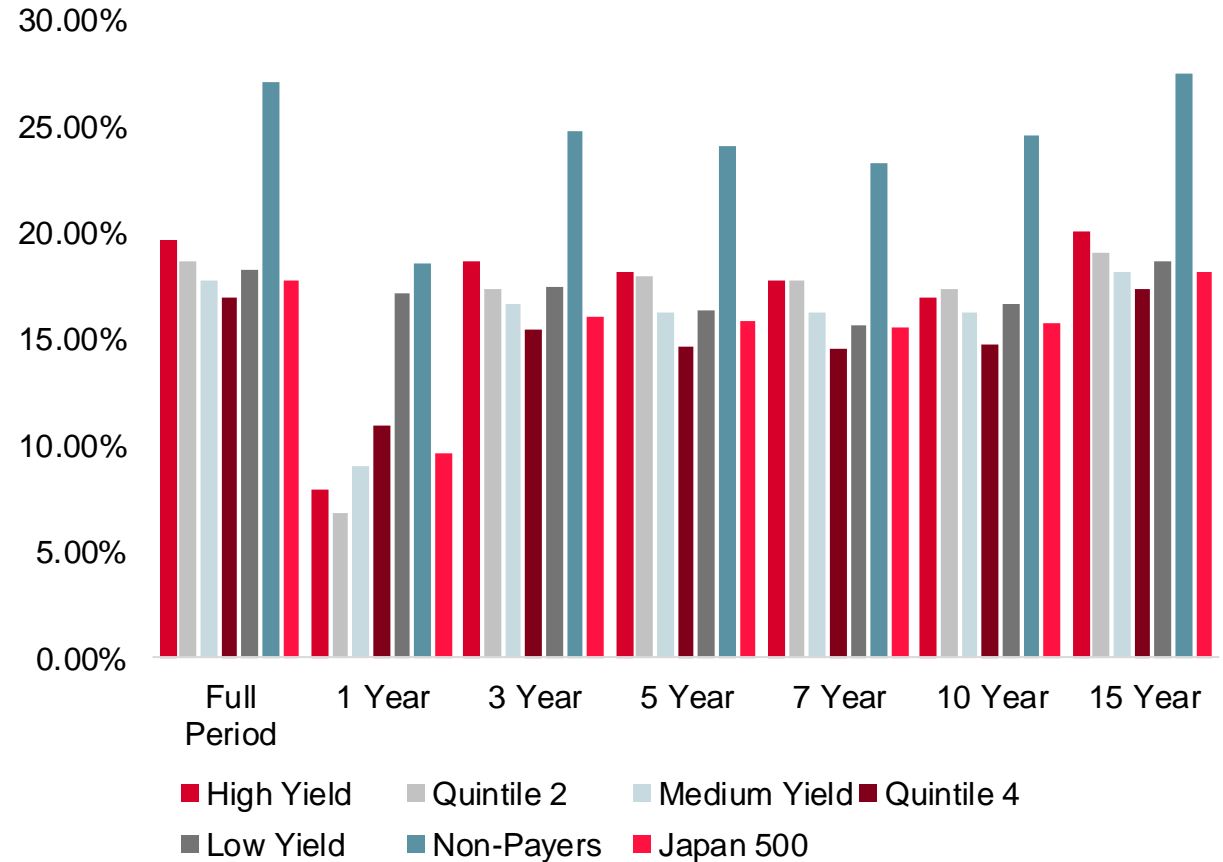
# Japan High Yield Strategy

## High Dividend Yield Strategy Outperformed the Market

Annualized Compounded Returns



Annualized Standard Deviation



Source: S&P Dow Jones Indices LLC. FactSet, Data from December 31, 2007, to December 31, 2022. Equal Weighted Performance of Japan 500 stocks sorted into dividend portfolios

