



S&P 500 June 17, 2013

Key Metrics:

- + Aggregate Dividends: Aggregate dividend payments amounted to \$76.3 billion for Q1 2013 (April 2013) and \$319.8 billion over the trailing twelve-months, which marked a ten-year high. On a pershare basis, the payout of \$32.35 represented 15.1% growth year-over-year. The Information Technology and Financials sectors again led all sectors in year-over-year growth at 49.5% and 20.2%, respectively.
- + Aggregate Payout Ratio: The S&P 500 aggregate payout ratio amounted to 31.5% as of Q1 2013, which compares to 28.0% in Q1 2012. This value was also 1.6 percentage points above the ten-year median, and has grown steadily from a value of 26.1% in Q4 2010. On the sector level, the Telecommunications Services (146.6%) and Utilities (67.8%) sectors maintained the highest payout ratios for the twelfth consecutive quarter.
- + Aggregate Yield: The S&P 500 aggregate dividend yield currently amounts to 2.0%, which is slightly below the ten-year daily average of 2.1%. The Telecommunications Services and Utilities sectors lead all sectors with dividend yields of 4.5% and 4.0%, but it's also interesting to note that the Information Technology sector's yield has reached a twenty-year high of 1.6%.
- + Performance Characteristics: In a reversal, non-dividend-paying stocks have outperformed dividend stocks over one year. Prior to this period, nonpayers had underperformed dividend stocks since the market downturn in 2008 and 2009. However, stocks with the highest dividend yields continue to outperform, and dividend underperformance stemmed from stocks with low yields.



Dividend Quarterly is one part of three reports (<u>Buyback Quarterly</u> and <u>Cash & Investments Quarterly</u>) analyzing cash and discretionary 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.



Dividends Continue to Rise, but Market Enthusiasm Wanes

Aggregate dividends per share ("DPS") grew 15.1% year-over-year, and the number of companies paying a dividend over the trailing twelve-month period ("TTM") hit a new fourteen-year high of 409 (81.8% of the index). Due to accelerated payments and special distributions at the end of the year, quarterly dollar-value dividend payments were down from Q4 2012 (\$76.3 versus \$92.0 billion), but dividend payments over the trailing twelve-months and aggregate payout ratios are both trending higher. One year ago, TTM cash outflows from dividend payments surpassed the pre-crisis peak of \$267.0 billion and have continued to grow. The Q1 2013 sum of \$319.8 billion is 19.8% above the pre-crisis high and represented year-over-year growth of 22.3%. In addition, the aggregate dividend payout ratio of 31.5% rose above the index's ten-year median level (+1.6 percentage points), and was at its highest level since the recession (when payout ratios were distorted by low aggregate earnings; see chart on page 8). Finally, the aggregate yield of the S&P 500 index has mostly remained above 2% during this period despite the downward pressure of strong stock market performance. The S&P 500 has returned 26.3% over two years, but the TTM DPS of the index has increased by over 30% over the same span.

Going forward, analysts are predicting DPS growth of 9.7% for the forward twelve-months and 11.1% for 2013. On the sector-level, the Information Technology sector is expected to have the highest growth rate in 2013 (+33.9%), while the Telecommunications Services and Utilities sectors are expected to have the lowest rates at -2.2% and +1.6%. The seven remaining sectors are expected to have 2013 DPS growth rates between five and thirteen percent.

Non-Dividend Stocks Outperform Dividend Payers over One Year, but High-Yields Still Favored

Despite all of the persistent strength in dividend trends, one metric seems to have taken a turn: performance. Dividend-paying stocks outperformed stocks that didn't pay a dividend in the trailing twelve-month period ("nonpayers") from May 2009 to May 2012, with an average monthly return of 1.54% versus 1.28% for nonpayers. However, nonpayers have outperformed over the trailing year. Over this period, the monthly, equal-weighted performance of nonpayers averaged 2.81% versus 2.24% for dividend stocks. This was punctuated by a return of 5.21% in May versus 2.13% for dividend stocks. In addition, the trend also seems to be particularly pronounced in months when the S&P 500 has strong returns. In the six months of the trailing twelve in which the S&P 500 had a monthly return of at least 2%, nonpayers averaged a return of 4.95% while dividend stocks averaged 3.49%. Specific outperformers from the nonpayer group have included Google, Netflix, and Urban Outfitters.

