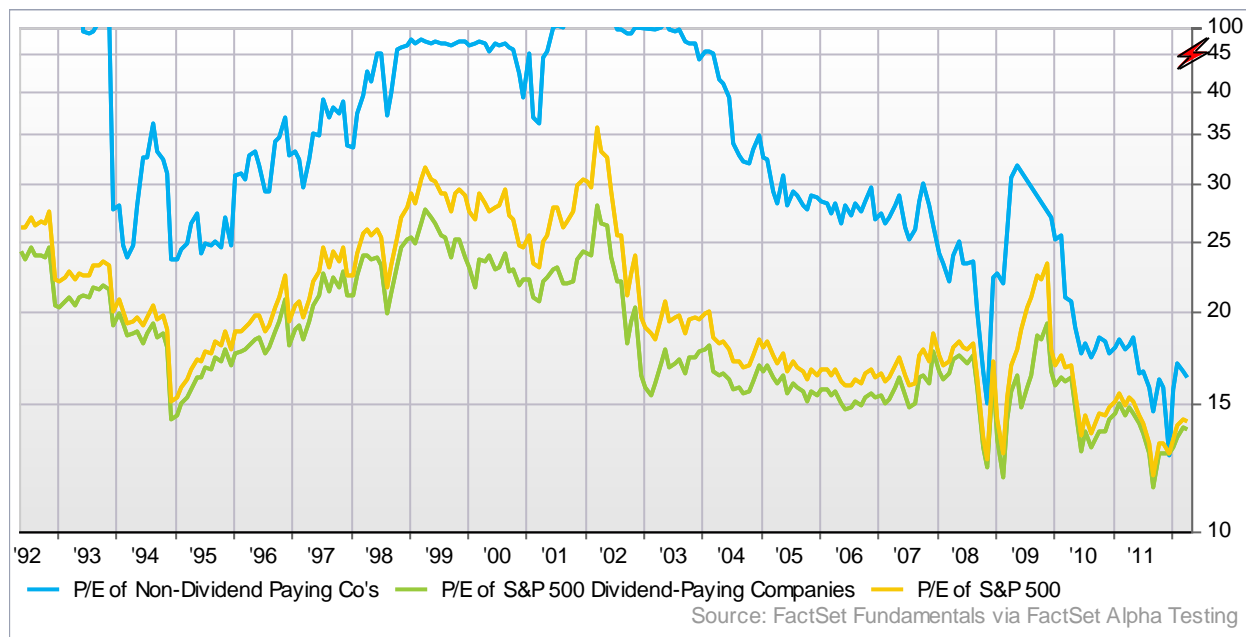


Key Metrics:

- + **Aggregate Dividends:** Aggregate dividend payments amounted to \$67.4 billion for Q1 2012 (April 2012). Over the trailing twelve months, \$255.9 billion have been paid out in dividends, which is a ten-year high. On a per-share basis, the aggregate dividend payment was \$27.70 per share, reflecting year-over-year growth of 15.0%. The Financials, Information Technology, and Consumer Discretionary sectors led all sectors in year-over-year growth on a per-share basis (33.2%, 26.8%, and 20.5%, respectively).
- + **Aggregate Payout Ratio:** The S&P 500 aggregate payout ratio amounted to 28.0% as of Q1 2012. This number is unchanged from last year, but is 11.9% below the ten-year monthly median. The Telecommunications Services (162.0%) and Utilities (60.6%) maintained the highest payout ratios for the ninth consecutive quarter. Losses reported by Verizon Communications Inc. and AT&T Inc. in Q4 have contributed to the Telecommunications Services payout ratio surpassing 100%.
- + **Aggregate Yield:** The S&P 500 aggregate dividend yield currently amounts to 2.1%. This yield is unchanged from the ten-year daily average but has increased 17.6% year-over-year. The Telecommunications Services and Utilities sectors lead all sectors with dividend yield of 4.8% and 4.0%, respectively.
- + **Valuation:** The price-to-earnings (P/E) valuation discount of dividend-paying stocks is at a relative low. As of April, the P/E valuation discount for dividend-payers relative to non-dividend stocks was only 244 basis points, which is well below the 20-year monthly median of 1,304 basis points.

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



Dividend Quarterly is one part of three reports ([Buyback Quarterly](#) and [Cash & Investments Quarterly](#)) analyzing cash and discretionary spending within the S&P 500. The other reports can be found at www.factset.com/insider/product_insight 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.

P/E Discount for Dividend-Paying Stocks at a Relative Low

The trailing price to earnings ratio (P/E) for dividend-paying stocks (13.85) trailed the P/E of non-dividend stocks (16.28) by only 243 basis points at the end of Q1 2012. This discount was substantially lower than the 20-year monthly median of 1,360 basis points. Excluding months when non-dividend stocks had a negative P/E ratio, the discount at the end of Q1 marked the third smallest in the past twenty years (though the five lowest have all occurred during the last twelve months). The smallest was at year-end 2011 and marked the only time that the P/E ratio of dividend-paying stocks was higher than that of non-dividend stocks.

Meanwhile, the P/E ratio of dividend-paying stocks was at a relative high versus the S&P 500 index (14.2). This ratio trails the P/E of the S&P 500 by only 35 basis points (bps), which is well short of the 20-year monthly median discount of 139 bps.

Decreasing Valuations for Non-Dividend-Paying Stocks

What is causing the relative drop in the P/E ratio of non-dividend stocks? Both a decline in market value and strong earnings growth has caused the P/E for non-dividend stocks to drop from 27.0 to 16.3 since year-end 2009. Over that period, the returns of non-dividend stocks (25.6%) have outstripped dividend-paying stocks (21.9%) on a market-capitalization weighted basis, but the decline in non-dividend stocks in the S&P 500 (from 133 to 100) has reduced the overall market capitalization of that group. Since 2009, non-dividend stocks in the S&P 500 have experienced an increase in market value of 17.4%, while dividend-paying stocks have increased their market value by 29.2%.

