S&P Dow Jones Indices

A Division of S&P Global

Research

# S&P 500® Dividend Aristocrats®
## The Importance of Stable Dividend Income


**Contributors**

**Smita Chirputkar**
Director
Global Research & Design
smita.chirputkar@spglobal.com

**Aye M. Soe, CFA**
Managing Director
Global Research & Design
aye.soe@spglobal.com


## EXECUTIVE SUMMARY


- Dividends play an important role in generating equity total return. Since 1926, dividends have contributed approximately 32% of total return for the S&P 500, while capital appreciations have contributed 68%. Therefore, sustainable dividend income and capital appreciation potential are important factors for total return expectations.
- Companies use stable and increasing dividends as a signal of confidence in their firm's prospects, while market participants consider such track records as a sign of corporate maturity and balance sheet strength.
- The S&P 500 Dividend Aristocrats is designed to measure the performance of S&P 500 constituents that have followed a policy of increasing dividends every year for at least 25 consecutive years.
- The S&P 500 Dividend Aristocrats exhibits both capital growth and dividend income characteristics, as opposed to alternative income strategies that may be pure yield or pure capital-appreciation oriented.
- Across all of the time horizons measured, the S&P 500 Dividend Aristocrats exhibited higher returns with lower volatility compared with the S&P 500, resulting in higher Sharpe ratios.
- As of 2021, S&P 500 Dividend Aristocrats constituents included 65 securities, diversified across 11 sectors (see Exhibit 13 in the Appendix).
    - The constituents have both growth and value characteristics.
- The composition of the S&P 500 Dividend Aristocrats contrasts with that of traditional dividend-oriented benchmarks that have a steep value bias and have high exposure to the Financials and Utilities sectors. At each rebalancing, a 30% sector cap is imposed to ensure sector diversification.
- The S&P 500 Dividend Aristocrats follows an equal weight methodology.
    - This treats each company as a distinct entity, regardless of market capitalization.
    - This also eliminates single stock concentration risk.

## INTRODUCTION

*Dividends have interested market participants and theorists since the origins of modern financial theory.*

Dividends have interested market participants and theorists since the origins of modern financial theory. As such, many researchers have investigated the various topics related to dividends and dividend-paying firms. Previous studies by S&P Dow Jones Indices have shown that over a long-term investment horizon, dividend-paying constituents of the S&P 500 have outperformed the non-payers of dividends and the overall broad market on a risk-adjusted basis.[1]

*Dividend yield is a compensated risk factor and has historically earned excess returns over a market-cap-weighted benchmark.*

In recent years, the increasing amount of academic and practitioner research demonstrates that dividend yield is a compensated risk factor and has historically earned excess returns over a market-cap-weighted benchmark. When combined with other factors such as volatility, quality, momentum, value, and size, dividend yield strategies can potentially offer exposure to systematic sources of return.

In this paper, we show that dividend yield is an important component of total return. We also highlight pertinent characteristics of the S&P 500 Dividend Aristocrats, an index that seeks to measure the performance of the S&P 500 constituents that have increased their dividend payouts for 25 consecutive years. We show that the S&P 500 Dividend Aristocrats possesses desirable risk/return characteristics, offering higher risk-adjusted returns and downside protection than the broad-based benchmark. In addition, our analysis shows that the S&P 500 Dividend Aristocrats is sector diversified and displays growth and value characteristics.

## IMPORTANCE OF DIVIDENDS

### Dividends Contribute to 32% of Long-Term Total Return from Equity

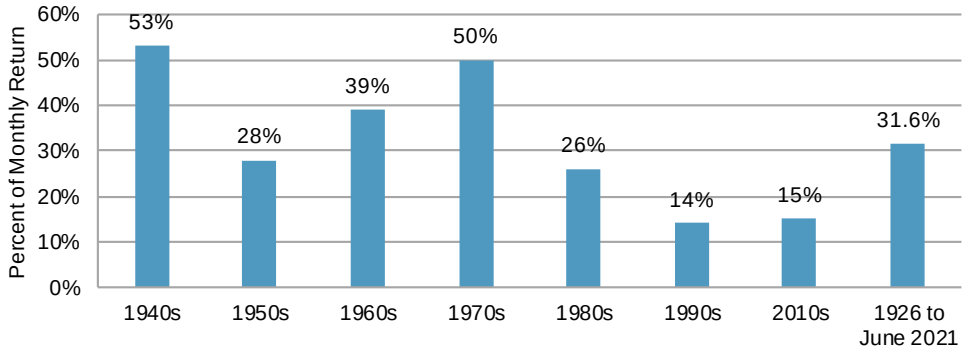
*In this paper, we show that dividend yield is an important component of total return.*

Historically, dividends have contributed approximately 32% of total return for the S&P 500. Exhibit 1 shows the contribution of dividends to the average monthly total return of the S&P 500 throughout several decades.[1] From 1926 to June 2021, dividend income constituted 32% of the monthly total return of the S&P 500, with the remaining portion coming from capital appreciation. In some decades, such as the 1940s and 1970s, dividend income accounted for more than one-half of total return, whereas during the 1990s, dividends accounted for as little as 14%. Exhibit 1 excludes dividend income during the 2000s, during which it comprised about 68% of total return.