This trend contrasts with the positive performance characteristics of high dividend yield stocks. Since the bursting of the dotcom bubble, dividend-paying stocks have exhibited fairly consistent performance characteristics: the lowest yielding stocks (bottom quartile) have exhibited low returns, while the highest-yielding stocks have outperformed the S&P 500 Index (see chart on page 13). Since 2001, the monthly, average, equal-weighted return was 0.74% for the top dividend yield quartile versus 0.40% for the bottom quartile. However, the trend has since magnified (after a brief reversal from 2007 to mid-2008 when the highest yielding stocks tumbled by a monthly average of 4.02% versus a fall of 0.88% for the lowest yielders). Since 2009, the highest yielding quartile (with an average yield of 6.1%) registered an equal-weighted, monthly average return of 1.15%, while the lowest yielding quartile (with an average yield of 0.8%) averaged a monthly return 0.26% (see charts on page 13). Overall, this underperformance from companies like PetSmart, United States Steel, and Ross Stores has helped drag down the performance of dividend stocks in general.

On the security-level, one of the highest yields in the S&P 500 came from LyondellBasell Industries, which benefited from an annually-paid extra dividend. Other companies with impressive yields include Windstream Corp, L Brands, and Frontier Communications Corp. but these companies had payout ratios greater than 100%.

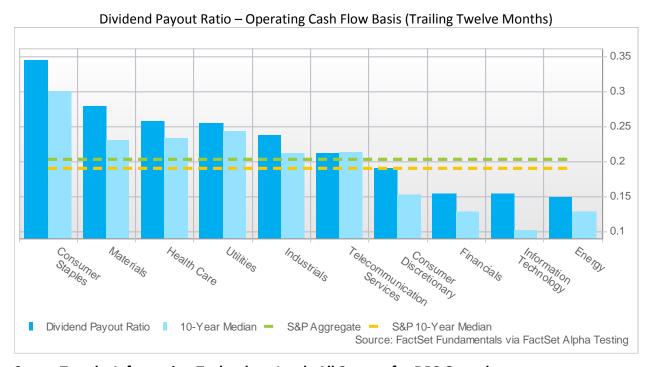


Payout Ratios on the Rise

The aggregate dividend payout ratio in the S&P 500 reached its highest level (31.5%) since 2009, and has risen for six consecutive quarters. This level is 1.6 percentage points above the index's 10-year monthly median ratio, and has increased due, in part, to strong TTM dividend growth rates that have been in the mid-teens since Q1 2011. This contrasts with earnings per share growth, which decelerated to mid-single-digit rates in Q2 2012.

The Financials sector is the only sector to have a current payout ratio below its 10-year monthly median, while seven sectors' ratios were at double-digit premiums to their ten-year median. However, the most striking example of an inflated payout ratio is represented by the Telecommunications Services sector. The payout ratio in that sector has been above 100% since Q1 2012 and rose to 261.5% at the end of May. Because earnings can't be plowed back into the business for investment, a ratio above 100% can be viewed as unsustainable. However, the Telecommunications Services sector has suffered from large asset impairment charges at AT&T, and from reductions to the discount rate used for pension liabilities for both AT&T and Verizon.

One way to exclude these non-cash charges is to compare dividends to actual cash inflows from operations. In examining this metric, the Telecommunications Services sector has paid a more modest 21.2% of operating cash flows in dividends over the trailing twelve months. This is slightly below the sector's time series median of 21.3% and only 3.9% above the S&P 500's aggregate OCF payout ratio (20.4%).



