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FACTSET DIVIDEND QUARTERLY

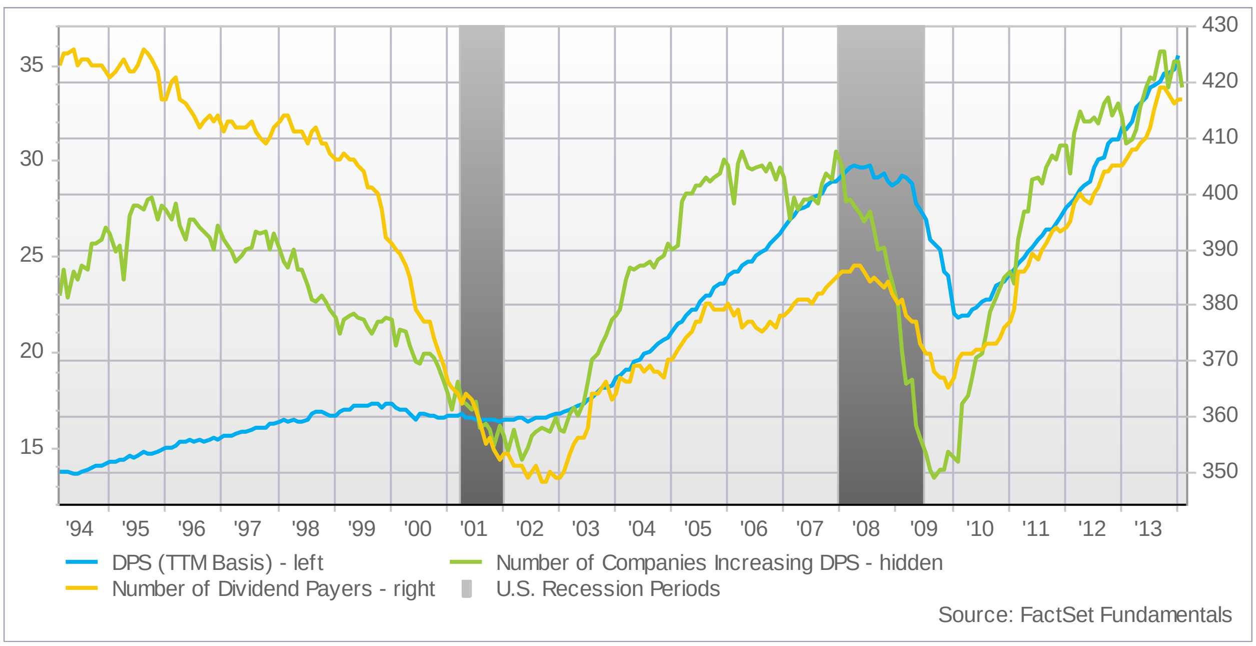
S&P 500

March 24, 2014

Key Metrics:

- **Dividend Payments at Record Levels:** Aggregate dividend payments amounted to $80.6 billion for Q4 2013 (January 2014) and $330.8 billion over the trailing twelve months. On a per-share basis, the trailing twelve-month payout of $34.80 amounted to 11.8% growth year-over-year.
- **Information Technology Growth to Slow, Financials Expected to Lead Going Forward:** The Information Technology sector led all groups in year-over-year DPS growth (+36.4%) for the fifth consecutive quarter, but is expected to show slower growth for 2014 (+11.6%) than four sectors. The Consumer Discretionary sector is expected to lead all groups for growth in 2014 (+20.2%), and the Financials sector is expected to lead in 2015 (+15.1%)
- **Growth in Dividend Payers Stalls after Rapid Rise:** The representation of dividend payers in the S&P 500 fell for the first time in more than four years (from 420 to 418). However, over a longer timeframe (since 2002), the dividend payer representation had risen from 70% to 84%. Over this time, the representation of dividend payers in the Information Technology sector more than tripled.
- **Payout Ratio, Yield Stable:** The S&P 500 payout ratio held steady quarter-over-quarter, but its value of 31.6% remains one of the highest non-recession levels since 2004. The aggregate, trailing yield of the index also was stable at 2.0% at the end of Q4, but fell to 1.9% as of yesterday's close.

Selected Dividend Trends in the S&P 500 – 20 Years



Dividend Quarterly is one part of three reports (Buyback Quarterly and Cash & Investments Quarterly) analyzing cash and spending within the S&P 500. The other reports can be found at http://www.factset.com/insight/though_leadership or within the FactSet Market News application of your FactSet workstation. All data published in this report is available on FactSet. Please contact media_request@factset.com or 1-877-FACTSET for more information.

Sector-Specific Factors Continue to Drive Dividend Trends

Fed's Capital Distribution Allowances to be Released Wednesday; Expectations High for C, BAC

Growth in dividends per share ("DPS") has long been driven by shifts in sector-specific behavior in the S&P 500 index. Going forward, banks in the Financials sector are expected to spur growth rates. The Financials sector owns the second-largest DPS growth estimate for 2014 (+17.7%), and the only double-digit growth rate expected in 2015 (+15.1%).

DPS growth in the Financials sector has long been aided by a historically low baseline. The sector's trailing twelve-month ("TTM") DPS level was less than 65% of its ten-year average in Q4, despite the fact that the S&P 500 index paid over 130% of its ten-year average. In addition, the Financials sector had the second lowest payout ratio in the index (21.4%) at the end of Q4.

But the catalyst for above average growth in the Financials sector heavily depends on Wednesday's results of the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR). Last year, a number of banks took substantial DPS increases following the Fed's release of stress test results and capital distribution allowances. These banks included Capital One Financial (which raised its DPS distribution by 500%), Zions Bancorporation (+300%), Regions Financial (+200%), SunTrust Banks (+100%), Discover Financial Services (+42.9%), and Wells Fargo Corporation (+20%). This year, analysts are expecting DPS growth from the same companies, but the highest growth expectations are for two banks that previously opted to focus on share repurchases rather than to raise their $0.01 quarterly distributions: Citigroup and Bank of America. These two banks, along with SunTrust Banks, Regions Financial, Zions Bancorporation, and Morgan Stanley are expected to have the highest forward twelve-month DPS growth in the S&P 500 (see table on page 11).

Dividend Growth Projected to Slow as Performance and Valuation of Dividend Payers Have Lagged