[1] Soe, Aye, "Dividend Investing and a Look Inside the S&P Dow Jones Dividend Indices," September 2013, S&P Dow Jones Indices.

*In some decades, dividend income accounted for more than one-half of total return.*

**Exhibit 1: Dividend Income as a Percent of Monthly Total Return of the S&P 500[2]**




Source: S&P Dow Jones Indices LLC. Data from April 1926 to June 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

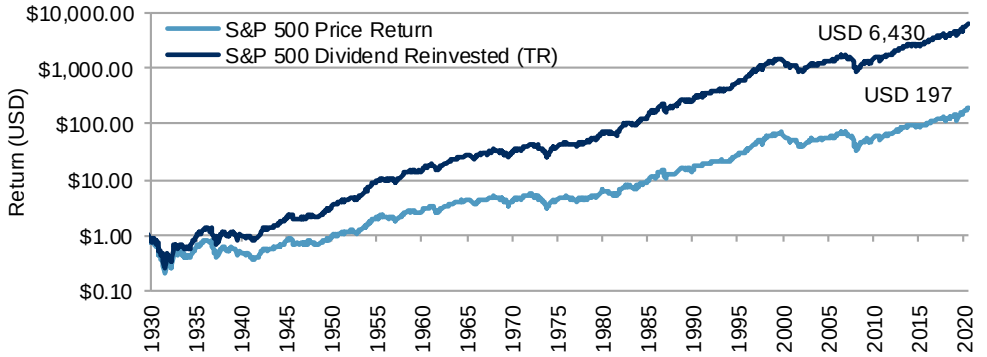
## Compounding Effect of Dividend Income

Another important aspect of dividends can be observed through the effect of compounding, as illustrated in Exhibits 2 and 3. Excluding dividends, a USD 1 investment made using the S&P 500 on Jan. 1, 1930, would have grown to USD 197 by the end of June 2021. During the same period, a USD 1 investment with dividends reinvested would have yielded USD 6,430.

Exhibit 3 plots this compounding effect for the S&P 500 over several time horizons. The plotted figures are averages for every continuous horizon, based on monthly data for the 50-year period ending June 30, 2021. It can be observed that the compounding effect increases as the time horizon lengthens, exhibiting a positive relationship between the two. For example, the annualized difference between the price return and the total return of the S&P 500 over every 10-year horizon, on average, amounts to nearly 78%.

*A USD 1 investment in 1930 with dividends reinvested would have yielded USD 6,430 by the end of June 2021.*

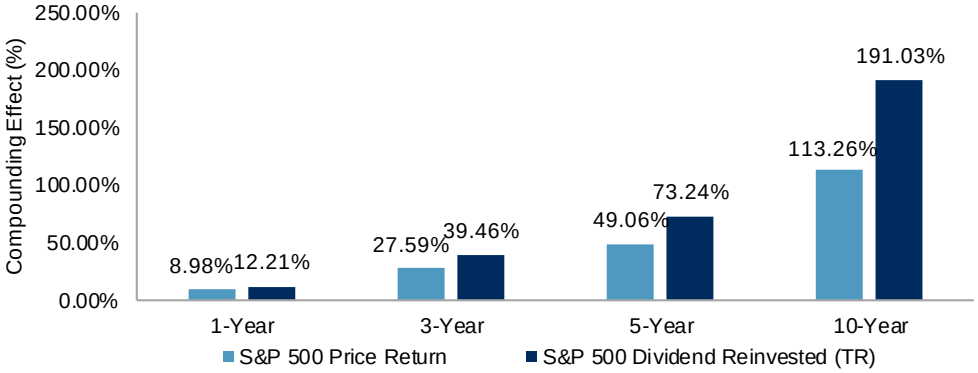
**Exhibit 2: S&P 500 Cumulative Growth of USD 1**




Source: S&P Dow Jones Indices LLC. Index performance based on price return and total return in USD. Data from January 1930 to June 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

[2] The S&P 500 did not actually have 500 stocks prior to 1957, and it was known as the S&P Composite Index. However, for simplicity's sake, we use the term "S&P 500" throughout this paper.

**Exhibit 3: Compounding Effect**




Source: S&P Dow Jones Indices LLC. Data from June 1971 to June 2021. Index performance based on price return and total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

*As the time horizon lengthens, the compounding effect increases.*

*The annualized difference between the price return and the total return of the S&P 500 over every 10-year horizon amounts to nearly 78%.*

## THE S&P 500 DIVIDEND ARISTOCRATS

Dividend growth has been intricately linked to equity valuation since John Burr Williams' Dividend Discount Model of the late 1930s. As noted, managers use stable and increasing dividends as a signal of their confidence in a firm's prospects. S&P Dow Jones Indices has been identifying stocks with a long history of consistent dividend increases (which it terms "dividend aristocrats") since the early 1970s. The S&P 500 Dividend Aristocrats is designed to measure stocks with a long track record of dividend growth. To be eligible, securities must meet the following criteria.