Sector Trends: Information Technology Leads All Sectors for DPS Growth

The Information Technology and Financials sectors led the index in growth of year-over-year dividends per share (49.5% and 20.2%, respectively) for the second consecutive quarter, and both sectors have logged greater than 10% growth over nine consecutive quarters. In the Information Technology sector, growth over the year has been aided by dividend policy shifts from some big constituents, including Apple's initiation and Cisco's (CSCO) August announcement that it was increasing the company's per share payout by 75%. In fact, Apple, a company that only initiated a dividend last year, has quickly become the third largest payer in the S&P 500 by TTM dollar-value distributions. But the Information Technology sector also benefits from high and widespread DPS growth rates among its dividend-paying



constituents. While the sector still has the lowest proportion of dividend payers (60%), four-fifths of those constituents increased their payout by double-digit rates in Q1.

In the Financials sector, DPS growth continues to be aided by a historically low baseline. The Financials sector is the only group in the S&P 500 that pays lower dividends per share than its ten-year average. In fact, the sector's DPS level is less than half of its ten-year average at a time when the overall index is paying nearly 30% more than its ten-year average. In addition, the Financials sector has the lowest payout ratio in the index (21.7% as of Q1) and its current yield of 1.60% is the third lowest in the index (the Consumer Discretionary and Information Technology sectors are lower at 1.48% and 1.59%). However, a number of banks have announced substantial DPS increases since the Federal Reserve's "stress test" that will contribute to elevated DPS growth over the course of the year. These companies include Zions Bancorporation (+300%), Capital One Financial (+600%), SunTrust Banks (+100%), Discover Financial Services (+42.9%), Wells Fargo Corporation (+20%), and Regions Financial (+200%).

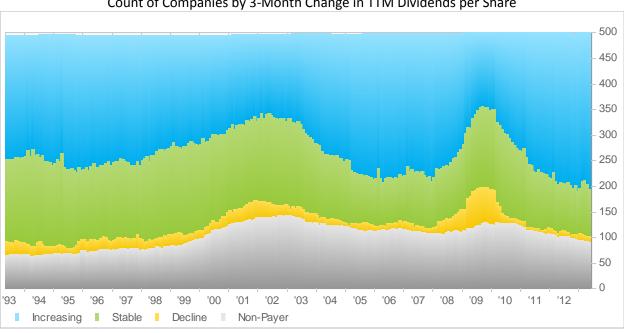
Highest Long-Term DPS Growth Rates: LTD, WEC, OKE, PSA

Regularly paying extra dividends can be hard to maintain over the long-term, but L Brands Inc. managed to pay several in its history. Its most recent special payout of \$3.00 per share has helped the company secure the top compound annual growth rate ("CAGR") in the S&P 500 over the three- and ten-year timeframes (at CAGR of 49.4% and 20.9%, respectively) and the third highest growth over the five-year timeframe (27.2%). However, most of the other stocks with the highest compound annual growth rates for DPS in the mid-to-long-term horizon have featured strong and consistent increases to their regular dividend distributions. These companies include Wisconsin Energy Corp. and ONEOK Inc., which were present on the top ten lists for the five- and ten-year horizons, and Public Storage, which had one of the highest growth rates over both the three- and five-year horizon.



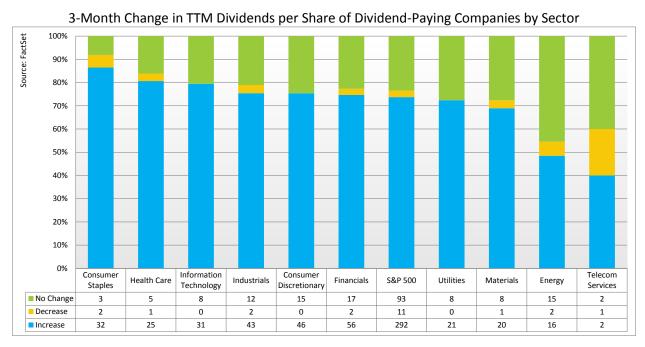
Dividend Payout Practices

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. "Nonpayers" 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