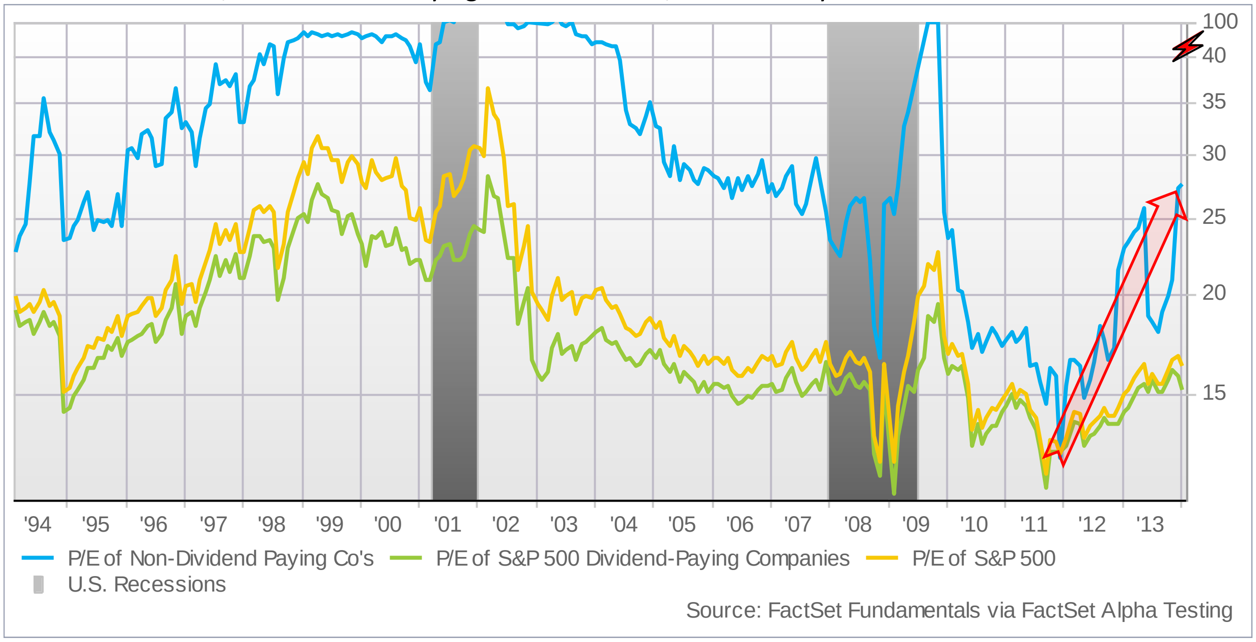
But the projection for strong growth in the Financials sector is an anomaly in the S&P 500. The index's forward twelve-month DPS growth estimate (+9.0%) for Q4 was the lowest projection since Q3 2010—a period when *trailing* DPS growth was negative. In addition, the estimate for DPS growth in 2015 is even lower at 7.5%.

Decelerating DPS projections are partially a reflection of a slowdown in trailing activity. The number of dividend payers (stocks that paid a dividend over the trailing twelve-month period) in the S&P 500 index dropped for the first time since Q2 2009. Though the primary reason for the drop was the addition of non-paying constituents, like Alliance Data Systems (for Abercrombie & Fitch) and Michael Kors (for NYSE Euronext), there are other signs that dividend growth is hitting a ceiling. The trailing twelve-month DPS growth rate (+11.8%) decelerated for the second consecutive quarter in Q4, and the number of constituents increasing trailing twelve-month DPS distributions dropped for the first time since Q3 2012.

This slowdown in dividend growth could be a reflection of a shift in investor sentiment. Coming out of the financial crisis, dividend stocks outperformed nonpayers from November 2009 to May 2012, and contributed to an unprecedented convergence of valuations between the two groups. By the end of 2011, dividend payers were trading at a price-to-earnings ("P/E") premium of 0.2 points over nonpayers. Historically though, the P/E ratio of dividend payers has been at a median *discount* of 13.1 points to that of nonpayers.

But this "safety bubble" has reversed as nonpayer stocks have outperformed since mid-2012. Over this period, the monthly, equal-weighted performance of nonpayers averaged 2.7% compared to 2.0% for dividend stocks. Specific outperformers from the nonpayer group have included Netflix, Micron Technology, and TripAdvisor, while underperformers from the dividend group included Newmont Mining and Peabody Energy. Nonpayer outperformance, coupled with the recent addition of Facebook (a nonpayer with a trailing P/E ratio over 100), has lifted the P/E premium of the nonpayer group back above its historical median (to 13.5 points).

P/E of Dividend-Paying Stocks versus P/E of Non-Payers in the S&P 500



Information Technology's Contribution to Dividend Trends Expected to Slow

If the projected DPS growth in the Financials sector holds true, it would mark the first time in six quarters that the Information Technology sector does not have the highest trailing DPS growth. The Information Technology sector, which has averaged DPS growth of 33.2% over twelve quarters, has long been the force behind the rebound in dividends in the S&P 500 index.

For Q4, the Information Technology sector's year-over-year DPS growth remained strong, and its growth rate of 36.4% was more than twice that of the next highest sector (Consumer Disctretionary at 17.5%). This was primarily due to contributions from several large constituents, including Apple, Cisco, QUALCOMM, Oracle, Texas Instruments, Visa, Corning, and Seagate Technology. Apple, in particular, had an inordinate impact on growth rates because its $10.84 billion distribution (just $35 million short of Exxon Mobil's for the largest in the index) more than doubled year-over-year. In fact, Apple's dividends single-handedly increased the S&P 500 growth rate from 10.1% to 11.8% for Q4, and the Information Technology sector's rate from 24.2% to 36.4%.

However, growth expectations for Information Technology constituents are more modest for the future. The 2014 growth estimate for the sector is 11.6%, which is the fifth largest growth expectation for the year.

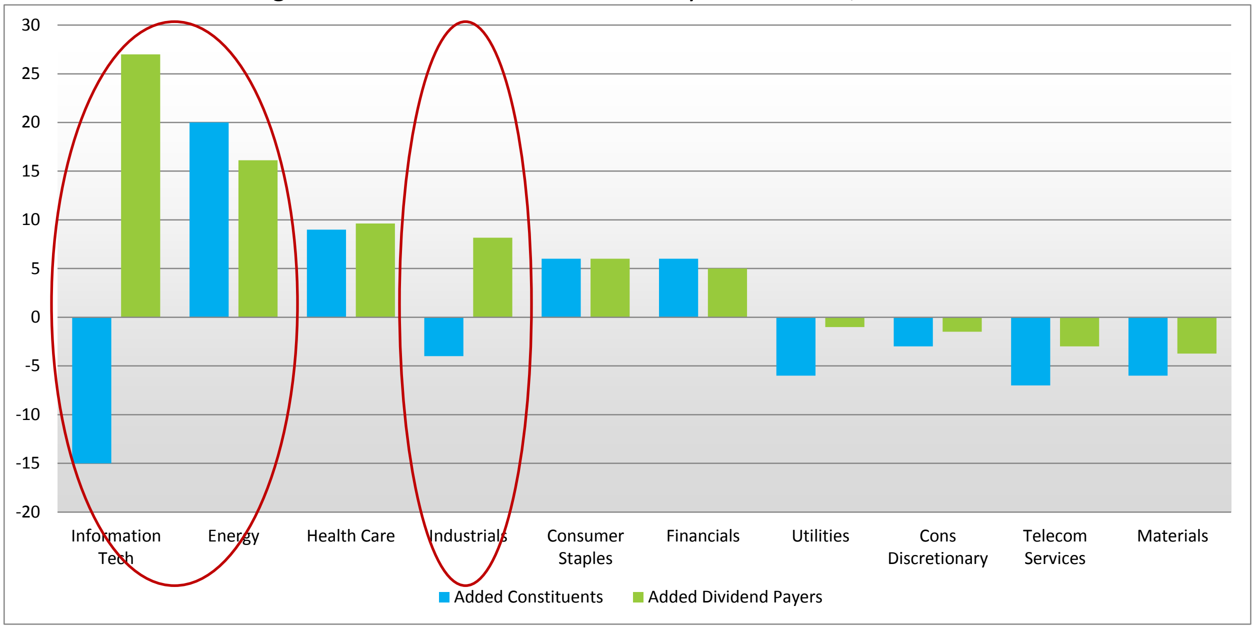
Changes in the Information Technology Sector Primarily Responsible for Record Dividend Levels

Slowing DPS growth in the Information Technology sector is also contributing to a stagnation in the overall number of dividend payers in the S&P 500. Looking back on the gradual rise in dividend payers, the twenty-year low occurred in 2002, which was when about 70% of the index paid a dividend. Not coincidentally, this was also a period marked by the highest representation of Information Technology constituents—a sector which had the lowest representation of dividend payers in the index by far (21% in Q1 2002 versus 53% for the next lowest sector: Health Care).