In addition, strong earnings growth from non-dividend stocks has further depressed their P/E ratio. Despite a reduced number of constituents, the 100 constituents at the end of Q1 2012 have 94.4% higher TTM earnings than the 133 constituents at the end of 2009. This compares to earnings growth of only 54.6% for dividend-paying stocks. However, the earnings of non-dividend stocks have been driven by only a handful of large constituents.

Earnings Growth Driven by Apple, Google, AIG

The largest contributors to the earnings growth of non-dividend stocks have been AIG, Google, and Apple—these three companies have increased dollar-value trailing twelve month (TTM) earnings by 685.6% since 2009. This earnings growth surpassed the share price appreciation for each company, causing a decline in their respective P/E ratios: Apple's fell from 26 to 14, Google's dropped from 30 to 16, and AIG is priced at only three times TTM earnings (their TTM earnings were negative at the end of 2009). In addition, the superior earnings growth of these three companies has resulted in their earnings representing over 50% (52.6%) of the earnings of non-dividend stocks (compared to 13% at the end of 2009). Excluding these three companies, earnings growth for non-dividend stocks would have been just 6.0%, and the P/E ratio of non-payers would have only fallen from 24.4 to 22.6 since year-end 2009. This would have resulted in an increase in the P/E premium (+96 bps) for non-dividend stocks, rather than the decline of 796 bps that occurred over the period.

Furthermore, due of the size of Apple, Google, and AIG, the impact of non-dividend-paying companies with high and growing valuations (e.g. Amazon.com, Citrix Systems, Red Hat, and salesforce.com) has been muted. The P/E ratios of these highly-valued companies have actually elevated the P/E premium for non-dividend stocks when using the average ratio of constituents with positive earnings (though the premium based on the median ratio has fallen).

Apple will jump into the dividend-paying group towards the end of this year, but the S&P 500's addition of Berkshire Hathaway's Class B stock in February of 2010 added another large and moderately valued (P/E ratio of 17) constituent to the non-dividend-paying group. After removing Apple from the non-dividend group, the P/E premium for non-dividend paying stocks would rise to 331 bps from 243, but this premium would likely continue to be relatively low and stable if Google, AIG, and Berkshire

Hathaway maintain their valuations. The earnings of these three companies amount to 49.0% of non-dividend stocks (ex-Apple) at Q1 2012.

Dividend Milestones for Q1 2012

Dividend-Paying Companies Greater than 400 (80% of the S&P 500)

The number of companies paying dividends in the S&P 500 continued to rise in Q1 2012. Overall, 400 companies paid a dividend in the trailing twelve months (TTM), marking the first time 80% or more companies paid TTM dividends since Q3 1999. As previously reported in the Q4 2011 “Dividend Quarterly”, an increasing number of dividend-paying companies in the Information Technology sector were largely accountable for the overall rise in dividend-payers. In addition, the sector also had the highest percentage of dividend-paying companies increasing their TTM payout. Of the 38 dividend-paying companies in this sector, 34 (89.5%) increased their TTM dividends per share since last quarter.

Record Dividend Cash Flows and Number of Companies Increasing per Share Payouts

At the index-level, Q1 2012 had the largest number of companies increasing TTM dividends per share in at least 20 years. Overall, 293 companies (58.6% of the index) increased their TTM dividends per share payout relative to last quarter. This represented a 14.0% improvement relative to last year and four more companies than the next highest period (Q1 of 2006). As a result of the uptick in dividend-paying stocks and the record number of companies increasing their dividend payouts, the trailing twelve month period ending Q1 2012 was the highest by dividend cash flows in ten years. Analysts are expecting this trend to continue—their one-year forward estimate for annual DPS is 12.9% above the trailing twelve month value. This is the largest gap between forward and trailing DPS in at least ten years (see chart on page 10).

Dividend Yield Back Above Ten-Year Treasury

The S&P 500 dividend yield is above the ten-year US Treasury yield for only the third period in twenty years. The dividend yield was previously above the ten-year Treasury yield for the four months prior to March of this year, and when stock yields spiked during the market crash from November of 2008 until April of 2009. While this phenomenon is largely a result of declining Treasury yields, the S&P 500 dividend yield is also relatively high at 2.1% (the ten-year median value is 1.9%).

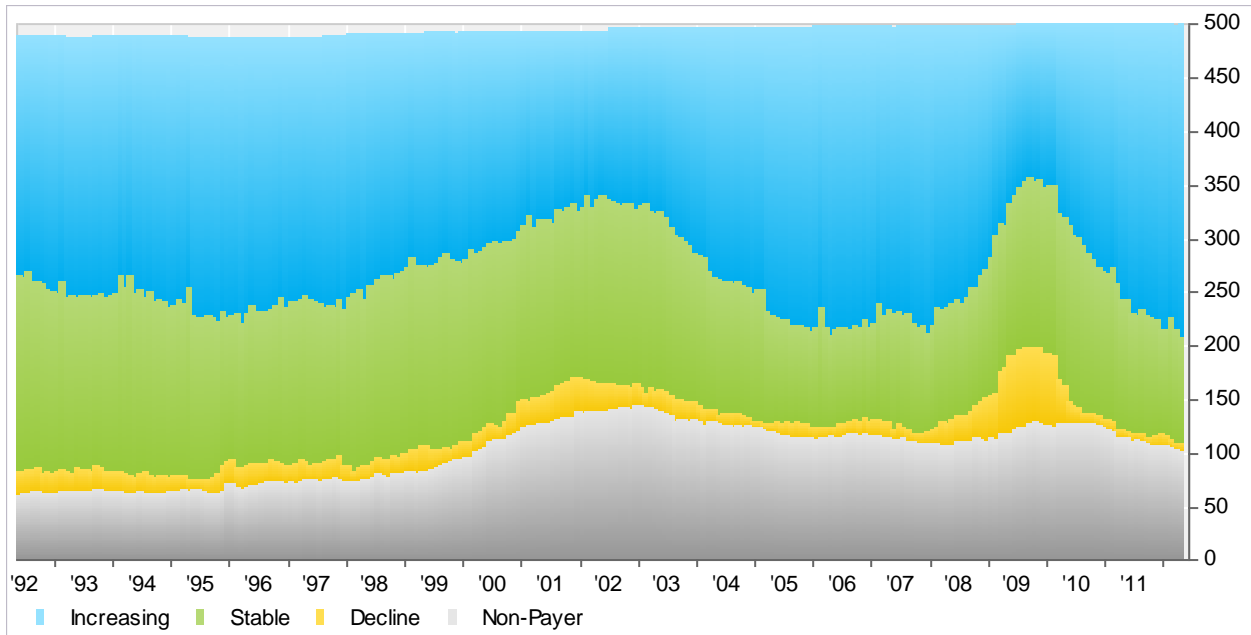
10-Year US Treasury Yield vs. S&P 500 Dividend Yield