*Dividend growth has been intricately linked to equity valuation since the late 1930s.*

1. Be members of the S&P 500.
2. Have increased dividends for at least 25 consecutive years.

Constituents are equal weighted and re-weighted on a quarterly basis.

### Sector Diversification

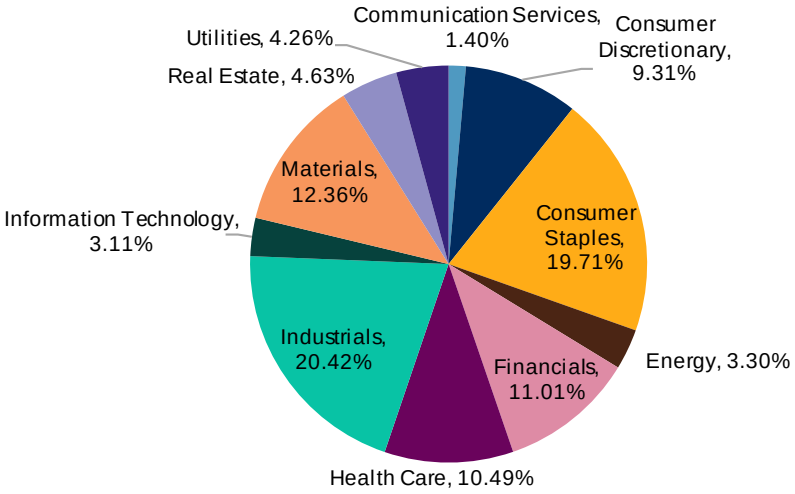
*Managers use stable and increasing dividends as a signal of their confidence in a firm's prospects.*

As of 2021, the S&P 500 Dividend Aristocrats constituents consisted of 65 securities, diversified across 11 sectors. Unlike many dividend-yield strategies, which tend to be concentrated in the Financials and Utilities sectors to achieve high yield, the S&P 500 Dividend Aristocrats is well diversified without any sector weighing more than 30% at the time of rebalance.[3] Exhibit 4 illustrates the sector diversification of the S&P 500 Dividend Aristocrats as of June 30, 2021.

[3] For further information about the rebalancing of the S&P Dividend Aristocrats, please see the S&P 500 Dividend Aristocrats Methodology.

*The S&P 500 Dividend Aristocrats is well diversified without any sector weighing more than 30% at the time of rebalance.*

**Exhibit 4: Sector Diversification of the S&P 500 Dividend Aristocrats**

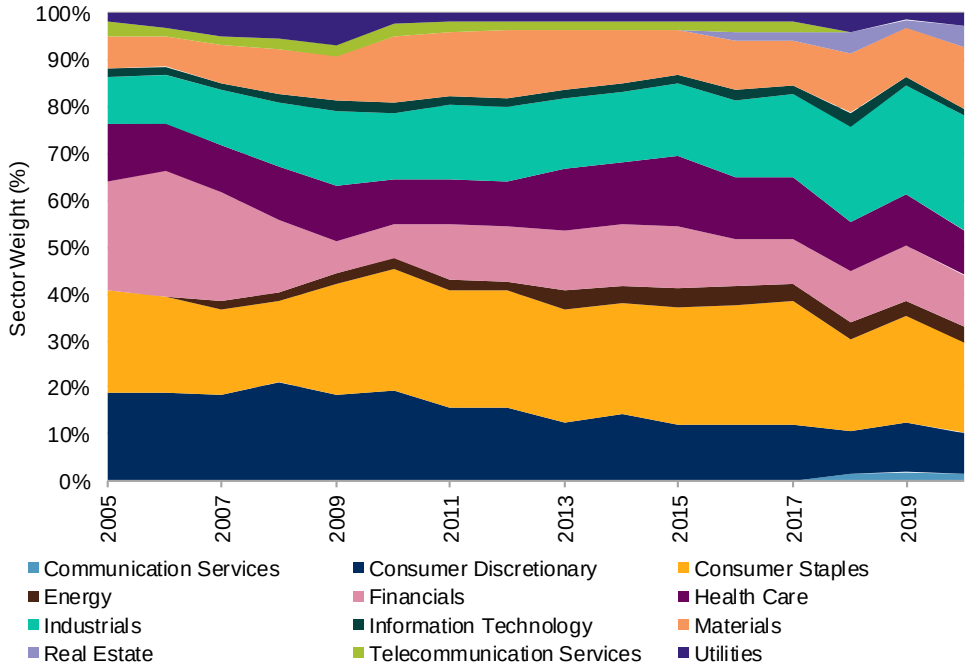



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Chart is provided for illustrative purposes.

As companies across sectors can exhibit a long track record of consistent dividend growth, the S&P 500 Dividend Aristocrats has drawn its constituents from a broad range of sectors throughout its history. Exhibit 5 charts the sector composition of the S&P 500 Dividend Aristocrats from December 2005 to December 2020.