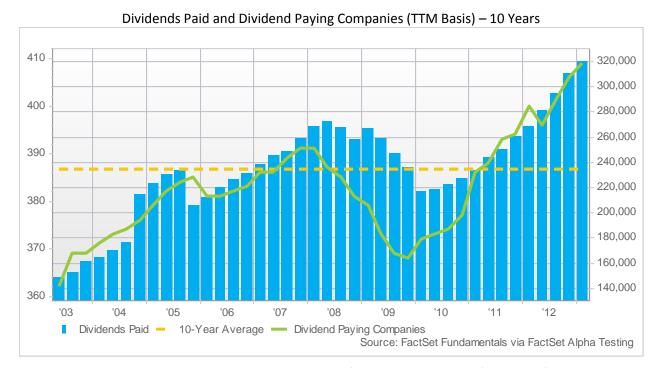
Increases and decreases in dividends per share are assessed on how the month-end trailing twelve month DPS figure compares to the previous quarter's value. Dividends per share figures include extra/special dividends.





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.



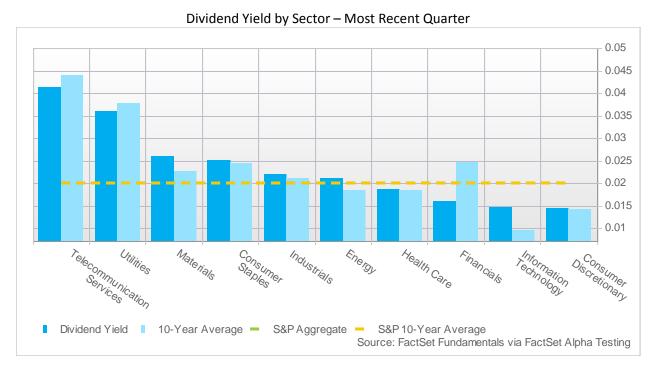
Top 10 Companies by Common and Preferred Dividends Paid (TTM Basis)

Company	Sector	Divs Paid (TTM)	Payout Ratio (ANN)	1 Yr Price Return	1 Yr Total Return
Exxon Mobil Corp.	Energy	\$10,432	22.5%	10.3%	13.2%
AT&T Inc.	Telecom Services	\$10,137	141.6%	0.6%	5.6%
Apple Inc.	Information Technology	\$7,472	12.0%	(24.8%)	(23.1%)
General Electric Co.	Industrials	\$7,373	51.9%	19.3%	23.3%
Microsoft Corp.	Information Technology	\$7,212	38.0%	17.2%	20.8%
Chevron Corp.	Energy	\$6,989	26.4%	18.0%	21.9%
Johnson & Johnson	Health Care	\$6,755	62.2%	29.7%	34.1%
Pfizer Inc.	Health Care	\$6,619	67.5%	28.9%	33.6%
Procter & Gamble Co.	Consumer Staples	\$6,415	58.4%	23.5%	27.6%
Wells Fargo & Co.	Financials	\$5,596	26.2%	25.4%	28.9%
S&P 500	-	\$320,429	31.5%	22.4%	24.7%



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.



Top 10 Companies by Dividend Yield – TTM Basis

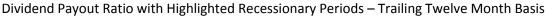
				Payout	
Company		Yield		Ratio	1 Yr Total
- Company	Sector	(TTM)	DPS (TTM)	(TTM)	Return
L Brands Inc.	Consumer Discretionary	9.9%	\$5.05	40.3%	33.2%
Pitney Bowes Inc.	Industrials	9.0%	\$1.31	56.3%	10.1%
Cliffs Natural Resources Inc.	Materials	8.7%	\$1.55	N/A	(60.9%)
Wynn Resorts Ltd.	Consumer Discretionary	7.8%	\$10.50	44.8%	47.1%
LyondellBasell Industries N.V.	Materials	6.6%	\$4.45	29.4%	96.1%
Garmin Ltd.	Consumer Discretionary	5.3%	\$1.80	64.8%	(5.5%)
Pepco Holdings Inc.	Utilities	5.3%	\$1.08	N/A	10.5%
Diamond Offshore Drilling Inc.	Energy	5.2%	\$3.50	9.8%	19.0%
TECO Energy Inc.	Utilities	5.1%	\$0.88	93.6%	1.2%
PPL Corp.	Utilities	5.0%	\$1.45	62.3%	10.3%
S&P 500	-	2.0%	\$33.03	31.5%	24.7%