Dividend Payout Practices

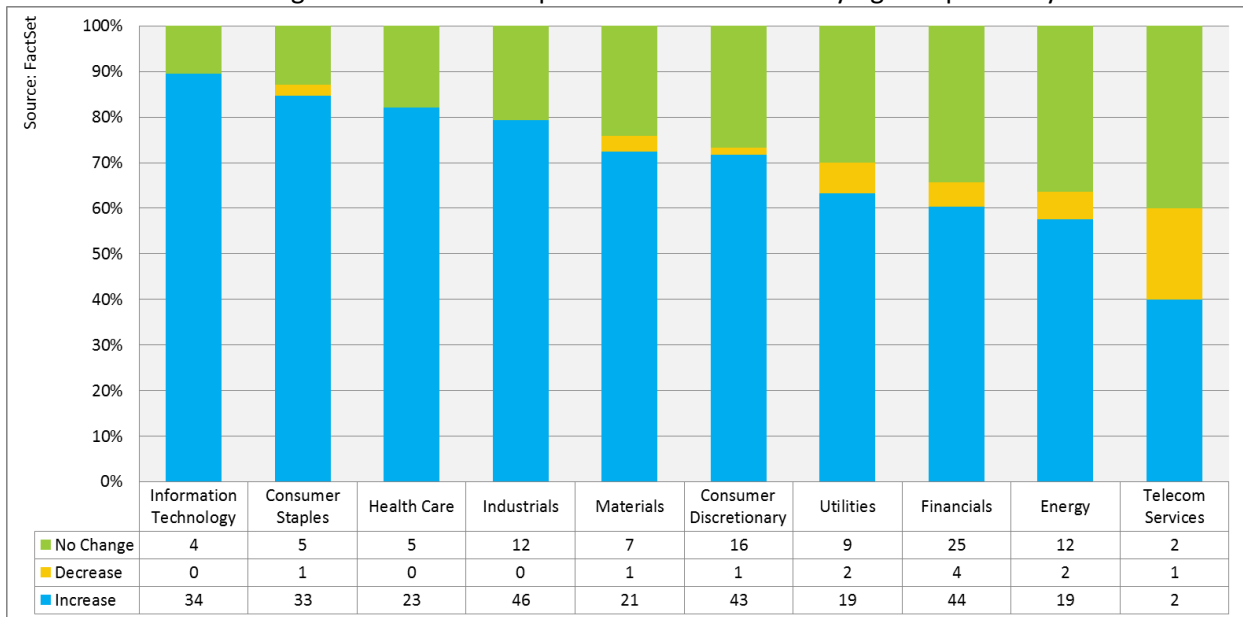
The top chart examines counts a time-series of the number of companies with trailing twelve month dividend payments that are above, below, or in-line with payments from the previous quarter. “Non-payers” are stocks that did not pay dividends in the trailing twelve months or the previous quarter’s trailing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

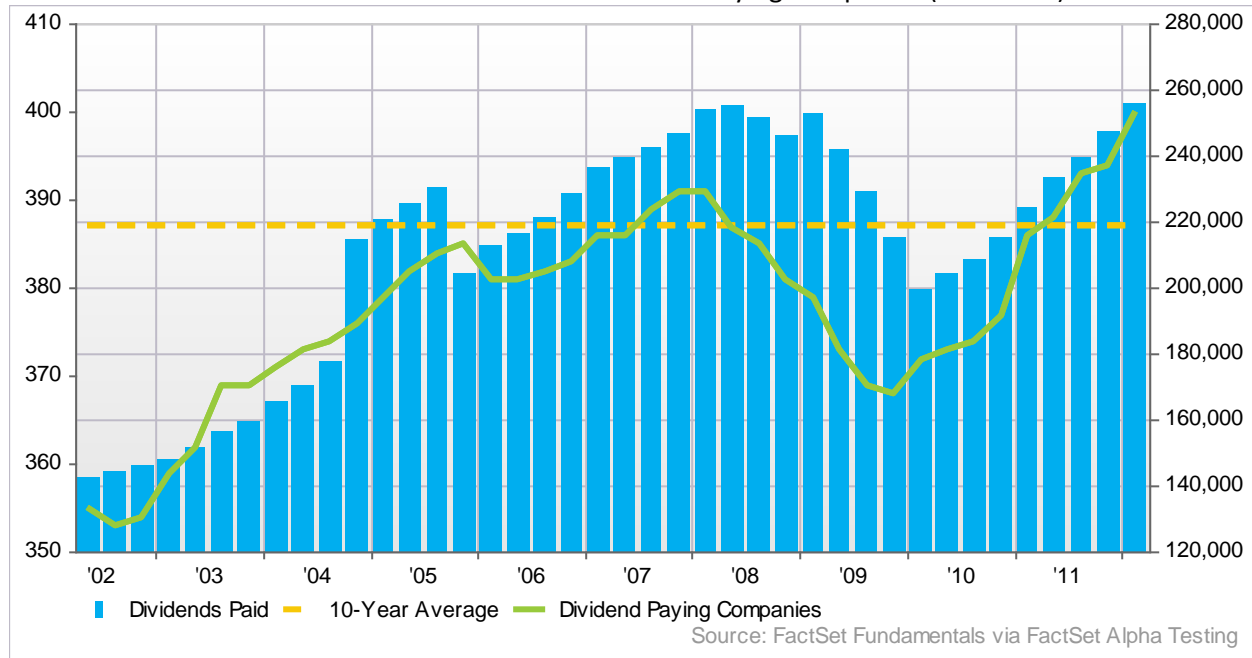
3-Month Change in TTM Dividends per Share of Dividend-Paying Companies by Sector



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.