But, by the end of Q4 2013, the sector's record low representation of dividend payers increased more than three-fold to 68%. In addition, the S&P 500 has dropped fifteen Information Technology constituents on a net basis since Q1 2002. Though the dividend participation rate in the Information Technology sector has since risen, the fifteen lost constituents were primarily replaced by those in the Energy sector (+20 constituents since Q1 2002), which had a dividend participation rate that was 16.4 points larger than the rate of the Information Technology sector at the end of Q4.

The net result of these changes was twenty-seven more dividend payers in the Information Technology sector despite having fifteen less constituents. In addition, and due primarily to increased constituents, there were sixteen more dividend payers in the Energy sector in Q4 2013 compared to Q1 2002. The Industrials sector was also noteworthy for adding eight dividend payers despite having lost four constituents.

Net Change in Constituents and Dividend Payers: S&P 500, Q1 2002 – Q4 2013

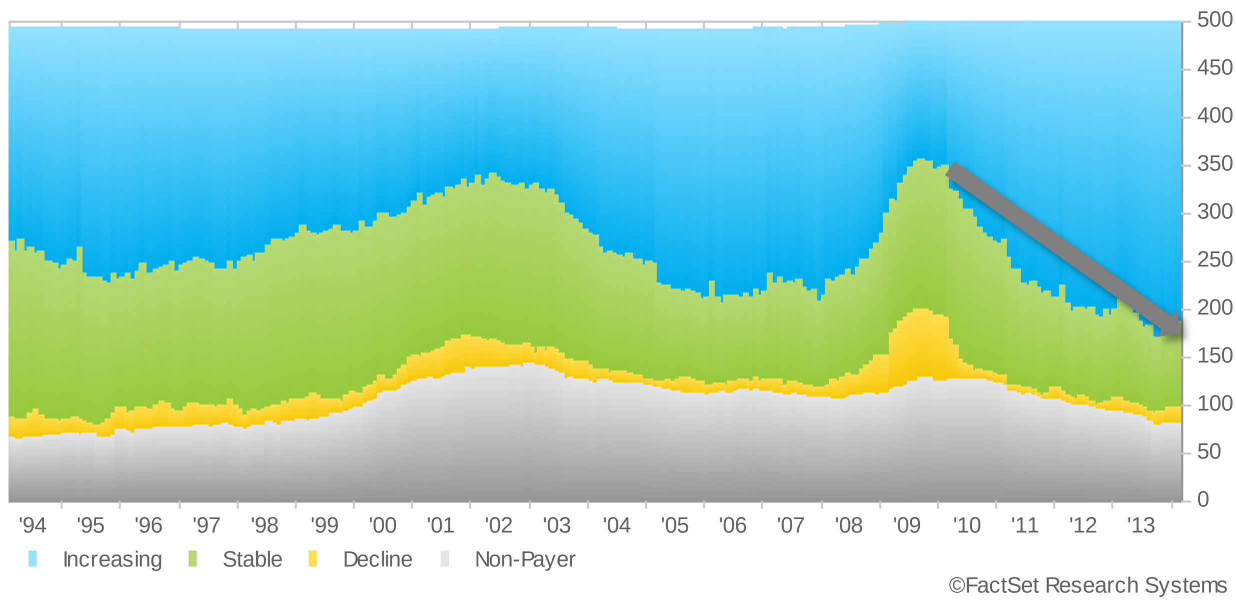


But, if maturation in the Information Technology sector was the primary reason for dividend participation reaching an eighteen-year high, how was participation so high before the sector's maturation occurred? Over a longer, twenty-year timeframe, most sectors have showed dividend payer counts that moved in lockstep with constituent counts. However, the Health Care, Consumer Discretionary, and Energy sectors were among the exceptions, and each lost a significant number of dividend payers net of constituent changes (-12, -9, and -6, respectively). On the other hand, the Industrials sector again gained several dividend payers net of constituent changes (+6).

Dividend Payout Practices

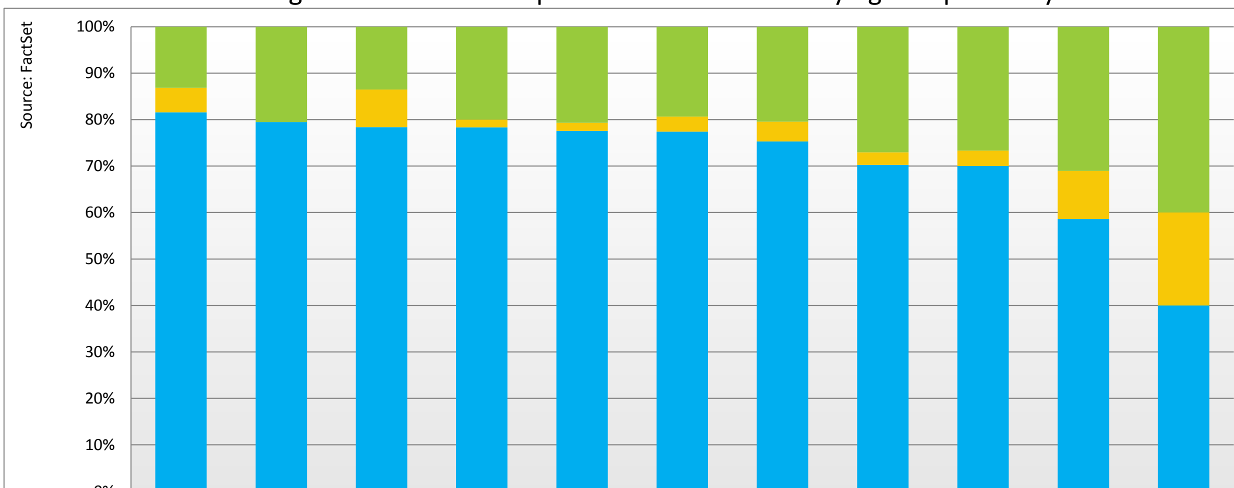
The top chart examines counts a time-series of the number of companies with trailing twelve-month dividend payments that are above, below, or in-line with payments from the previous quarter. "Non-payers" are stocks that did not pay dividends in the trailing twelve months or the previous quarter's trailing twelve months.

Count of Companies by 3-Month Change in TTM Dividends per Share



Increases and decreases in dividends per share are assessed on how the month-end trailing twelve-month DPS figure compares to the previous quarter's value. Dividends per share figures include extra/special dividends.