*The S&P 500 Dividend Aristocrats has drawn its constituents from a broad range of sectors throughout its history.*

**Exhibit 5: Sector Composition of S&P 500 Dividend Aristocrats**




Source: S&P Dow Jones Indices LLC. Data from December 2005 to December 2020. Chart is provided for illustrative purposes.

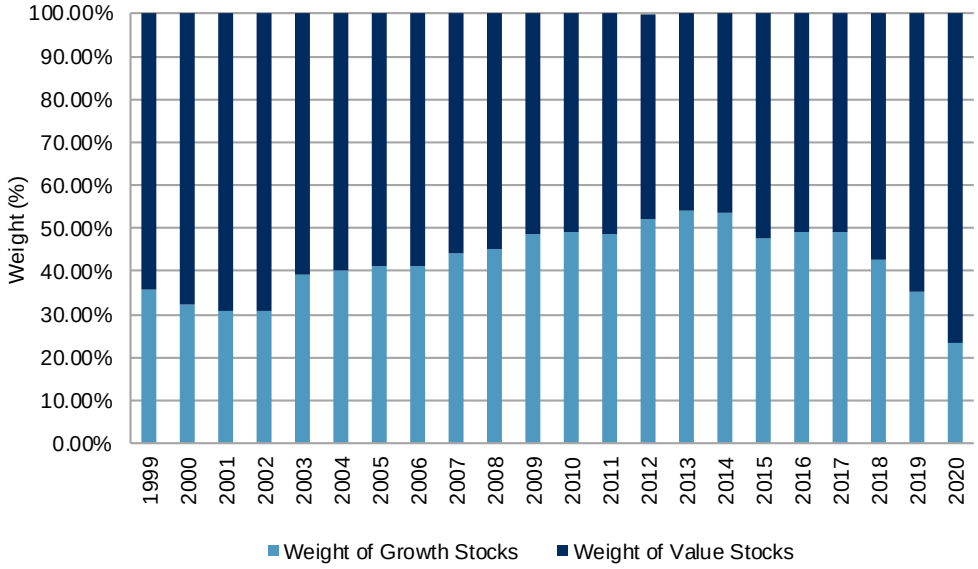
## The S&P 500 Dividend Aristocrats Has Growth and Value Characteristics

*Traditionally, income-seeking strategies tend to have heavy value characteristics…*

Traditionally, income-seeking strategies tend to have heavy value characteristics, as market participants tend to seek securities with high dividend yield and lower price multiples. The S&P 500 Dividend Aristocrats, on the other hand, exhibits both growth and value characteristics without any persistent heavy tilt toward a single style. Exhibit 6 illustrates the style breakdown of the index composition since 1999. On average, the index has 57.55% exposure to value and 42.44% exposure to growth.

*…however, on average, the S&P 500 Dividend Aristocrats has 57.55% exposure to value and 42.44% exposure to growth.*

**Exhibit 6: The Growth[4] and Value[5] Characteristics of the S&P 500 Dividend Aristocrats from 1999 to 2020**




Source: S&P Dow Jones Indices LLC. Growth and value characteristics based on the style weights for the S&P Global BMI Americas from year-end 1999 to December 2020. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

[4] The growth score is computed using the following three factors: 1) The three-year change in earnings per share over price per share; 2) The three-year sales per share growth rate; 3) Momentum (12-month percent of price change). The growth score for each company is computed as the average of the standardized values of the three growth factors.

[5] The value score is computed using the following three factors: 1) Price/book ratio; 2) Price/earnings ratio; 3) Price/sales ratio. The value score for each company is computed as the average of the standardized values of the three value factors.

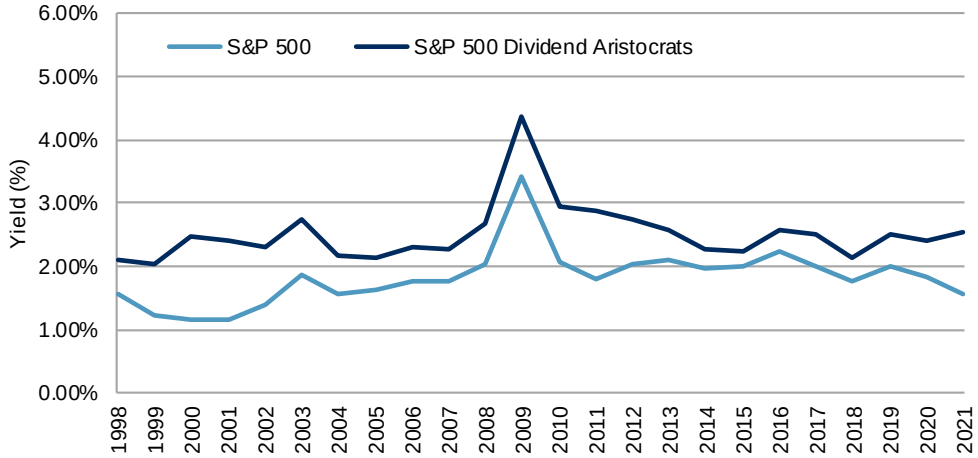
## Current and Historical Yield

*The ability to increase dividends for 25 consecutive years does not come at the expense of lower yield.*

The ability to increase dividends for 25 consecutive years does not come at the expense of lower yield. The S&P 500 Dividend Aristocrats has consistently delivered higher yields than its benchmark, the S&P 500, with yields in the range of 2.1%-2.9% over the 24-year period, as shown in Exhibit 7. The average yield of the index was 2.5%, while that of the S&P 500 was 1.8%.