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



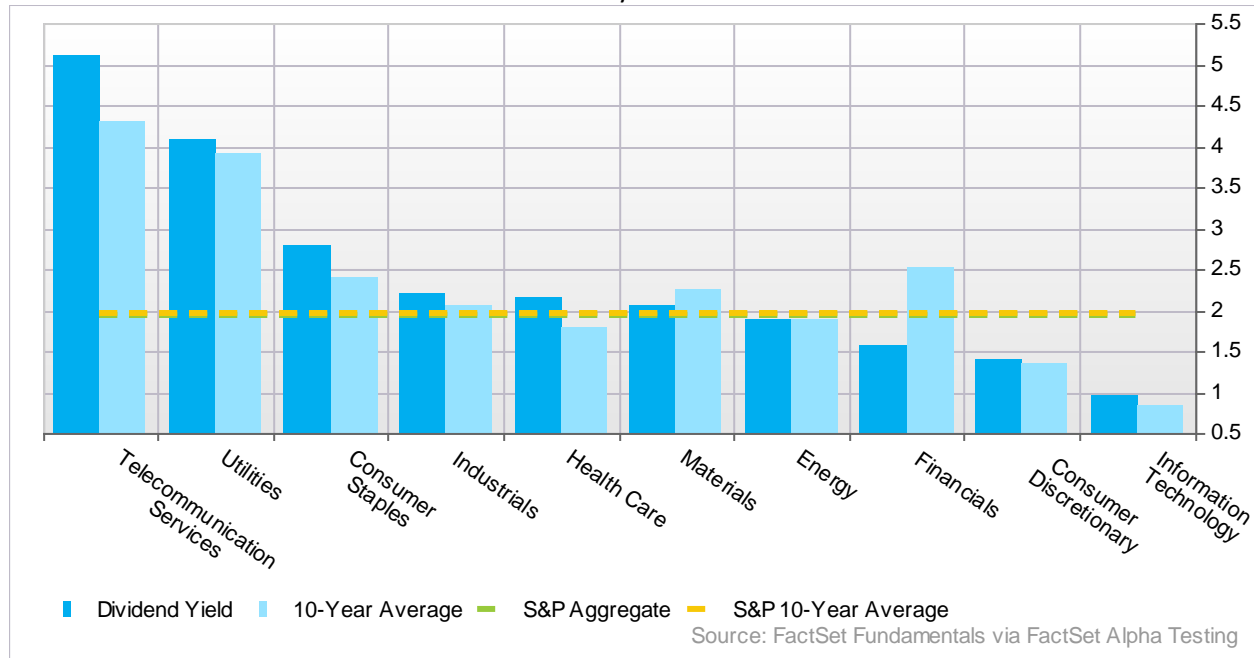
Top 10 Companies by Common and Preferred Dividends Paid (TTM Basis)

Company	Sector	Divs Paid (TTM)	Payout Ratio (ANN)	1 Yr Price Return	1 Yr Total Return
AT&T Inc.	Telecom Services	\$10,238	262.1%	13.9%	20.6%
Exxon Mobil Corp.	Energy	\$9,053	22.0%	2.9%	5.5%
General Electric Co.	Industrials	\$6,693	49.6%	6.7%	10.7%
Chevron Corp.	Energy	\$6,293	23.0%	(0.6%)	2.7%
Pfizer Inc.	Health Care	\$6,293	72.1%	12.1%	16.7%
Johnson & Johnson	Health Care	\$6,241	64.5%	0.8%	4.6%
Microsoft Corp.	Information Technology	\$6,057	22.7%	24.5%	27.9%
Procter & Gamble Co.	Consumer Staples	\$6,051	50.1%	(6.6%)	(3.5%)
Verizon Communications	Telecom Services	\$5,467	232.4%	22.3%	28.9%
Wal-Mart Stores Inc.	Consumer Staples	\$5,126	32.3%	27.0%	30.4%
S&P 500	-	\$276,672	27.9%	5.2%	7.3%

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 – Q1 2012



Top 10 Companies by Dividend Yield – Current

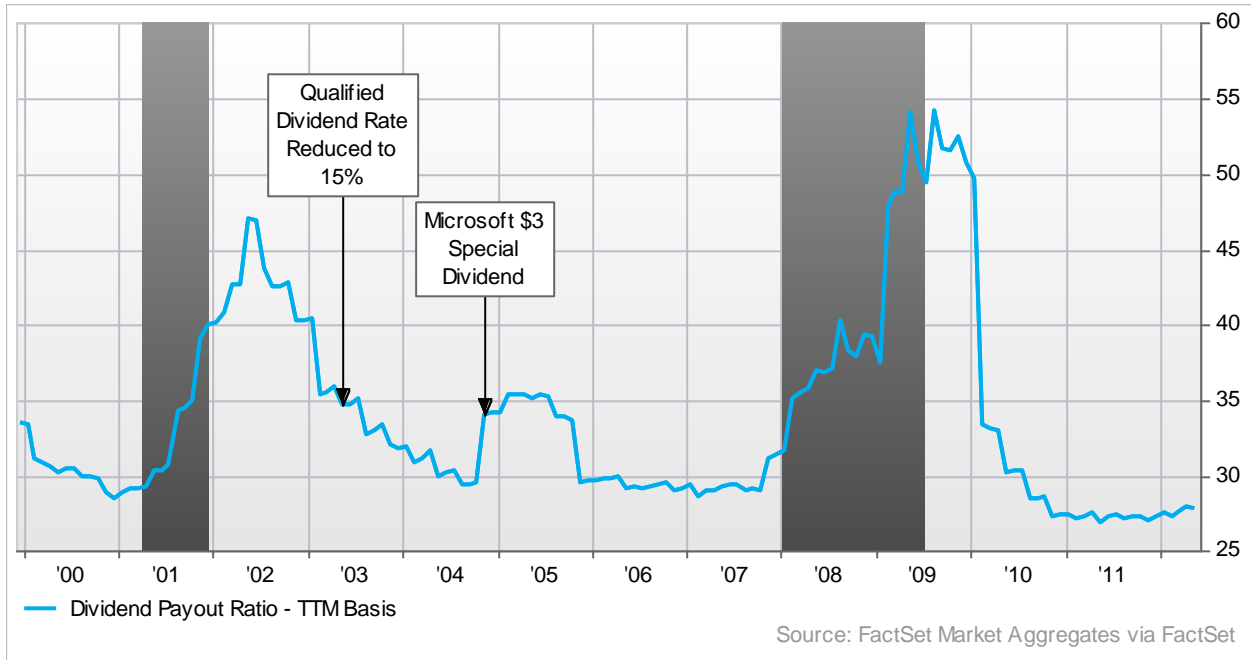
Company	Sector	Yield	DPS (TTM)	Payout Ratio (TTM)	1 Yr Total Return
Pitney Bowes Inc.	Industrials	10.1%	\$1.49	43.5%	(28.5%)
Gannett Co. Inc.	Consumer Discretionary	5.9%	\$0.40	22.3%	3.5%
Exelon Corp.	Utilities	5.7%	\$2.10	69.5%	(6.5%)
Pepco Holdings Inc.	Utilities	5.7%	\$1.08	93.9%	3.1%
Reynolds American Inc.	Consumer Staples	5.4%	\$2.18	96.0%	21.4%
Cliffs Natural Resources Inc.	Materials	5.2%	\$1.47	9.0%	(42.3%)
PPL Corp.	Utilities	5.2%	\$1.41	49.3%	6.4%
H&R Block Inc.	Consumer Discretionary	5.2%	\$0.70	63.7%	1.2%
Entergy Corp.	Utilities	5.0%	\$3.32	62.8%	2.0%
ConocoPhillips	Energy	4.9%	\$2.64	29.2%	(0.5%)
S&P 500	-	2.1%	\$28.00	27.9%	7.3%