3-Month Change in TTM Dividends per Share of Dividend-Paying Companies by Sector

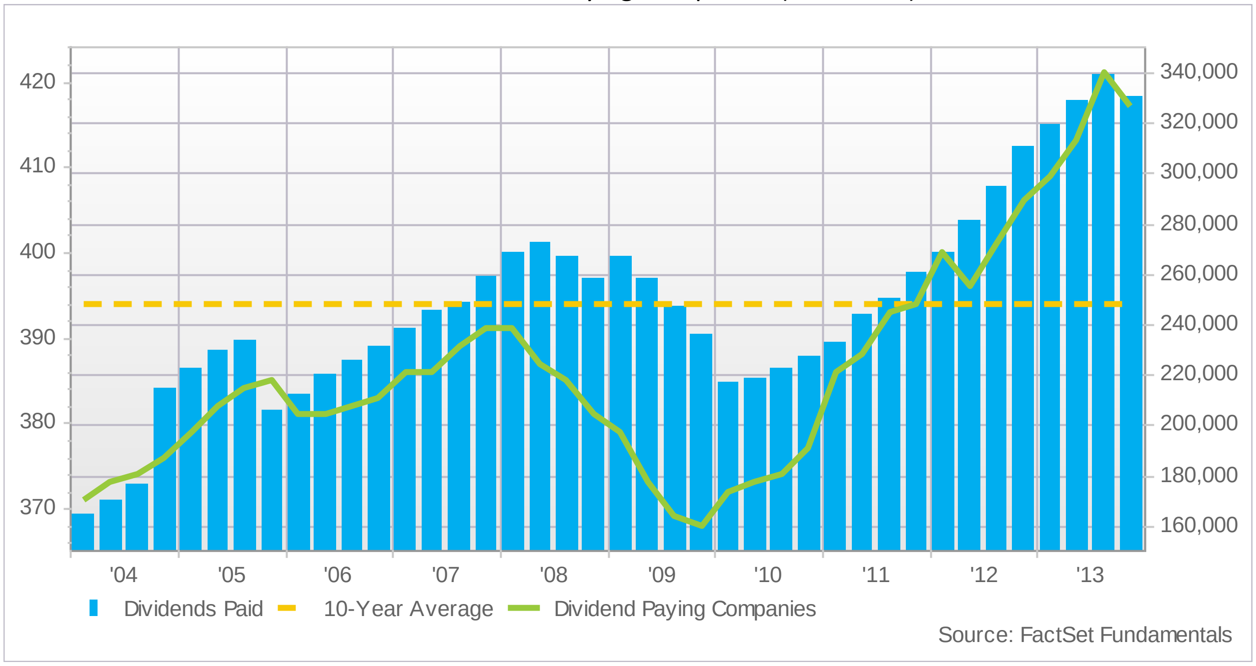


	Consumer Staples	Information Technology	Financials	Consumer Discretionary	Industrials	Health Care	S&P 500	Energy	Utilities	Materials	Telecom Services
No Change	5	8	10	12	12	6	82	10	8	9	2
Decrease	2	0	6	1	1	1	17	1	1	3	1
Increase	31	31	58	47	45	24	302	26	21	17	2

Dividends Paid

Aggregate cash dividends paid is sourced directly from the cash flow statement and includes both common and preferred dividends. The information presented below shows cash dividends paid over the trailing twelve months.

Dividends Paid and Dividend Paying Companies (TTM Basis) – 10 Years



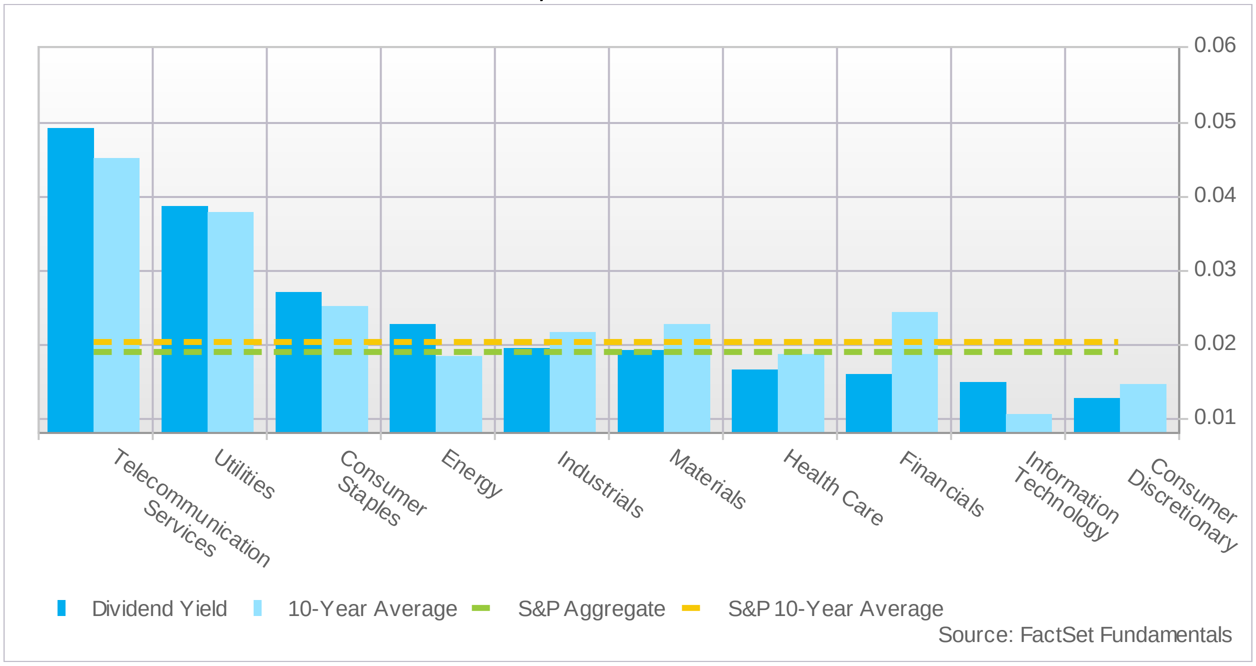
Top 10 Companies by Common and Preferred Dividends Paid (TTM Basis)

Company	Sector	Divs Paid (TTM)	Payout Ratio (ANN)	1 Yr Price Return	1 Yr Total Return
Exxon Mobil Corporation	Energy	$10,875	33.4%	7.0%	10.0%
Apple Inc.	Information Technology	$10,840	28.7%	17.7%	20.7%
AT&T Inc.	Telecom Services	$9,696	53.4%	(5.1%)	(0.1%)
Microsoft Corporation	Information Technology	$8,094	34.5%	42.9%	47.1%
General Electric	Industrials	$7,821	54.8%	9.1%	12.7%
Chevron Corporation	Energy	$7,474	35.2%	(3.9%)	(0.6%)
Johnson & Johnson	Health Care	$7,286	53.8%	21.4%	25.0%
Wells Fargo & Company	Financials	$6,970	29.6%	32.3%	36.1%
Procter & Gamble	Consumer Staples	$6,722	59.3%	0.9%	4.0%
Pfizer Inc.	Health Care	$6,580	56.8%	14.5%	18.3%
S&P 500	**-**	**$330,845**	**31.6%**	**20.7%**	**23.0%**

Dividend Yield: Sector-Level

Dividend yield is calculated by dividing the trailing twelve-month dividends per share figure by yesterday's closing price. Ten-year average figures compute the average based on the dividend yield at the quarter-end.