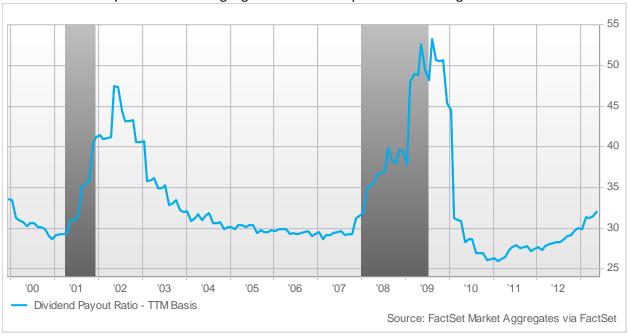
^{*}Screen results exclude companies that had a dividend payout ratio greater than 100% for the trailing twelve month period.

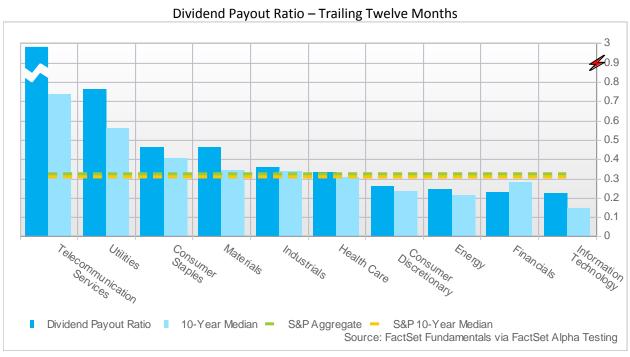


Dividend Payout Ratio:

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.

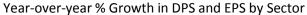


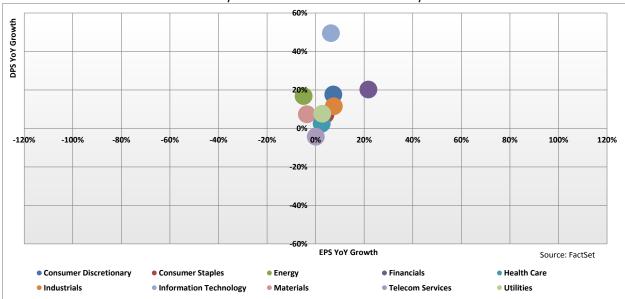






Dividend Growth: One-Year





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

Top 10 companies by Growth in Thir Britaches per Share 1 real					
				1 Yr	
Company		1Yr DPS	1Yr EPS	Total	Yield
Company	Sector	Growth	Growth	Return	(TTM)
Gannett Co. Inc.	Consumer Discretionary	100.0%	8.9%	103.1%	3.2%
CA Inc.	Information Technology	66.7%	8.2%	13.9%	3.5%
CME Group Inc. Cl A	Financials	64.2%	(46.3%)	43.8%	4.2%
Seagate Technology Inc.	Information Technology	62.8%	42.6%	94.8%	3.2%
Ameriprise Financial Inc.	Financials	62.4%	16.3%	75.7%	2.2%
BB&T Corp.	Financials	55.9%	12.3%	15.4%	3.2%
Wynn Resorts Ltd.	Consumer Discretionary	50.0%	18.0%	47.1%	7.8%
Apartment Investment & Mgmt	Financials	46.7%		9.3%	3.0%
Wells Fargo & Co.	Financials	45.6%	21.7%	28.9%	2.5%
Williams Companies Inc	Energy	40.4%	15.0%	17.7%	3.8%
S&P 500	-	15.6%	(0.8%)	22.4%	2.0%