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

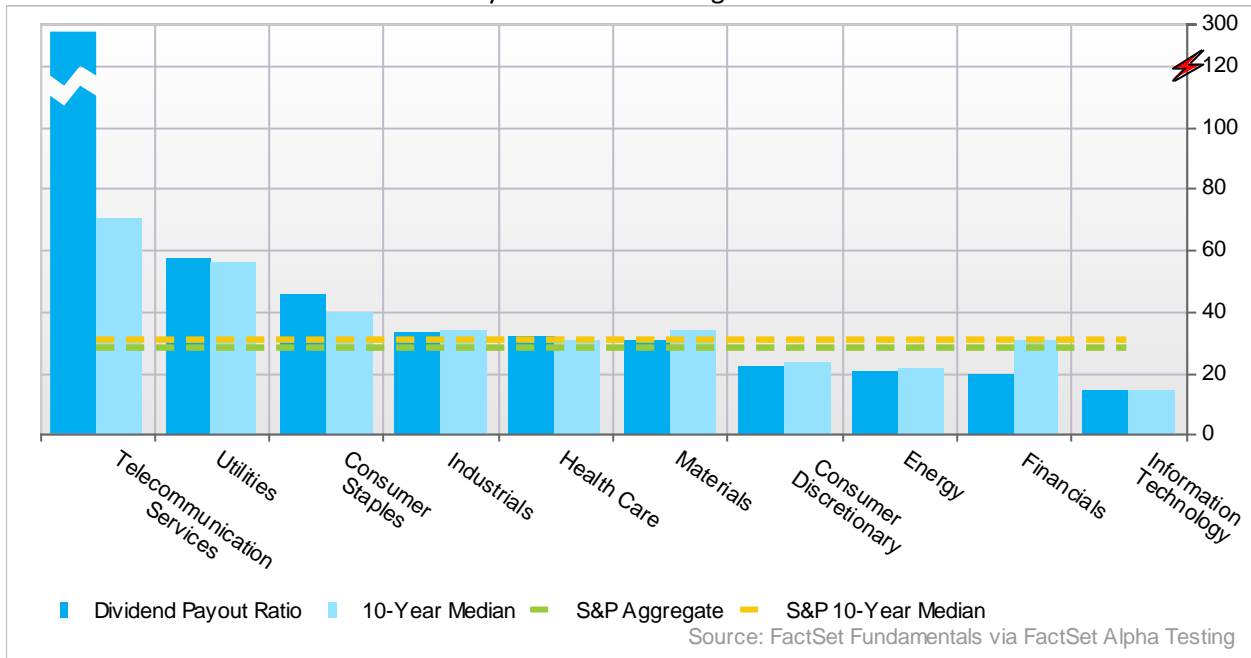
Dividend Payout Ratio:

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 Payout Ratio with Highlighted Recessionary Periods – Trailing Twelve Month Basis