Dividend Yield by Sector – Most Recent Quarter



Top 10 Companies by Dividend Yield – TTM Basis

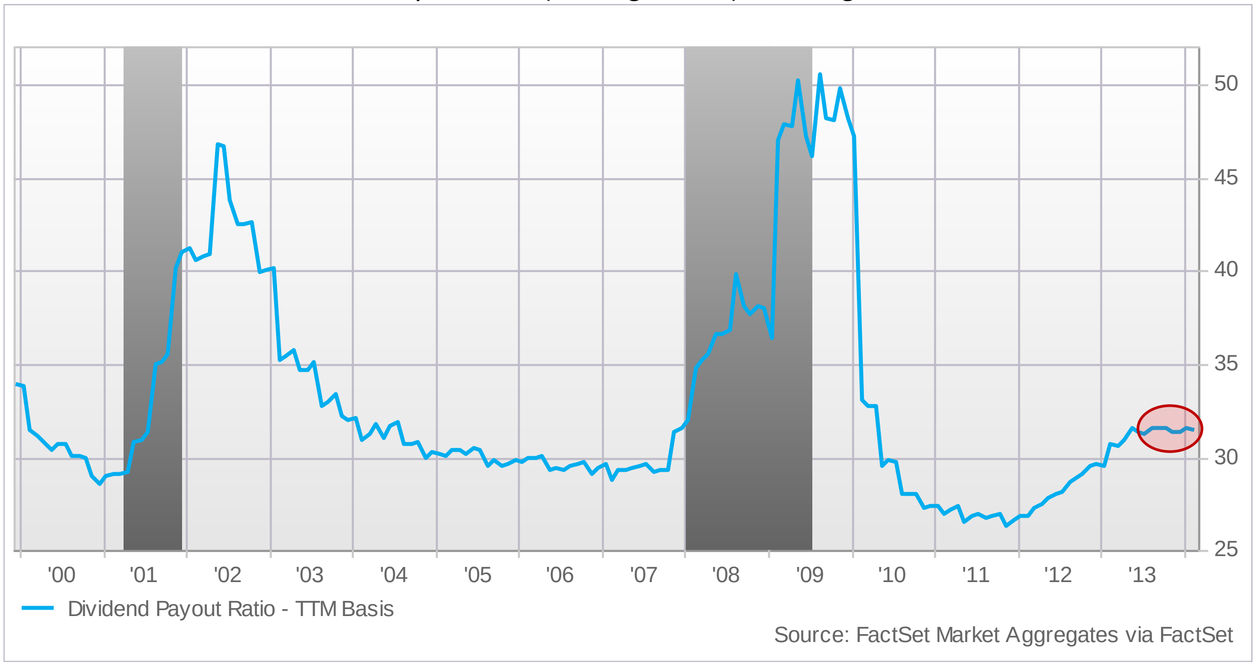
Company	Sector	Yield (TTM)	DPS (TTM)	Payout Ratio (TTM)	1 Yr Total Return
Diamond Offshore Drilling	Energy	7.4%	$3.50	88.6%	(26.6%)
AT&T Inc.	Telecom Services	5.3%	$1.81	53.1%	(0.1%)
TECO Energy, Inc.	Utilities	5.3%	$0.88	95.7%	0.9%
Altria Group, Inc.	Consumer Staples	5.0%	$1.84	81.4%	13.4%
Entergy Corporation	Utilities	5.0%	$3.32	83.4%	10.4%
Integrys Energy Group, Inc.	Utilities	4.7%	$2.72	61.8%	7.1%
Consolidated Edison, Inc.	Utilities	4.7%	$2.46	68.1%	(7.1%)
Reynolds American Inc.	Consumer Staples	4.6%	$2.48	79.0%	29.8%
PPL Corporation	Utilities	4.5%	$1.47	84.5%	12.9%
Duke Energy Corporation	Utilities	4.5%	$3.09	82.2%	2.7%
S&P 500	**-**	**1.9%**	**$34.80**	**31.6%**	**23.0%**

**Screen results exclude companies that had a dividend payout ratio greater than 100% or less than 0% for the trailing twelve-month period.*

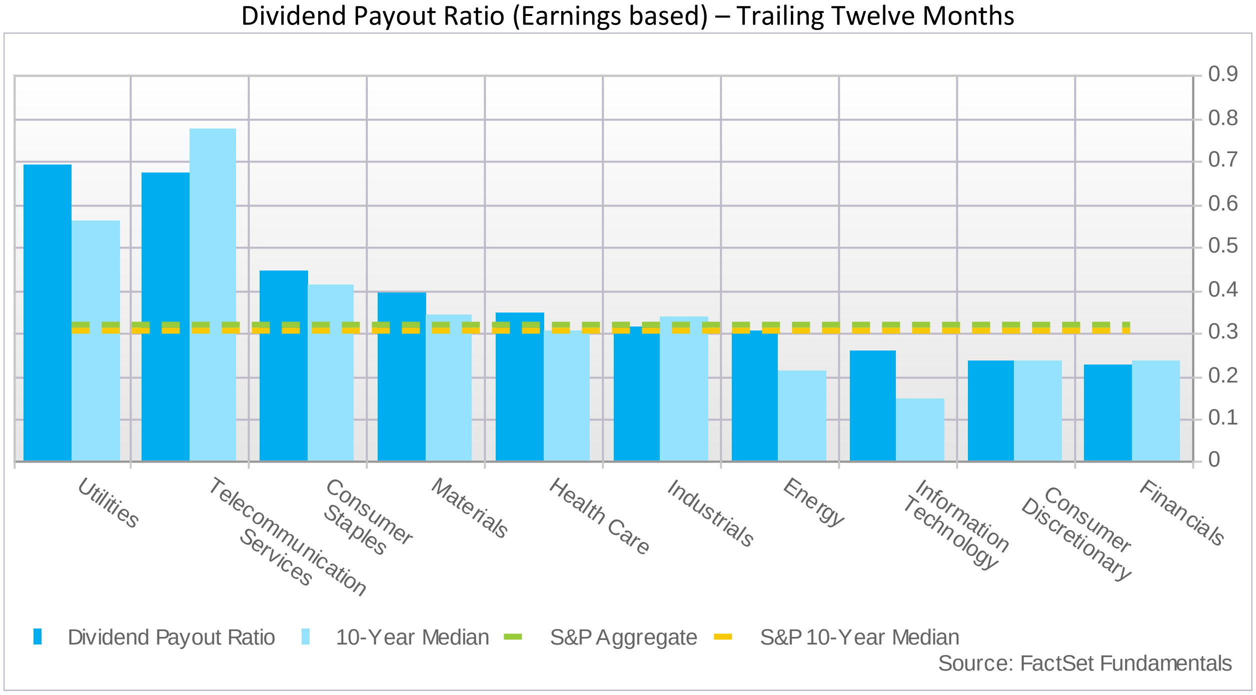
Dividend Payout Ratio:

In examining dividend payout ratios, there are a number of periods where earnings volatility caused payout ratios to change dramatically. This phenomenon can be seen in certain sectors' ten-year average payout ratios. For this reason, the sector chart examines median payout ratios.

