DIVIDEND YIELDS REACH SEPTEMBER 2009 LEVELS

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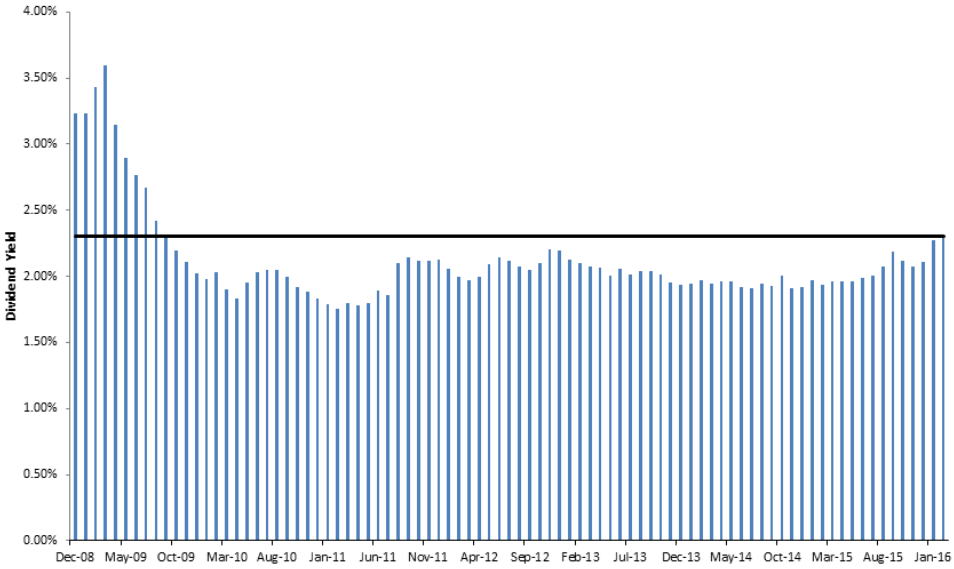
One of the market's major anxieties has been that the gains we've experienced since the financial crisis were mostly artificially induced by monetary easing from central banks and that now, with the Federal Reserve (Fed) starting to raise interest rates, we are likely to see more volatility and pressures on the market. The volatility certainly has come, but the market gains were, in fact, supported by underlying positive trends in one of the most important fundamental metrics of the markets we track: the cash dividends companies are paying to their shareholders. The dividend yield is one valuation gauge for the market. At nearly 2.3%, as the S&P 500 Index was priced on February 29, 2016, this represents a level that had not been reached on a monthly basis going back as far as September 2009.[1] Back then, the S&P 500 had an index level just slightly above 1,000. At the end of February, the S&P 500 stood at 1,932, some 90% higher than in 2009. The fact that the dividend yield was at the same level means that aggregate dividends also rose approximately 90% over the period—or more than 10% per year.[2] This shows that the gains in the market were not being artificially driven by Fed easing. Since September 2009, the market gains have been broadly in line with the dividend growth of the market. While earnings deteriorated in aggregate in 2015, the median dividend growth for S&P 500 companies was still approximately 10%. While double-digit rates are unlikely to continue indefinitely, we can potentially see *per share growth* rates of 7%–8% continue. This is our expectation for dividend growth on the market over the next five years and longer. When we focus on the dividend yield of 2.3% as a valuation guide, some investors quip that one can easily lose that dividend percentage in a single day with the market volatility—and that is, of course, true. But the dividend yield and, importantly, the dividend growth of the market is what we believe will drive long-term returns. Just like this market was powered over the last six years by rising dividend trends, we see the underlying dividend trends and health as supportive for continued allocations to equities over the other competing asset classes. The 10-year U.S. government bond yield today is just 1.73%,[3] which implies an extremely low level of income potential for investors over the next 10 years. When we hear growing calls that this was just a Fed-induced rally, we go back to these dividend trends: they were absolutely a key fundamental driver, and it's clear the market has not gotten more expensive against this key fundamental metric since September 2009. **2/29/16 Dividend Yields Revert to 09/30/09 Levels with S&P 500 Rising ~90% Over the Period**



Sources: Professor Robert Shiller, Bloomberg, with data from December 31, 2008, to February 29, 2016. Past performance is not indicative of future results. You cannot invest directly in an index.

[1]Sources: Professor Robert Shiller, Bloomberg, as of 2/29/16. [2]Sources: Professor Robert Shiller, Bloomberg, with period from 9/30/09 to 2/29/16. [3]Source: Bloomberg, with data as of 2/29/16.

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DEFINITIONS

Monetary easing policies : Actions undertaken by a central bank with the ultimate desired effect of lowering interest rates and stimulating the economy.

Interest rates : The rate at which interest is paid by a borrower for the use of money.

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Fundamentals : Attributes related to a company's actual operations and production as opposed to changes in share price.

Qualified dividends : Dividend paid by corporations meeting certain criteria defined by the Internal Revenue Service and therefore eligible in certain instances to be taxed at rates below a tax filer's tax bracket on ordinary income.

Dividend yield : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Aggregate dividends : Weighting constituents according to the proportion of cash dividends that they generate compared to the sum total of cash dividends for all constituents within the index.

Dividend growth : The growth in trailing 12-month dividends for the specified universe.

Median : The median is the value within a dataset at which 50% of all observations occur above and 50% occur below.

Per share growth : refers to the amount of growth per shar.

10-year government bond yield : Yields on the 10 year government debt security.