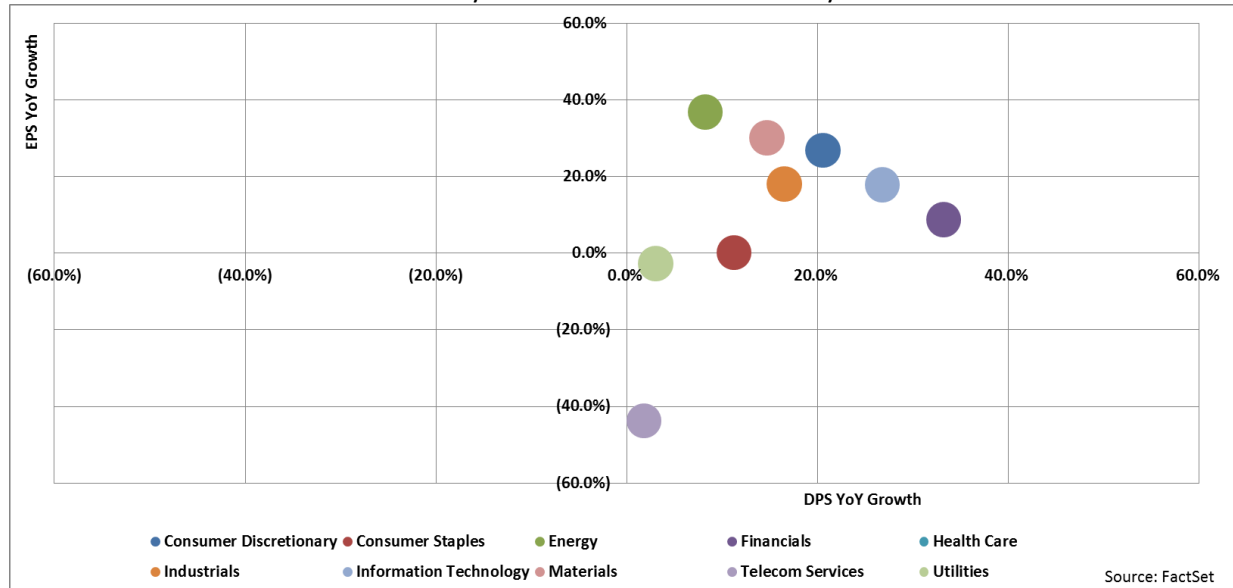


Dividend Payout Ratio – Trailing Twelve Months



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
Kinder Morgan Inc.	Energy	778.6%	(820.0%)	11.2%	4.0%
Kohl's Corp.	Consumer Discretionary	328.0%	12.0%	(12.6%)	3.0%
St. Jude Medical Inc.	Health Care	309.5%	(4.9%)	(20.4%)	2.4%
Interpublic Group Of Cos.	Consumer Discretionary	300.0%	84.9%	(8.9%)	2.3%
State Street Corp.	Financials	271.4%	21.3%	1.6%	2.2%
CA Inc.	Information Technology	252.9%	17.2%	21.0%	3.8%
Fifth Third Bancorp	Financials	233.3%	84.1%	9.6%	2.4%
Huntington Bancshares Inc.	Financials	225.0%	103.2%	2.5%	2.5%
JPMorgan Chase & Co.	Financials	162.5%	(1.5%)	(9.0%)	3.3%
Cliffs Natural Resources Inc.	Materials	161.6%	15.8%	(42.3%)	5.2%
S&P 500	-	14.3%	10.4%	3.7%	2.1%

**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
Western Union Co.	Information Technology	97.9%	14.1%	3.8%	2.4%
Limited Brands Inc.	Consumer Discretionary	85.0%	60.7%	68.7%	2.4%
Cablevision Systems Corp.	Consumer Discretionary	42.2%	N/A	9.1%	4.8%
Newmont Mining Corp.	Materials	35.7%	(26.9%)	7.9%	2.9%
Cliffs Natural Resources Inc.	Materials	33.9%	34.1%	29.3%	5.2%
CMS Energy Corp.	Utilities	32.6%	8.7%	30.0%	4.1%
Accenture PLC	Information Technology	31.0%	5.0%	25.5%	2.3%
KLA-Tencor Corp.	Information Technology	29.4%	33.7%	29.6%	2.9%
Union Pacific Corp.	Industrials	25.3%	14.0%	35.7%	2.1%
Walgreen Co.	Consumer Staples	24.5%	10.7%	2.0%	3.7%
S&P 500	-	(7.4%)	30.3%	14.3%	2.1%

Highest Growth in Annual Dividends per Share – 5 Year

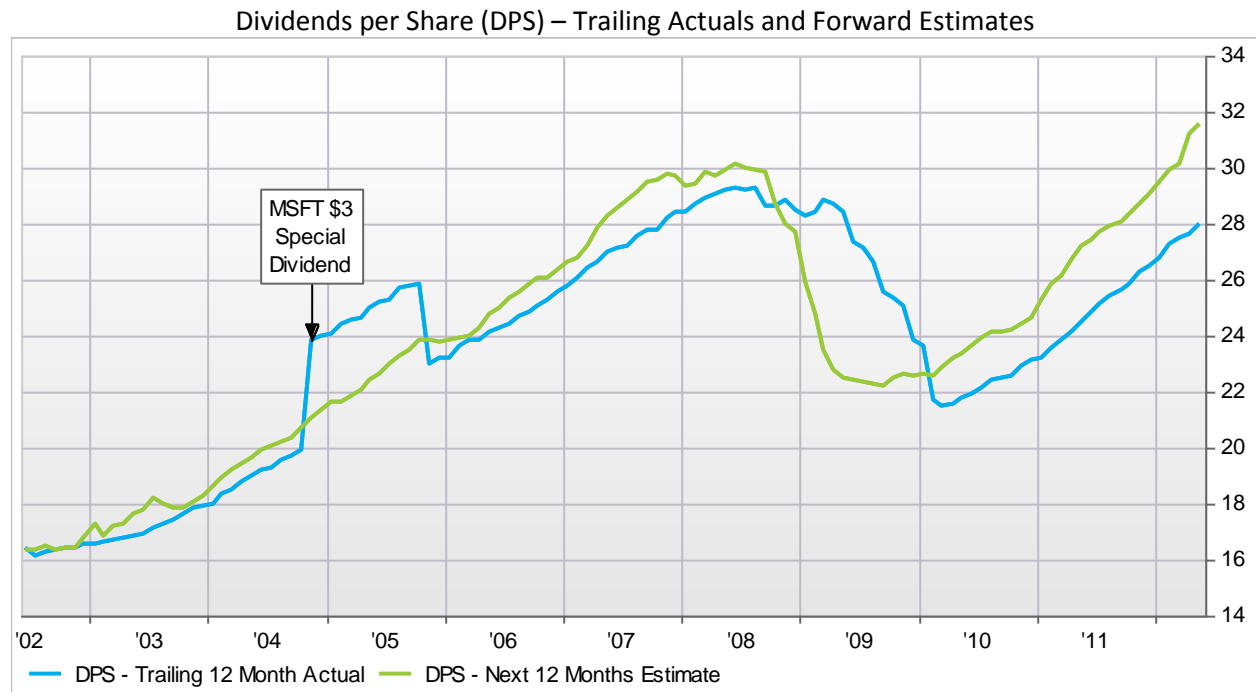
Company	Sector	5Yr Ann DPS Growth	5Yr Ann EPS Growth	5Yr Annualized Return	Yield
Western Union Co.	Information Technology	98.7%	9.1%	(3.4%)	2.4%
CenturyLink Inc.	Telecom Services	63.3%	(19.0%)	2.4%	7.5%
Limited Brands Inc.	Consumer Discretionary	44.7%	10.0%	16.9%	2.4%
Texas Instruments	Information Technology	33.9%	2.2%	(3.7%)	2.4%
CSX Corp.	Industrials	32.3%	12.2%	9.8%	2.6%
Cliffs Natural Resources Inc.	Materials	28.7%	34.6%	4.8%	5.2%
BlackRock Inc.	Financials	26.8%	26.2%	4.5%	3.5%
Union Pacific Corp.	Industrials	26.3%	17.9%	17.1%	2.1%
Accenture PLC	Information Technology	26.3%	14.1%	8.2%	2.4%
Tiffany & Co.	Consumer Discretionary	24.1%	13.6%	2.8%	2.5%
S&P 500	-	0.7%	1.8%	(2.3%)	2.1%