Historical Dividend Payout Ratio (Earnings based) – Trailing Twelve-Month Basis

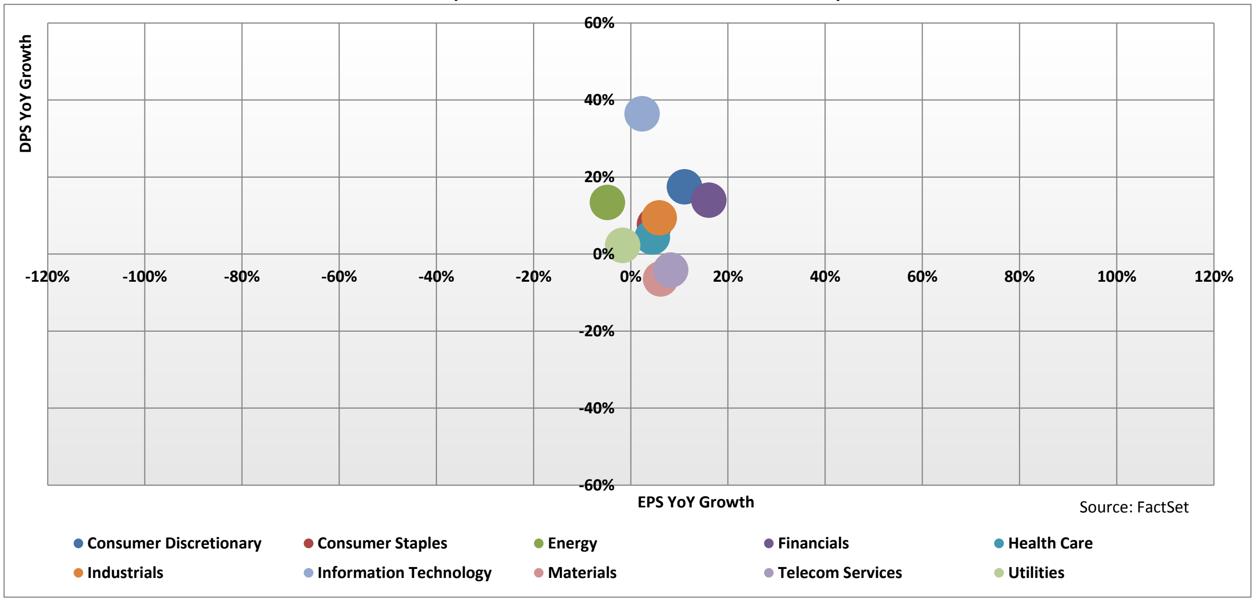


Dividend Payout Ratio (Earnings based) – Trailing Twelve Months



Dividend Growth: One-Year

Year-over-year % Growth in DPS and EPS by Sector



Top 10 Companies by Growth in TTM Dividends per Share – 1 Year

Company	Sector	1Yr DPS Growth	1Yr EPS Growth	1 Yr Total Return	Yield (TTM)
Cisco Systems, Inc.	Information Technology	54.5%	(12.6%)	7.0%	3.1%
Ensco plc	Energy	50.5%	17.2%	(8.4%)	4.0%
Texas Instruments Incorporated	Information Technology	48.6%	26.5%	41.6%	2.3%
Seagate Technology PLC	Information Technology	37.7%	(41.3%)	60.7%	2.9%
GameStop Corp. Class A	Consumer Discretionary	37.5%		54.2%	2.9%
Omnicom Group Inc	Consumer Discretionary	33.3%	2.8%	26.5%	2.2%
Invesco Ltd.	Financials	32.4%	40.9%	31.4%	2.3%
Wells Fargo & Company	Financials	30.7%	15.8%	36.1%	2.3%
Fifth Third Bancorp	Financials	30.6%	21.7%	46.6%	2.0%
Apartment Inv't and Mgmt	Financials	26.3%	129.5%	4.1%	3.2%
S&P 500	**-**	**11.8%**	**5.1%**	**20.7%**	**1.9%**

**This screen excludes companies with current dividend yield of less than 2%. The growth rate methodology is based on trailing twelve-month DPS compared to the value one year ago.*

Compound Annual Dividend Growth: 3, 5, and 10-Year Rates

Highest Growth in Annual Dividends per Share – 3 Year

Company	Sector	3Yr Ann DPS Growth	3Yr Ann EPS Growth	3Yr Annualized Return	Yield (TTM)
Darden Restaurants, Inc.	Consumer Discretionary	26.0%	3.3%	6.9%	4.2%
Lockheed Martin	Industrials	21.9%	7.0%	30.2%	3.0%
Wisconsin Energy	Utilities	21.8%	9.2%	18.4%	3.2%
Simon Property Group, Inc.	Financials	21.4%	22.9%	18.7%	2.9%
Mattel, Inc.	Consumer Discretionary	20.2%	11.5%	20.1%	3.7%
General Electric Company	Industrials	19.8%	7.1%	12.5%	3.1%
Microsoft Corporation	Information Technology	19.6%	7.1%	20.0%	2.4%
Dr Pepper Snapple Group	Consumer Staples	19.1%	12.0%	16.3%	2.9%
Public Storage	Financials	19.1%	27.7%	19.6%	3.0%
Safeway Inc.	Consumer Staples	19.0%	110.1%	22.7%	2.0%
S&P 500	**-**	**14.8%**	**7.6%**	**12.9%**	**1.9%**

Highest Growth in Annual Dividends per Share – 5 Year

Company	Sector	5Yr Ann DPS Growth	5Yr Ann EPS Growth	5Yr Annualized Return	Yield (TTM)
CME Group Inc. Class A	Financials	36.8%	3.8%	15.2%	5.7%
Williams Companies, Inc.	Energy	27.3%	(23.7%)	37.7%	3.5%
Seagate Technology PLC	Information Technology	27.2%	15.3%	67.4%	2.9%
CMS Energy Corporation	Utilities	23.2%	6.2%	24.2%	3.6%
Darden Restaurants, Inc.	Consumer Discretionary	22.7%	3.8%	12.2%	4.2%
KLA-Tencor Corporation	Information Technology	22.4%	10.5%	32.6%	2.5%
Wisconsin Energy	Utilities	21.8%	10.6%	21.6%	3.2%
Omnicom Group Inc	Consumer Discretionary	21.7%	3.2%	27.6%	2.2%
Target Corporation	Consumer Discretionary	21.6%	1.4%	16.7%	2.8%
Lockheed Martin	Industrials	21.2%	3.0%	23.1%	3.0%
S&P 500	**-**	**4.2%**	**13.0%**	**19.4%**	**1.9%**

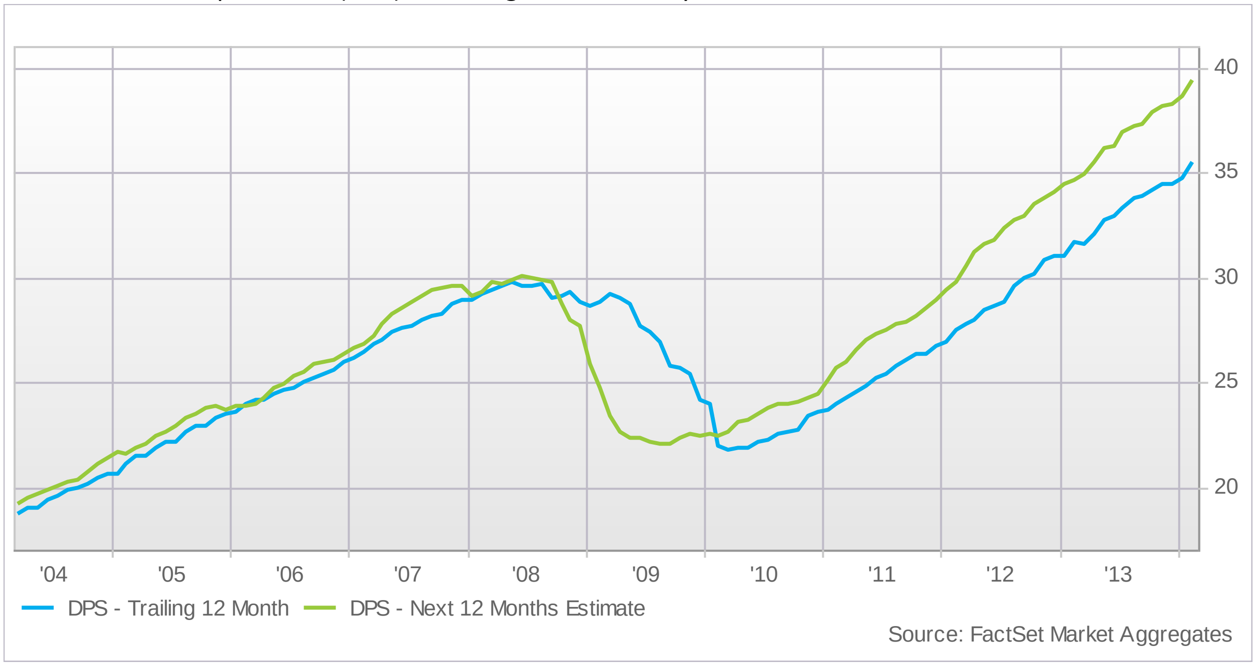
Highest Growth in Annual Dividends per Share – 10 Year