# Japan Dividend Growth Strategy

## S&P/JPX Dividend Aristocrats

### Methodology Snapshot

<b>Universe</b>	TOPIX
<b>Size</b>	Float-adjusted Market Cap $\geq$ JPY 50 billion
<b>Liquidity</b>	3-month ADVT $\geq$ JPY 300 million
<b>Dividend Screenings</b>	<ul style="list-style-type: none"><li>• Dividend growth: constituents must have increased dividends or maintained stable dividends every year for at least 10 consecutive years.</li><li>• Payout ratio <math>\leq</math> 100%</li><li>• Dividend Yield <math>\leq</math> 10%</li></ul>
<b>Selection</b>	Top 50 stocks with the highest 12-month trailing dividend yields
<b>Weighting</b>	Yield weighting
<b>Capping</b>	<ul style="list-style-type: none"><li>• Single stock weight <math>\leq</math> 5%</li><li>• GICS sector weight <math>\leq</math> 30%</li></ul>
<b>Rebalancing</b>	Annually reconstitution in July, semi-annual re-weight

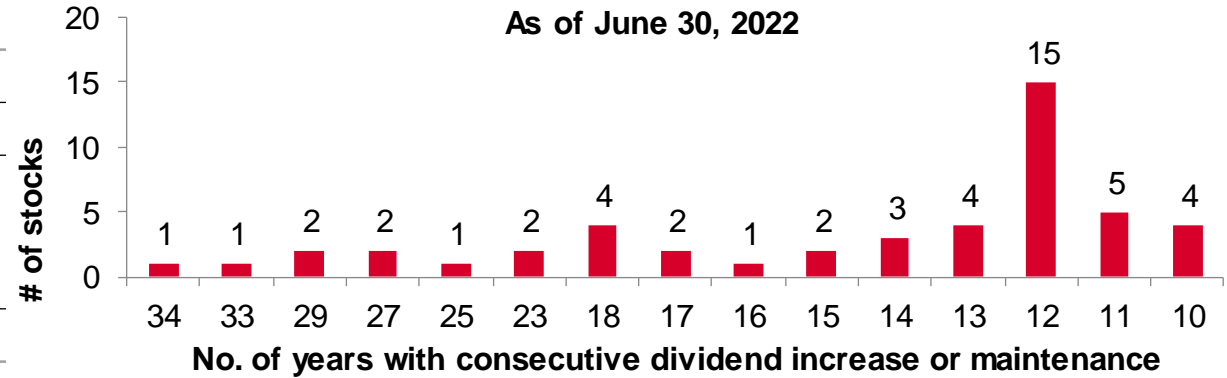
# Japan Dividend Growth Strategy

## S&P/JPX Dividend Aristocrats

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<b>Universe</b>	TOPIX
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### A Long History of Dividend Growth