^{*}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

				3Yr	
Company		3Yr Ann DPS	3Yr Ann EPS	Annualized	
	Sector	Growth	Growth	Return	Yield (TTM)
L Brands Inc.	Consumer Discretionary	49.4%	22.8%	39.6%	9.9%
Williams Companies Inc	Energy	39.6%	40.9%	31.1%	3.8%
KLA-Tencor Corp.	Information Technology	37.2%		27.6%	2.9%
Darden Restaurants Inc.	Consumer Discretionary	27.4%	10.4%	10.0%	3.8%
Dow Chemical Co.	Materials	26.3%	29.8%	13.0%	3.8%
Public Storage	Financials	26.0%	3.4%	22.2%	3.0%
BlackRock Inc.	Financials	24.4%	31.2%	22.9%	2.3%
CMS Energy Corp.	Utilities	24.3%	16.0%	27.5%	3.6%
Garmin Ltd.	Consumer Discretionary	23.1%	(7.6%)	5.1%	5.3%
Hasbro Inc.	Consumer Discretionary	21.6%	0.9%	6.2%	3.4%
S&P 500	-	14.2%	14.6%	14.3%	2.0%

Highest Growth in Annual Dividends per Share - 5 Year

				5Yr	
Company		5Yr Ann	5Yr Ann EPS	Annualized	
	Sector	DPS Growth	Growth	Return	Yield (TTM)
Diamond Offshore Drilling	Energy	40.6%	(3.3%)	(6.8%)	5.2%
Lorillard Inc.	Consumer Staples	27.8%	10.3%	18.7%	4.9%
L Brands Inc.	Consumer Discretionary	27.2%	6.1%	33.3%	9.9%
Darden Restaurants Inc.	Consumer Discretionary	25.8%	21.5%	13.7%	3.8%
Seagate Technology Inc.	Information Technology	23.3%	33.0%	19.6%	3.2%
Wisconsin Energy Corp.	Utilities	19.1%	10.6%	15.3%	3.1%
Public Storage	Financials	17.1%	26.8%	15.9%	3.0%
Sempra Energy	Utilities	14.1%	(4.0%)	10.9%	3.0%
Intel Corp.	Information Technology	14.1%	12.5%	5.4%	3.6%
ONEOK Inc.	Utilities	12.7%	3.4%	16.9%	3.1%
S&P 500	-	2.4%	5.1%	3.6%	2.0%

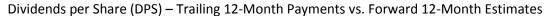
Highest Growth in Annual Dividends per Share – 10 Year

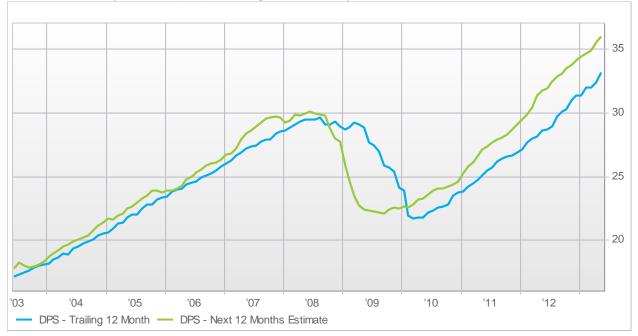
				10Yr	
Company		10Yr Ann	10Yr Ann	Annualized	
company	Sector	DPS Growth	EPS Growth	Return	Yield (TTM)
L Brands Inc.	Consumer Discretionary	20.9%	10.3%	19.5%	9.9%
Diamond Offshore Drilling	Energy	18.6%	27.1%	16.9%	5.2%
Occidental Petroleum	Energy	15.8%	14.0%	20.8%	2.5%
ONEOK Inc.	Utilities	15.1%	9.0%	20.1%	3.1%
ConocoPhillips	Energy	13.6%	24.8%	15.0%	4.3%
Eaton Corporation PLC	Industrials	13.2%	13.4%	15.1%	2.5%
Paccar Inc.	Industrials	12.9%	12.6%	13.3%	3.0%
Wisconsin Energy Corp.	Utilities	11.6%	12.6%	14.0%	3.1%
Williams Companies Inc	Energy	11.0%		19.5%	3.8%
Caterpillar Inc.	Industrials	10.8%	22.1%	14.2%	2.5%
S&P 500	-	5.9%	8.4%	5.1%	2.0%