Company	Sector	10Yr Ann DPS Growth	10Yr Ann EPS Growth	10Yr Annualized Return	Yield (TTM)
Occidental Petroleum	Energy	17.3%	13.5%	17.4%	2.7%
ONEOK, Inc.	Energy	15.7%	1.7%	23.9%	2.5%
Wisconsin Energy	Utilities	13.7%	9.3%	13.9%	3.2%
Mattel, Inc.	Consumer Discretionary	13.7%	7.8%	11.6%	3.7%
ConocoPhillips	Energy	12.7%	8.2%	13.5%	4.0%
L Brands, Inc.	Consumer Discretionary	11.6%	8.4%	19.0%	2.0%
Clorox Company	Consumer Staples	11.3%	6.8%	9.1%	3.1%
Public Storage	Financials	11.1%	14.4%	16.8%	3.0%
PACCAR Inc	Industrials	10.7%	9.5%	14.3%	2.5%
Raytheon Company	Industrials	10.6%	21.5%	15.5%	2.3%
S&P 500	**-**	**6.1%**	**6.2%**	**5.3%**	**1.9%**

** These screens exclude companies with a starting or current dividend yield of less than 2%. The growth rate methodology is that of compound annual growth rates based on annual dividends per share.*

Dividends per Share – Trailing Actuals and Forward Estimates

Dividends per Share (DPS) – Trailing 12-Month Payments vs. Forward 12-Month Estimates



Top 5 Companies by Difference in Indicated Annual Dividend versus Forward Consensus DPS

Company	Sector	Proj'd Growth (%)	DPS Est. (NTM)	Indicated Ann Div	Curr Fwd Yld
Citigroup Inc.	Financials	1150.4%	$0.50	$0.04	0.1%
Bank of America	Financials	491.8%	$0.24	$0.04	0.2%
SunTrust Banks, Inc.	Financials	69.8%	$0.68	$0.40	1.0%
Regions Financial	Financials	62.7%	$0.20	$0.12	1.1%
Zions Bancorporation	Financials	55.2%	$0.25	$0.16	0.5%

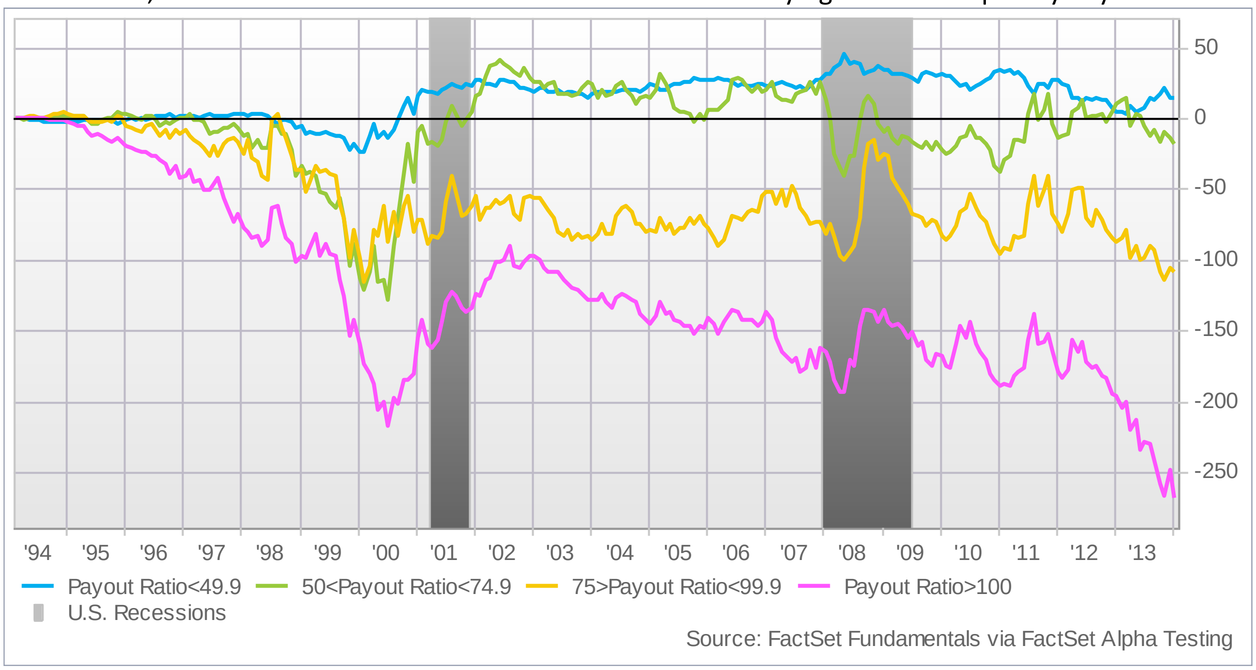
**Estimated dividends per share is the mean consensus estimates for the upcoming year time-weighted on a daily basis. This projection is compared to the indicated annual dividend—if a company pays a quarterly dividend, this simply equals the most recent dividend multiplied by four—to get the projected growth rate.*

20-Year Forward Performance: Dividend Practices

The following charts show cumulative, forward one-month returns based on previous month characteristics, or factors, from a rolling universe of S&P 500 constituents. For all back tests, securities are regrouped dynamically and shown market-cap weighted to ensure that the effects of differences in security weighting between the model and the benchmark have a limited impact on return comparisons.

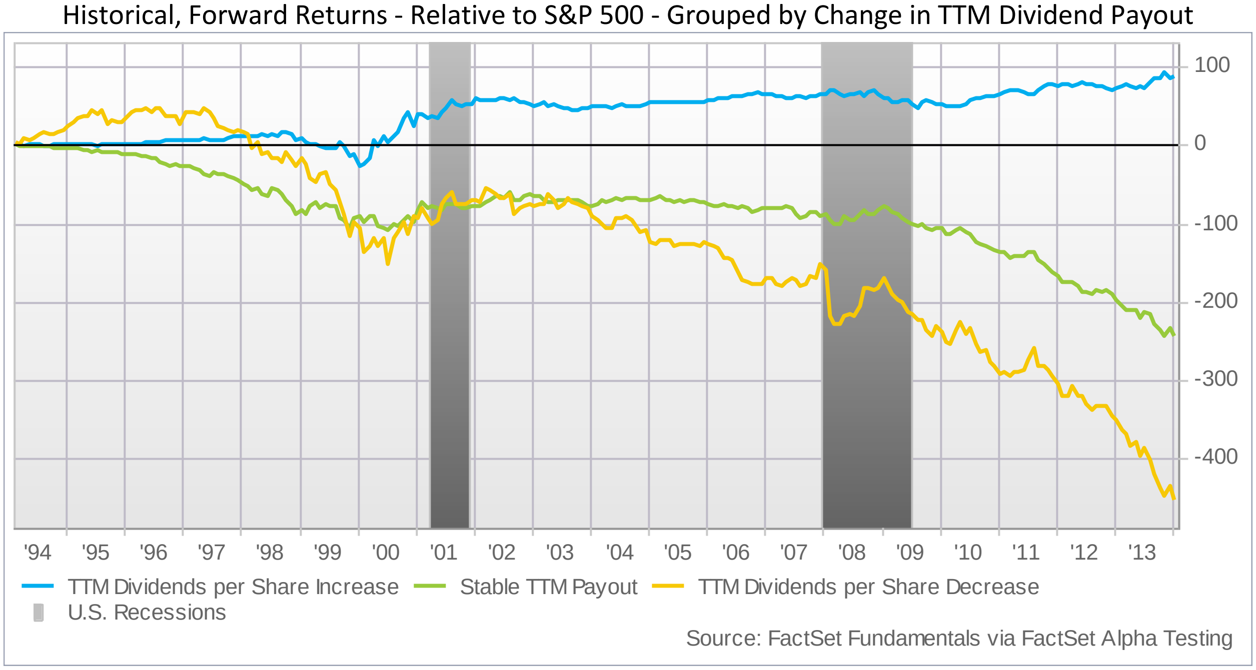
For this back test, S&P 500 companies were broken into groups by dividend payout ratio (TTM basis). The groups were formed after removing non-dividend paying companies from the universe.