Highest Growth in Annual Dividends per Share – 10 Year

Company	Sector	10Yr Ann DPS Growth	10Yr Ann EPS Growth	10Yr Annualized Return	Yield
Waste Management Inc.	Industrials	63.4%	9.8%	4.2%	4.4%
Mattel Inc.	Consumer Discretionary	33.8%	11.9%	7.2%	3.8%
Cliffs Natural Resources Inc.	Materials	32.6%	N/A	31.3%	5.2%
CenturyLink Inc.	Telecom Services	30.7%	(7.8%)	6.9%	7.5%
Lowe's Cos.	Consumer Discretionary	29.9%	8.2%	3.2%	2.3%
Limited Brands Inc.	Consumer Discretionary	28.9%	8.5%	13.3%	2.4%
C.H. Robinson Worldwide	Industrials	27.6%	18.3%	14.4%	2.3%
McDonald's Corp.	Consumer Discretionary	27.4%	15.5%	14.7%	3.2%
Harris Corp.	Information Technology	27.3%	40.7%	10.5%	3.2%
Hasbro Inc.	Consumer Discretionary	25.9%	23.2%	10.8%	4.3%
S&P 500	-	4.6%	11.2%	3.0%	2.1%

* These screens exclude companies with 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 and Bottom 5 Companies by Difference in Trailing and 1-Year Mean Consensus DPS

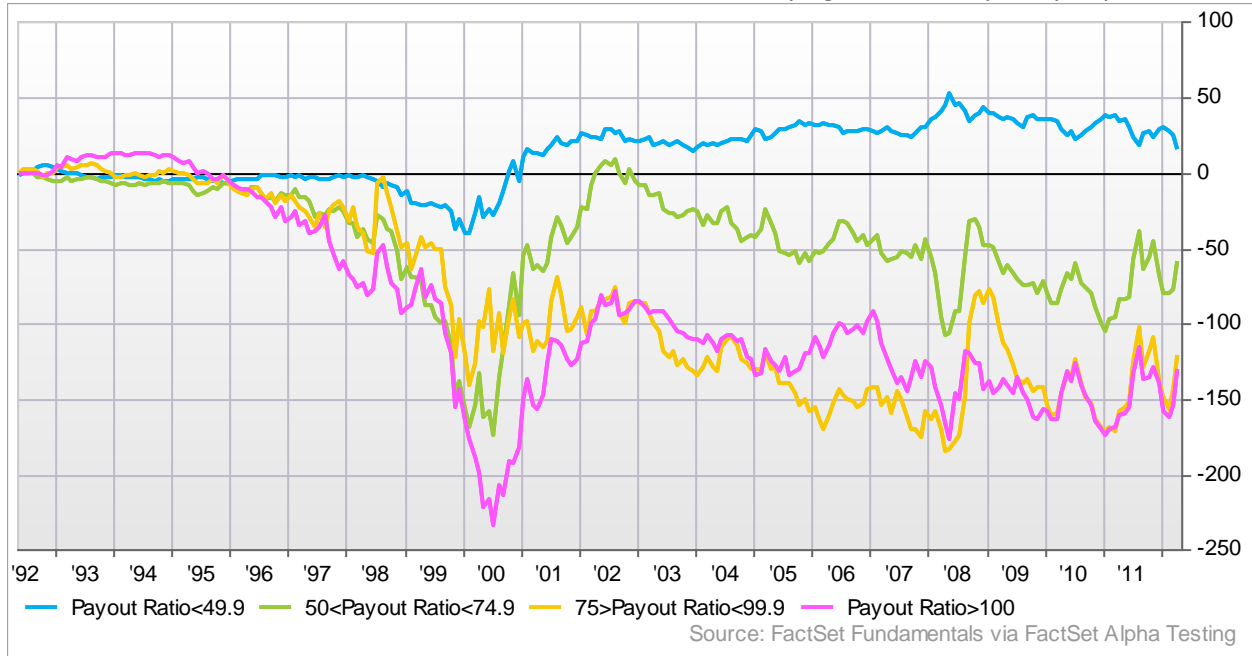
Company	Sector	DPS (TTM)	DPS Est. (NTM)	Proj'd Growth (%)	1 Yr Total Return
Citigroup Inc.	Financials	\$0.04	\$0.22	444.2%	(29.1%)
American Tower Corp	Financials	\$0.21	\$0.89	322.8%	31.9%
Agilent Technologies Inc.	Health Care	\$0.10	\$0.40	300.0%	(20.1%)
Thermo Fisher Scientific Inc.	Health Care	\$0.13	\$0.51	292.2%	(19.5%)
Amphenol Corp. CI A	Information Technology	\$0.15	\$0.43	186.7%	8.1%
Harman International Industries	Consumer Discretionary	\$0.30	\$0.00	(100.0%)	(14.2%)
Vulcan Materials Co.	Materials	\$0.52	\$0.04	(92.3%)	(9.0%)
Wynn Resorts Ltd.	Consumer Discretionary	\$7.00	\$2.08	(70.2%)	(17.6%)
Limited Brands Inc.	Consumer Discretionary	\$3.85	\$1.49	(61.3%)	21.8%
Frontier Communications Corp.	Telecom Services	\$0.66	\$0.40	(39.6%)	(43.9%)
S&P 500	-	\$28.00	\$31.82	13.6%	7.3%

20-Year Forward Performance: Dividend Practices

For all back tests, securities are market cap weighted to ensure that the effects of differences in security weighting between the model and the benchmark have a limited impact on historic, forward returns.

