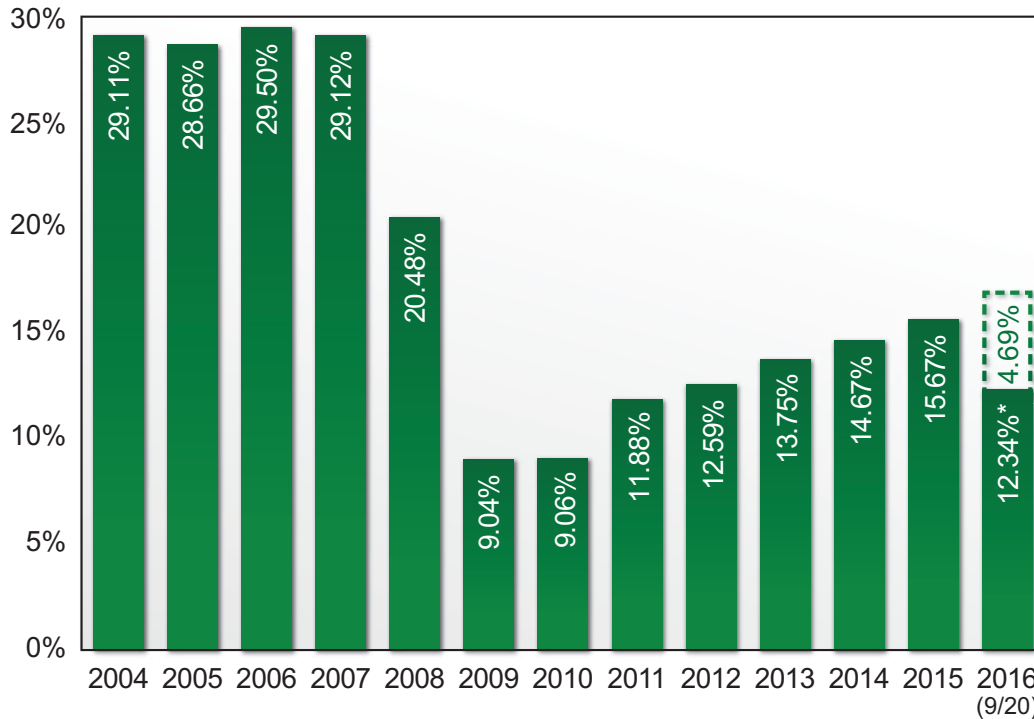


# The Recovery In Financials Could Include Rising Dividend Payouts

## S&P 500 Index Dividend Payout Contribution from Financials



Source: S&P Dow Jones Indices. Data as of year-end & 9/20/16.

\*S&P made Real Estate the 11th sector in the S&P 500 Index in September 2016. Real Estate used to be a subsector of Financials.

## View from the Observation Deck

1. As indicated in the chart, from 2004-2007, the financial companies in the S&P 500 Index accounted for nearly 30% of the S&P 500 Index's dividend payout. In that period, no other sector even reached 15%.
2. The chart shows a steep plunge in the contribution from financial companies in 2009 and 2010. This was an unfortunate byproduct of the 2008-2009 financial crisis.
3. The fallout from the financial crisis was hard on many financial companies, particularly the banks, in our opinion. In some cases, dividends were suspended altogether.
4. In past posts, we noted that the contribution from financial companies to the S&P 500 Index's dividend payout had once again ascended to a level that exceeded the other nine sectors.
5. As noted in the chart, for now, that is no longer the case due to S&P's decision to create an 11th sector: Real Estate. Real Estate contributed 4.69% as of 9/20/16. The biggest contributor was Information Technology at 15.23% (not shown).
6. The recovery in the financial sector should continue, in our opinion. Those banks that cleared the Fed's annual stress tests in June 2016 were approved to return capital to their shareholders in the form of stock dividends and share buybacks. In September, Goldman Sachs estimated that banks should return capital equal to an average of 83% of their estimated earnings over the next year, up from 69% following last year's stress tests, according to Market Realist.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P 500 Financials Index is capitalization-weighted and comprised of S&P 500 Index constituents representing the financial sector.*