Historical, Forward Returns - Relative to S&P 500 - Dividend-Paying Stocks Grouped by Payout Ratio



For this back test, S&P 500 companies were broken into groups by change in their TTM DPS relative to last year. The groups were formed after removing non-dividend paying companies from the universe.

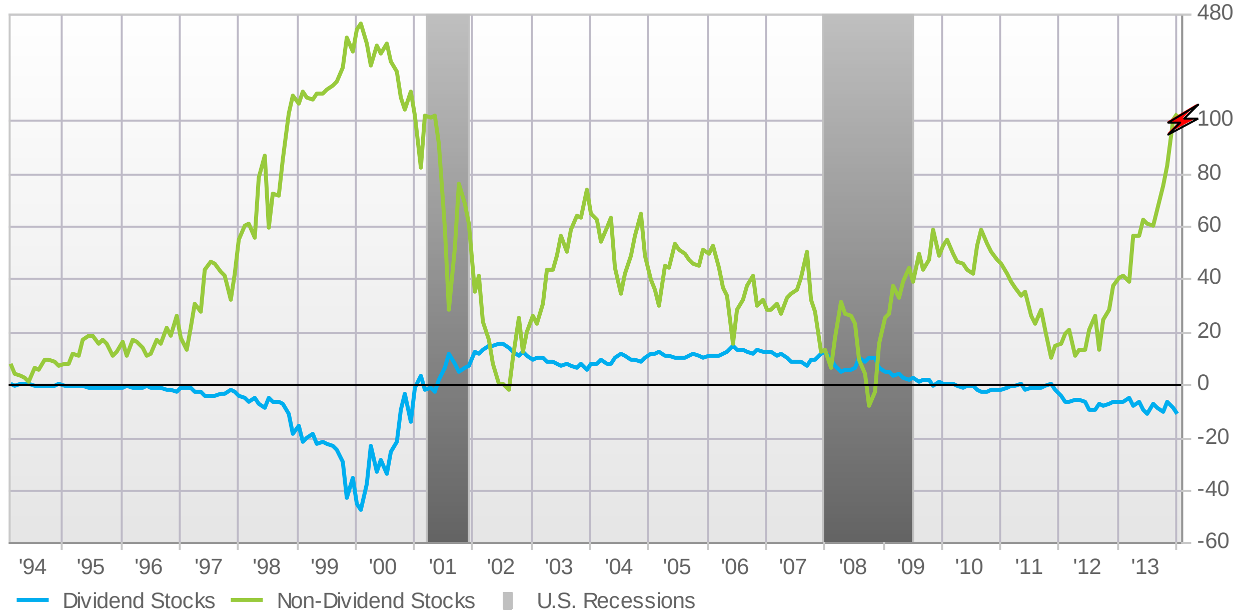
Historical, Forward Returns - Relative to S&P 500 - Grouped by Change in TTM Dividend Payout



20-Year Forward Performance: Dividend Practices, Ctd.

For this back test, S&P 500 companies were broken into two groups: those with positive TTM dividends per share those with no TTM dividends per share. This back test also showed that the group of dividend stocks outperformed the S&P 500 Total Return index in only 35% of months when the index had positive returns, but did so in 74% of the months when the index was "down". Apple has been excluded because its significant weight and volatile performance in 2011 and 2012 has distorted the trends.

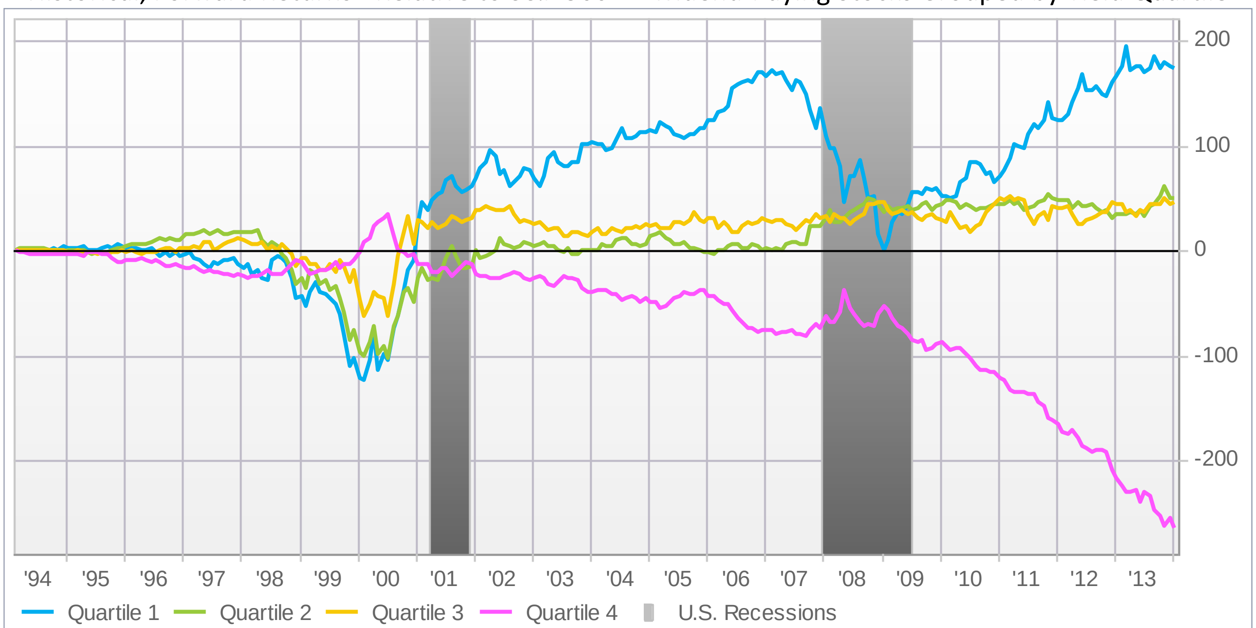
Historical, Forward Returns - Relative to S&P 500 - Dividend Stocks vs. Non-Dividend Stocks (ex-AAPL)



Source: FactSet Fundamentals via FactSet Alpha Testing

For this Alpha Testing back test, S&P 500 companies were broken into quartiles by dividend yield. The quartiles were formed after removing non-dividend paying companies from the universe. Quartile 1 includes the group of companies with the highest yields.

Historical, Forward Returns - Relative to S&P 500 – Dividend-Paying Stocks Grouped by Yield Quartile



Source: FactSet Fundamentals via FactSet Alpha Testing

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FactSet Market Aggregates (FMA) combines information from FactSet Fundamentals, FactSet Estimates, and FactSet Prices to derive ratios and per share values on an aggregate level. The in-depth, aggregate data lets you analyze markets and portfolios with the same level of detail you use for security analysis. FMA gives you access to over 50 metrics for over 3,500 benchmarks including S&P, Russell, MSCI Global, FTSE, STOXX, TOPIX, and many local exchanges.

About FactSet Alpha Testing

Alpha Testing is FactSet's back testing tool. Alpha Testing lets you test ideas about which quantitative and qualitative factors drive returns. Use our robust and flexible interface to create custom models and communicate results. Alpha Testing is fully integrated into the FactSet workstation. Model scores can be used in real time portfolio contribution or for portfolio construction.