*The index has consistently delivered higher yields than its benchmark.*

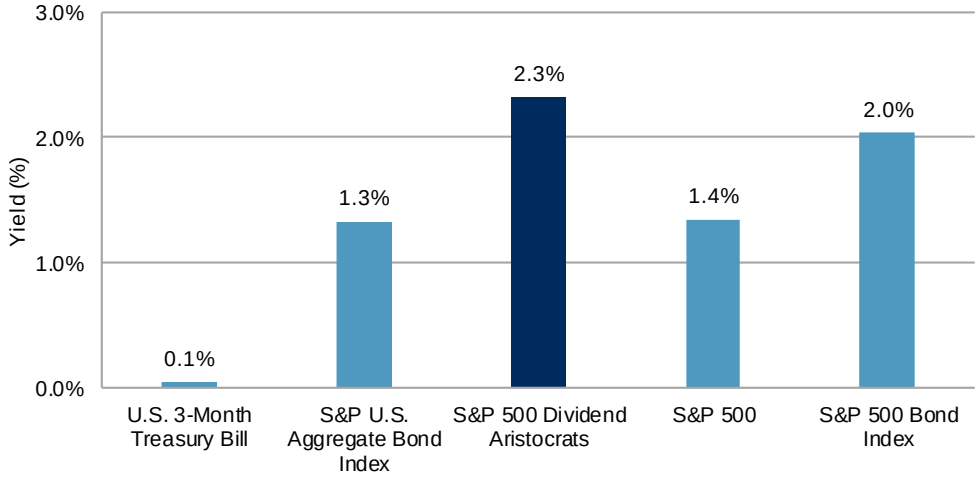
**Exhibit 7: Historical Yield of the S&P 500 Dividend Aristocrats versus the S&P 500**




Source: S&P Dow Jones Indices LLC. Data from January 1998 to January 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

*The average yield of the S&P 500 Dividend Aristocrats was 2.5%, while that of the S&P 500 was 1.8%.*

**Exhibit 8: Current Yields**




Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## Risk/Return Profile of the S&P 500 Dividend Aristocrats

Historically, the S&P 500 Dividend Aristocrats has outperformed the S&P 500 with lower volatility, as shown by higher Sharpe ratios, regardless of the time horizon being measured. Exhibit 9 compares the performance characteristics of the S&P 500 Dividend Aristocrats against those of the S&P 500. Exhibit 10 plots the historical annual performance of the S&P 500 Dividend Aristocrats against the S&P 500.

*The S&P 500 Dividend Aristocrats has outperformed the S&P 500 69.29% of the time in down months and 43.43% of the time in up months.*

The ability of the S&P 500 Dividend Aristocrats to provide downside protection can be seen in the upside and downside capture ratios. The S&P 500 Dividend Aristocrats has outperformed the S&P 500 69.29% of the time in down months and 43.43% of the time in up months. It should also be noted that the S&P 500 Dividend Aristocrats had a lower drawdown level compared with the benchmark index.

**Exhibit 9a: Average Outperformance over the S&P 500**

| AVERAGE MONTHLY OUTPERFORMANCE HISTORY | S&P 500 DIVIDEND ARISTOCRATS |
|---|---|
| All Months (%) | 52.12 |
| Up Months[6] (%) | 43.43 |
| Down Months[7] (%) | 69.29 |

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1990, to June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

*The S&P 500 Dividend Aristocrats provided an average excess return of 1.05% in down months over the broad-based benchmark.*

Further, the S&P 500 Dividend Aristocrats provided an average excess return of 1.05% in down months over the broad-based benchmark. We have observed that the S&P 500 Dividend Aristocrats had a market beta of 0.8 in the analysis period from Jan. 31, 1990, to June 30, 2021.

**Exhibit 9b: Average Excess Return over the S&P 500**

| AVERAGE EXCESS MONTHLY RETURN HISTORY | S&P 500 DIVIDEND ARISTOCRATS |
|---|---|
| All Months (%) | 0.12 |
| Up Months (%) | -0.36 |
| Down Months (%) | 1.05 |

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1990, to June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

[6] The up month is defined as a month when the return of the S&P 500 was positive.

[7] The down month is defined as a month when the return of the S&P 500 was negative.