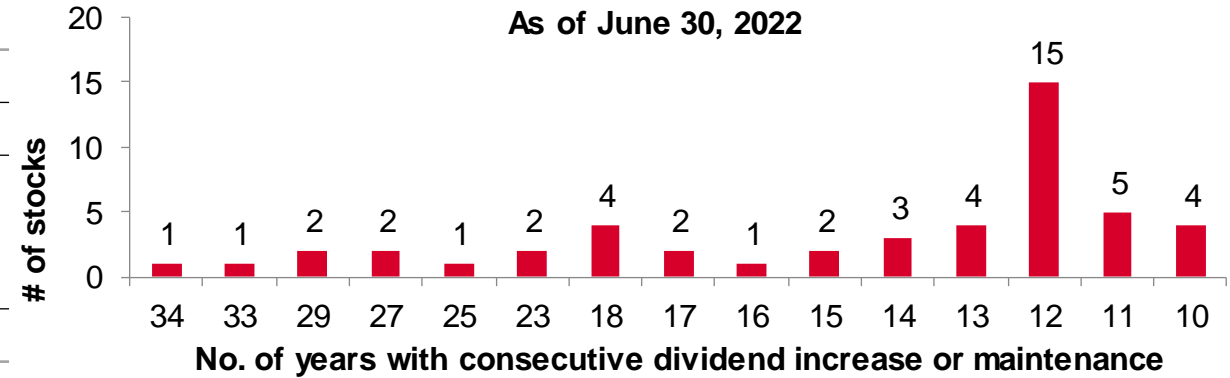
# Japan Dividend Growth Strategy

## S&P/JPX Dividend Aristocrats

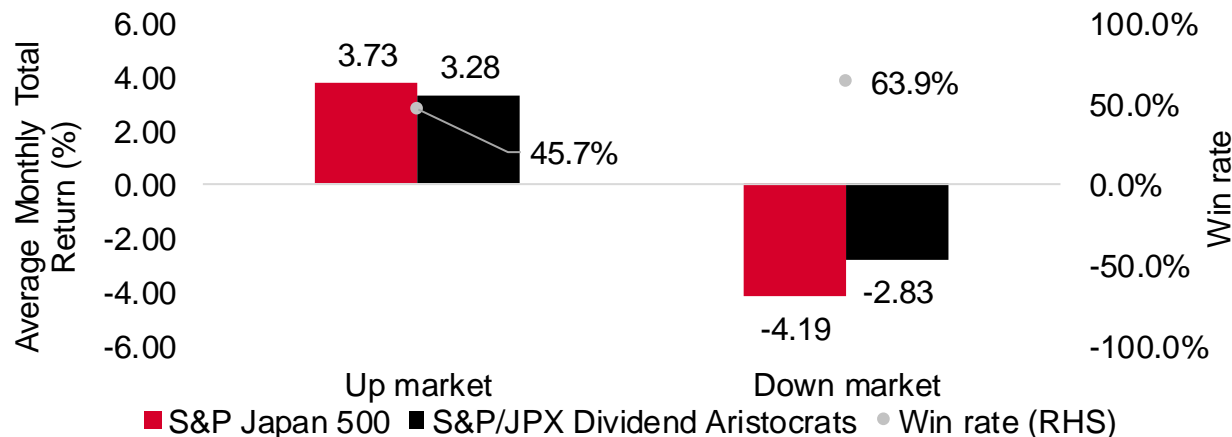
### Methodology Snapshot

<b>Universe</b>	TOPIX
<b>Size</b>	Float-adjusted Market Cap >= JPY 50 billion
<b>Liquidity</b>	3-month ADVT >= JPY 300 million
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### A Long History of Dividend Growth



### Up/Down Market Performance



S&P Dow Jones Indices

A Division of S&P Global

Source: S&P Dow Jones Indices LLC. Data from July 31, 2006 to December 31, 2022. Index performance based on monthly total return in JPY. 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.

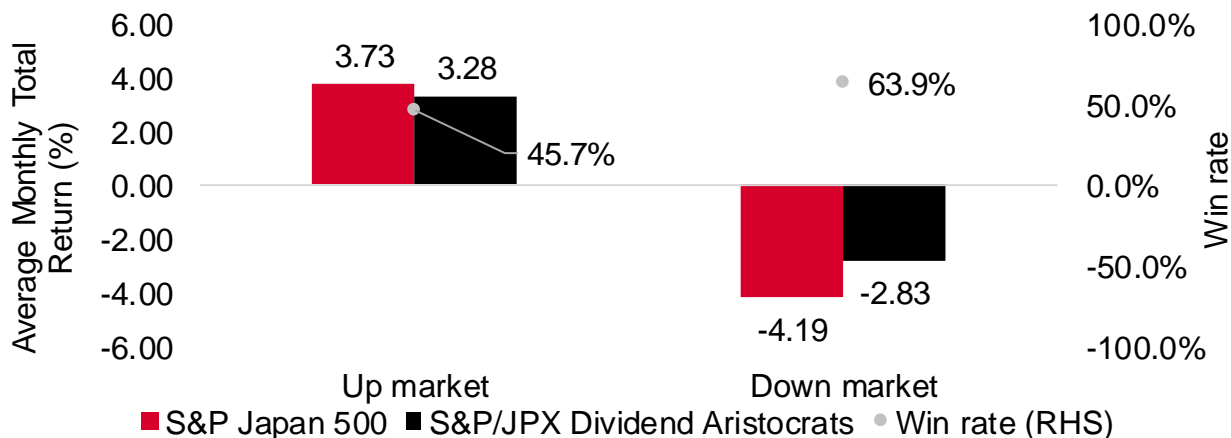
# Japan Dividend Growth Strategy

## S&P/JPX Dividend Aristocrats

### Methodology Snapshot

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### Up/Down Market Performance

