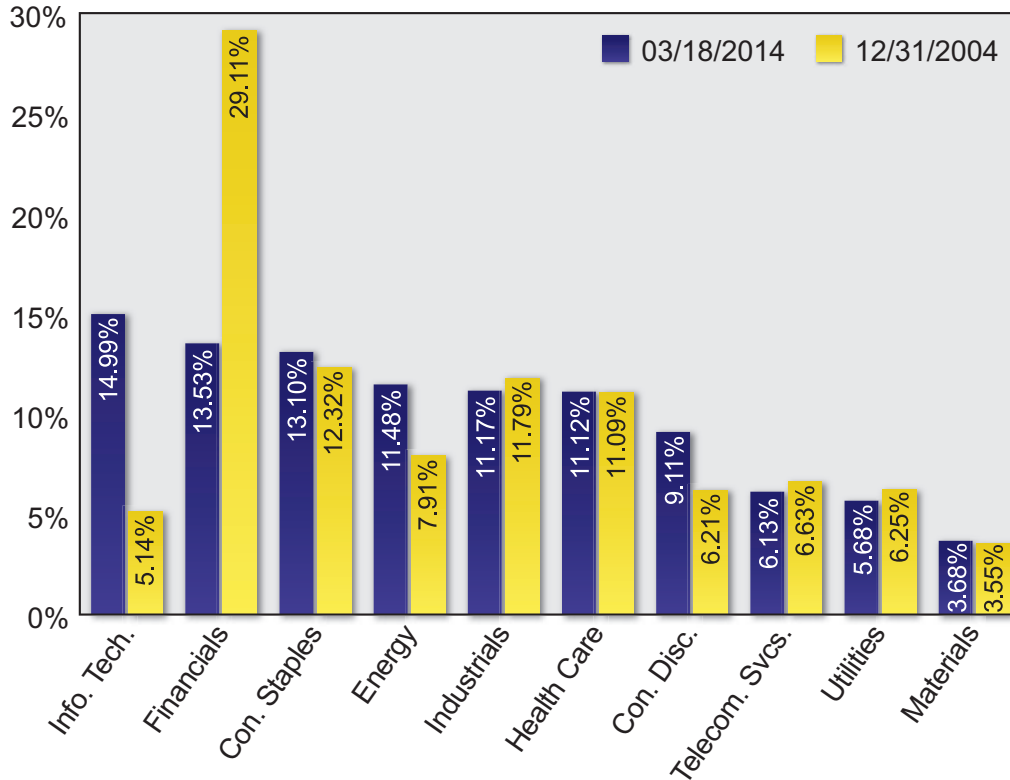


# It's Back To The Future With Dividend-Paying Stocks

S&P 500 Dividend Contribution Percentages By Sector



Source: S&P Dow Jones Indices

## View from the Observation Deck

1. Dividend-paying stocks have held their own against the broader market over the past decade.
2. From 2/04-2/14, the Dow Jones U.S. Select Dividend Index (DJDVY), a commonly used benchmark for dividend-paying stocks, posted a cumulative total return of 94.9%, compared to 99.8% for the S&P 500.
3. The strong showing has prompted some in the financial media to argue that valuations on dividend-paying stocks have reached levels too rich to justify the potential risks to investors' capital.
4. *U.S. News & World Report* published such an argument on 8/9/12 in an article titled "Time to Ditch Dividend Stocks?" From 8/9/12-3/24/14, DJDVY posted a cumulative total return of 33.9%.
5. Others have questioned the prospects for dividend-paying stocks once the Federal Reserve begins to tighten monetary policy. That has become a hotter topic following Chairwoman Janet Yellen's comments last week.
6. The last time the Federal Reserve tightened the federal funds rate was from 6/04-6/06, a total of 425 basis points. DJDVY posted a cumulative total return of 22.3% over that 24-month period.
7. While we often like to point out that the more things change the more they stay the same for those investors with a long time horizon, we do want to acknowledge one important change (see chart).
8. Over the past decade or so, the Information Technology sector has gone from contributing the second least amount (5.14%) to the S&P 500's dividend payout to becoming its largest sector contributor at 14.99%.

*This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. The Dow Jones U.S. Select Dividend Index represents the most widely traded of the market's highest-yielding stocks.*