*We have observed that the S&P 500 Dividend Aristocrats had a market beta of 0.8 in the analysis period.*

**Exhibit 9c: Risk/Return Characteristics**

| ANNUAL RETURN (%) | S&P 500 DIVIDEND ARISTOCRATS | S&P 500 |
|---|---|---|
| 1-Year | 38.1 | 40.8 |
| 3-Year | 16.3 | 18.7 |
| 5-Year | 13.6 | 17.6 |
| 10-Year | 14.5 | 14.8 |
| 15-Year | 11.7 | 10.7 |
| 20-Year | 11.0 | 8.6 |
| Since Inception | 12.3 | 10.6 |
| **ANNUAL VOLATILITY (%)** | | |
| 3-Year | 18.0 | 18.5 |
| 5-Year | 14.8 | 15.0 |
| 10-Year | 12.8 | 13.6 |
| 15-Year | 14.3 | 15.2 |
| 20-Year | 13.5 | 14.8 |
| Since Inception | 13.7 | 14.6 |
| **RISK-ADJUSTED RETURN** | | |
| 3-Year | 0.9 | 1.0 |
| 5-Year | 0.9 | 1.2 |
| 10-Year | 1.1 | 1.1 |
| 15-Year | 0.8 | 0.7 |
| 20-Year | 0.8 | 0.6 |
| Since Inception | 0.9 | 0.7 |

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1990, to June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

*The S&P 500 Dividend Aristocrats outperformed S&P 500 by an average of 0.74% per year.*

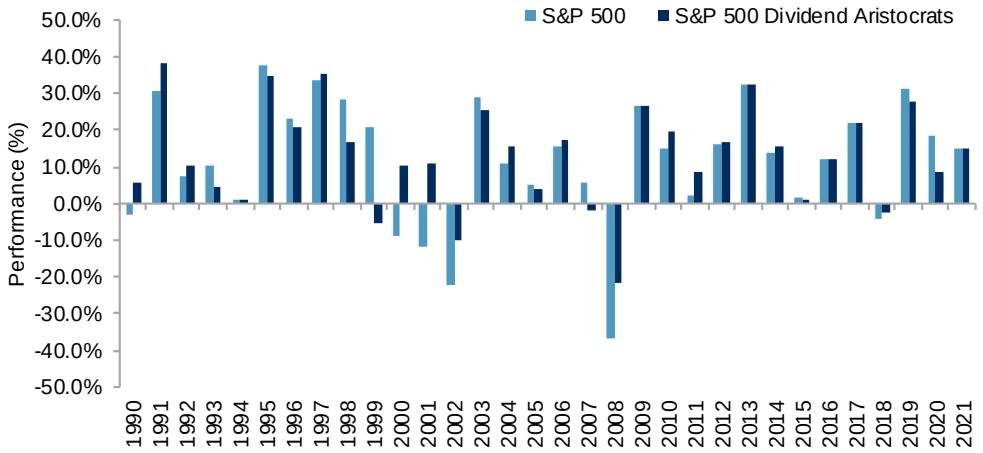
*The S&P 500 Dividend Aristocrats has delivered higher returns than the benchmark, and it has done so with lower volatility.*

**Exhibit 9d: Risk/Return Characteristics**

| RISK STATISTICS SINCE INCEPTION | S&P 500 DIVIDEND ARISTOCRATS | S&P 500 |
|---|---|---|
| Maximum Drawdown (%) | -44.1 | -50.9 |
| Best Monthly Return (%) | 14.4 | 12.8 |
| Worst Monthly Return (%) | -13.7 | -16.8 |
| Average Monthly Return (%) | 1.0 | 0.9 |
| Minimum Rolling 12-Month Return (%) | -34.9 | -43.3 |
| Maximum Rolling 12-Month Return (%) | 62.6 | 56.4 |
| Beta With Benchmark | 0.8 | 1.0 |
| Correlation With Benchmark | 0.9 | 1.0 |
| Sharpe Ratio | 0.7 | 0.5 |

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1990, to June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

**Exhibit 10: Historical Annual Performance**



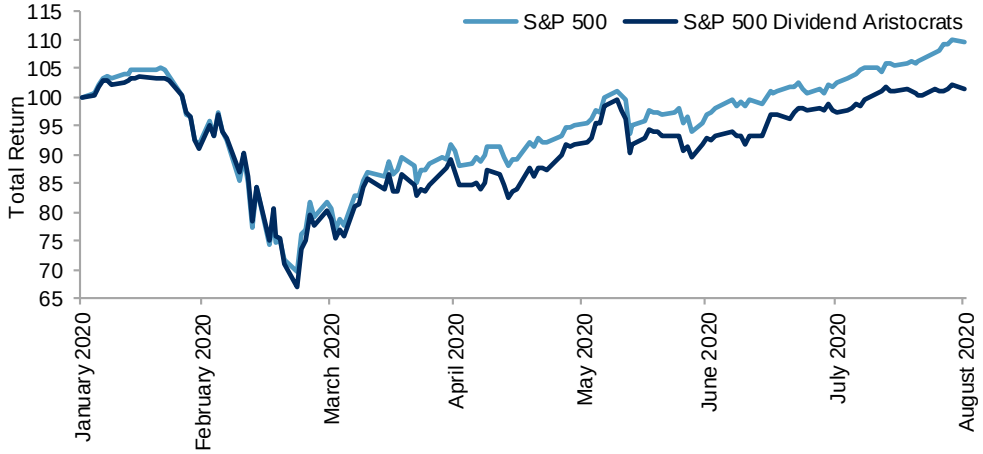

Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1990, to June 30, 2021. Past performance is no guarantee of future results. Index performance based on total return in USD. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