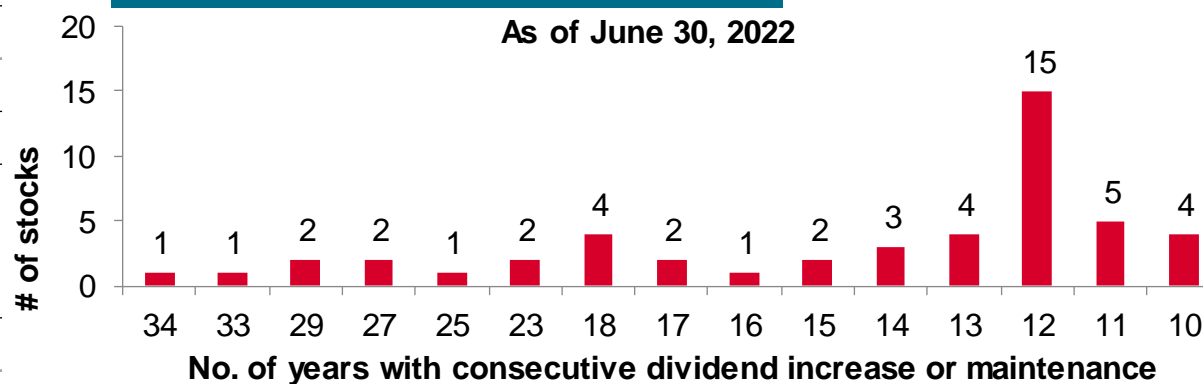


### S&P Dow Jones Indices

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Source: S&P Dow Jones Indices LLC. Data from July 31, 2006 to December 31, 2022. Index performance based on monthly total return in JPY. 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.

### A Long History of Dividend Growth



### Performance

USD, TR, as of 31 Dec, 2022	S&P Japan 500	S&P/JPX Dividend Aristocrats
Ann. Rtn (%)		
1-Year	-2.93	<b>16.06</b>
3-Year	6.07	<b>7.44</b>
5-Year	3.62	<b>3.88</b>
10-Year	10.73	<b>13.01</b>
Since 31 Jul, 2006	3.31	<b>7.58</b>
Ann. Vol (%)		
3-Year	15.75	15.65
5-Year	15.33	15.26
10-Year	15.76	14.26
Since 31 Jul, 2006	17.79	15.21
Rtn/Vol		
3-Year	0.39	<b>0.48</b>
5-Year	0.24	<b>0.25</b>
10-Year	0.68	<b>0.91</b>
Since 31 Jul, 2006	0.19	<b>0.50</b>

# New Dividend Ideas

- Extension of existing framework
  - Sector Neutral
  - Variations of Weighting Schemes
- ESG + Dividend
  - Screening
- New Dataset
  - IHS Markit Dividend Forecasting



# For more information

<https://www.spglobal.com/spdji/en/landing/investment-themes/dividends/>

[SPDJI-GrowthStrategy@spglobal.com](mailto:SPDJI-GrowthStrategy@spglobal.com)

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The S&P 500 Dividend Aristocrats Index was launched on May 2, 2005. The S&P High Yield Dividend Aristocrats Index was launched on November 9, 2005. The S&P 500 High Dividend Index was launched on September 21, 2015. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology 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. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Complete index methodology details are available at [spglobal.com/spdji](http://spglobal.com/spdji). 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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