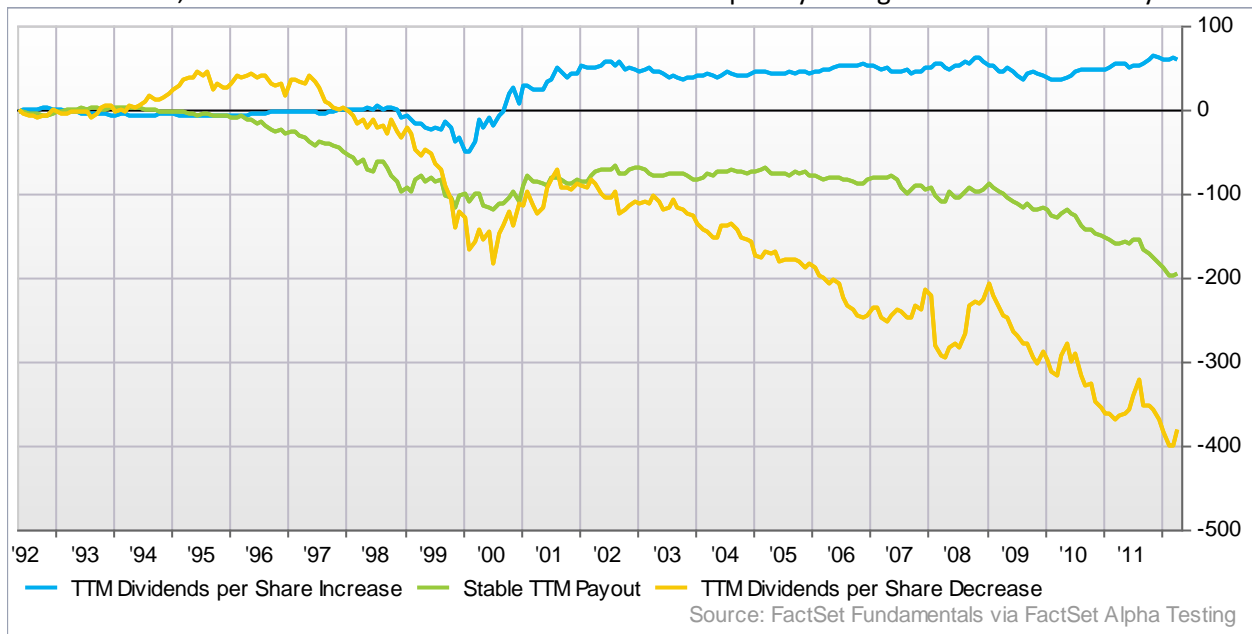
For this back test, S&P 500 companies were broken into groups by dividend payout ratio (TTM basis). The groups were formed after removing non-dividend paying companies from the universe.

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.

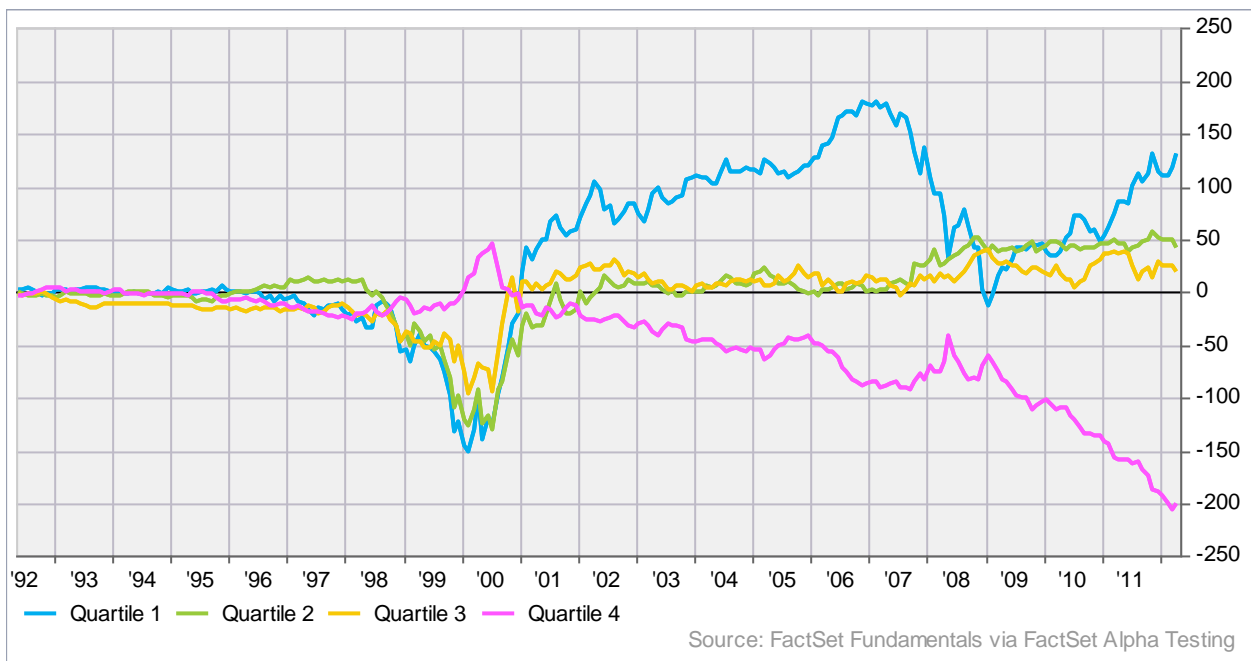
For this back test, S&P 500 companies were broken into two groups: those with positive TTM dividends per share those with no TTM dividends per share. This back test also showed that the group of dividend-paying stocks underperformed the S&P 500 Total Return index in nearly 70% of months when the index was had positive returns, and outperformed in over 70% of the months when the index was “down”.

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



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.

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



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