*During the COVID-19-induced market crash in March 2020, the S&P 500 Dividend Aristocrats and its benchmark both dropped about 34%...*

## Performance during COVID-19-Induced Market Plunge

The S&P 500 dropped 33.8% from its peak on Feb. 19, 2020, to reach the bottom on March 23, 2020, due to the COVID-19 pandemic. The S&P 500 Dividend Aristocrats dropped 35.2% during the same period. The S&P 500 gained 52.2% from March 23, 2020, to Aug. 12, 2020, to surpass the previous high reached on Feb. 19, 2020, while S&P 500 Dividend Aristocrats also gained 52.0% during the same period.

**Exhibit 11: Performance from Jan. 31, 2020, to Aug. 31, 2020**




Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 2020, to Aug. 31, 2020. Past performance is no guarantee of future results. Index performance based on total return in USD. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more

*…and when the market recovered the indices both surpassed the previous high, gaining about 52%.*

## Decomposition of Excess Returns

*Our analysis shows that the S&P 500 Dividend Aristocrats outperformed its benchmark, the S&P 500, by an average of 0.74% per year.*

Performance attribution attempts to explain the sources of a strategy's performance relative to its benchmark over a specified period of time. An attribution analysis typically breaks down the sources of a strategy's returns into three components: the allocation effect, the selection effect, and the interaction effect.[8]

In order to understand the return drivers behind the excess returns of the S&P 500 Dividend Aristocrats relative to its benchmark, we performed a holdings-based attribution analysis using the 17.5-year period from January 2004 to June 2021.[9]

Our analysis shows that the S&P 500 Dividend Aristocrats outperformed its benchmark, the S&P 500, by an average of 0.74% per year. The majority of the outperformance stems from the security selection plus the interaction effect, at 1.73 %, and the remaining -0.96% comes from the allocation effect. The results confirm that the fundamental characteristics of the constituents have been the major driver behind the outperformance.

*The majority of the outperformance stems from the security selection plus the interaction effect, at 1.73 %...*

*…and the remaining -0.96% comes from the allocation effect.*

**Exhibit 12: Attribution Analysis**

| YEAR | ALLOCATION (%) | SELECTION + INTERACTION (%) | TOTAL (%) |
|---|---|---|---|
| 2004 | 0.02 | 4.57 | 4.58 |
| 2005 | -1.74 | 0.55 | -1.19 |
| 2006 | 0.67 | 0.94 | 1.61 |
| 2007 | -4.99 | -3.07 | -8.06 |
| 2008 | -0.95 | 16.63 | 15.67 |
| 2009 | 2.21 | -2.22 | -0.02 |
| 2010 | 2.60 | 1.64 | 4.24 |
| 2011 | 0.99 | 5.22 | 6.21 |
| 2012 | 1.15 | -0.21 | 0.94 |
| 2013 | 0.65 | -0.84 | -0.19 |
| 2014 | -0.22 | 2.52 | 2.30 |
| 2015 | 0.12 | -0.55 | -0.43 |
| 2016 | -1.32 | 1.18 | -0.14 |
| 2017 | -1.99 | 1.89 | -0.10 |
| 2018 | -3.04 | 5.05 | 1.65 |
| 2019 | -3.54 | 0.03 | -3.51 |
| 2020 | -6.76 | -2.96 | -9.72 |
| 2021 | -1.14 | 0.69 | -0.46 |
| Average | -0.96 | 1.73 | 0.74 |

Source: S&P Dow Jones Indices LLC, FactSet. Data from Jan. 1, 2004, to June 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

[8] The allocation effect is the portion of a strategy's excess return attributable to the over or underweighting of securities in a particular grouping (country, sector, beta, etc.) relative to the benchmark. The selection effect is the portion of a strategy's excess return attributable to selecting different securities within each group from the benchmark. The interaction effect is the portion of a strategy's excess return attributable to combining the allocation effect with the selection effect.

[9] We used the Portfolio Analysis tool from FactSet for the attribution analysis. The holdings data in FactSet matched with that of the S&P Dow Jones Indices since 2004.

## CONCLUSION

*Dividends have been an important contributor to total return, in addition to providing a cushion during down markets.*

Dividends have been an important contributor to total return, in addition to providing a cushion during down markets. The S&P 500 Dividend Aristocrats, which is designed to measure the performance of blue-chip, high-quality companies that have increased their dividends for 25 consecutive years, has delivered higher returns than the broad-based, large-cap equity market, and it has done so with lower volatility. The decomposition of the index's excess returns over those of the benchmark also shows that a high percentage of the outperformance comes from security selection, highlighting that the fundamental characteristics of the index are the major return drivers.