^{*} 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





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

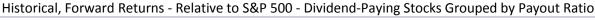
Company	Sector	Indicated Annl Div	DPS Est. (NTM)	Proj'd Growth (%)	1 Yr Total Return
Murphy Oil Corp.	Energy	\$1.25	\$2.70	115.9%	51.2%
Hess Corp.	Energy	\$0.40	\$0.85	112.5%	51.1%
Cigna Corporation	Health Care	\$0.04	\$0.08	100.0%	51.2%
Cintas Corp.	Industrials	\$0.64	\$1.24	94.3%	26.2%
Bemis Co. Inc.	Materials	\$1.04	\$1.24	83.2%	26.4%
S&P 500	-	\$33.03	\$35.97	8.9%	24.7%



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.

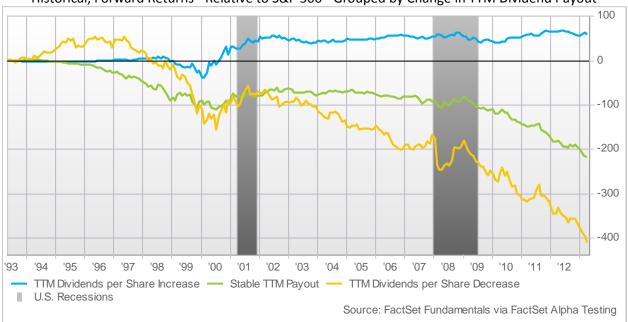
For this back test, S&P 500 companies were broken into groups by dividend payout ratio (TTM basis). The groups were formed after removing non-dividend paying companies from the universe.





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.

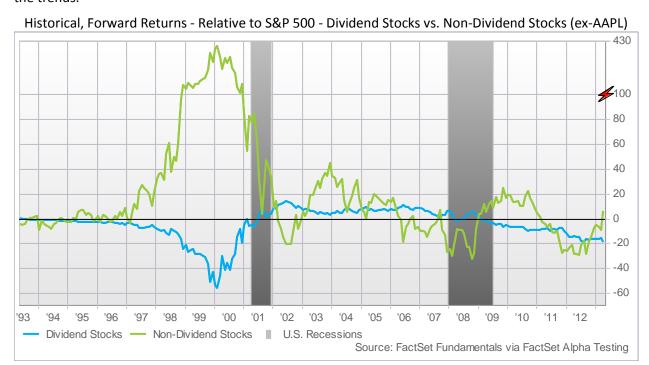
Historical, Forward Returns - Relative to S&P 500 - Grouped by Change in TTM Dividend Payout



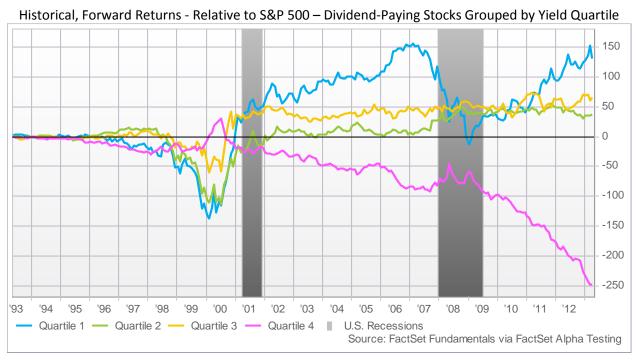


20-Year Forward Performance: Dividend Practices, Ctd.

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 underperformed the S&P 500 Total Return index in nearly 65% of months when the index had positive returns, and outperformed in over 73% 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.



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.





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