# APPENDIX

**Exhibit 13: S&P 500 Dividend Aristocrats Constituents in 2021**

| NUMBER | TICKER | COMPANY | SECTOR |
|---|---|---|---|
| 1 | MMM | 3M Co | Industrials |
| 2 | AOS | A.O. Smith Corp | Industrials |
| 3 | AFL | AFLAC Inc | Financials |
| 4 | T | AT&T Inc | Communications |
| 5 | ABBV | AbbVie Inc. | Health Care |
| 6 | ABT | Abbott Laboratories | Health Care |
| 7 | APD | Air Products & Chemicals Inc | Materials |
| 8 | ALB | Albemarle Corp | Materials |
| 9 | AMCR | Amcor plc | Materials |
| 10 | ADM | Archer-Daniels-Midland Co | Consumer Staples |
| 11 | ATO | Atmos Energy Corp | Utilities |
| 12 | ADP | Automatic Data Processing | Information Technology |
| 13 | BDX | Becton Dickinson & Co | Health Care |
| 14 | BF.B | Brown-Forman Corp B | Consumer Staples |
| 15 | CAH | Cardinal Health Inc | Health Care |
| 16 | CAT | Caterpillar Inc | Industrials |
| 17 | CVX | Chevron Corp | Energy |
| 18 | CB | Chubb Limited | Financials |
| 19 | CINF | Cincinnati Financial Corp | Financials |
| 20 | CTAS | Cintas Corp | Industrials |
| 21 | CLX | Clorox Co | Consumer Staples |
| 22 | KO | Coca-Cola Co | Consumer Staples |
| 23 | CL | Colgate-Palmolive Co | Consumer Staples |
| 24 | ED | Consolidated Edison Inc | Utilities |
| 25 | DOV | Dover Corp | Industrials |
| 26 | ECL | Ecolab Inc | Materials |
| 27 | EMR | Emerson Electric Co | Industrials |
| 28 | ESS | Essex Property Trust | Real Estate |
| 29 | EXPD | Expeditors Intl of WA Inc | Industrials |
| 30 | XOM | Exxon Mobil Corp | Energy |
| 31 | FRT | Federal Realty Invt Trust | Real Estate |
| 32 | BEN | Franklin Resources Inc | Financials |
| 33 | GD | General Dynamics | Industrials |
| 34 | GPC | Genuine Parts Co | Consumer Discretionary |
| 35 | HRL | Hormel Foods Corp | Consumer Staples |
| 36 | ITW | Illinois Tool Works Inc | Industrials |
| 37 | IBM | Intl Business Machines Corp | Information Technology |

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Table is provided for illustrative purposes.

**Exhibit 13: S&P 500 Dividend Aristocrats Constituents in 2021 (cont.)**

| NUMBER | TICKER | COMPANY | SECTOR |
|---|---|---|---|
| 38 | JNJ | Johnson & Johnson | Health Care |
| 39 | KMB | Kimberly-Clark | Consumer Staples |
| 40 | LEG | Leggett & Platt | Consumer Discretionary |
| 41 | LIN | Linde plc | Materials |
| 42 | LOW | Lowe's Cos Inc | Consumer Discretionary |
| 43 | MKC | McCormick & Co | Consumer Staples |
| 44 | MCD | McDonald's Corp | Consumer Discretionary |
| 45 | MDT | Medtronic plc | Health Care |
| 46 | NEE | NextEra Energy Inc | Utilities |
| 47 | NUE | Nucor Corp | Materials |
| 48 | PPG | PPG Industries Inc | Materials |
| 49 | PNR | Pentair PLC | Industrials |
| 50 | PBCT | People's United Financial Inc | Financials |
| 51 | PEP | PepsiCo Inc | Consumer Staples |
| 52 | PG | Procter & Gamble | Consumer Staples |
| 53 | O | Realty Income Corp | Real Estate |
| 54 | ROP | Roper Technologies, Inc | Industrials |
| 55 | SPGI | S&P Global Inc | Financials |
| 56 | SHW | Sherwin-Williams Co | Materials |
| 57 | SWK | Stanley Black & Decker | Industrials |
| 58 | SYY | Sysco Corp | Consumer Staples |
| 59 | TROW | T Rowe Price Group Inc | Financials |
| 60 | TGT | Target Corp | Consumer Discretionary |
| 61 | VFC | VF Corp | Consumer Discretionary |
| 62 | GWW | W.W. Grainger Inc | Industrials |
| 63 | WBA | Walgreens Boots Alliance Inc | Consumer Staples |
| 64 | WMT | Walmart Inc. | Consumer Staples |
| 65 | WST | West Pharmaceutical Services Inc | Health Care |

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Table is provided for illustrative purposes.

# PERFORMANCE DISCLOSURE/BACK-TESTED DATA

The S&P 500 Dividend Aristocrats was launched on May 2, 2005. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at http://www.spglobal.com/spdji/. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US $100,000 investment for a 12-month period (or US $10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US $1,650), the net return would be 8.35% (or US $8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US $5,375, and a cumulative net return of 27.2% (or US $27,200).

# GENERAL DISCLAIMER