

Why dividend investing?

Dividend investing has the potential to provide attractive long-term total return and relatively consistent income—even when fixed-income yields are low and the broader market is volatile. But not all dividends are the same. Learn what to look for when selecting a dividend strategy.

1. Dividends and dividend growth have fueled total return* — S&P 500 1926-2020

Look for a strategy with a history of dividend growth. Long-term total return has been driven mostly by dividends and dividend growth, with the smallest component coming from valuation changes.

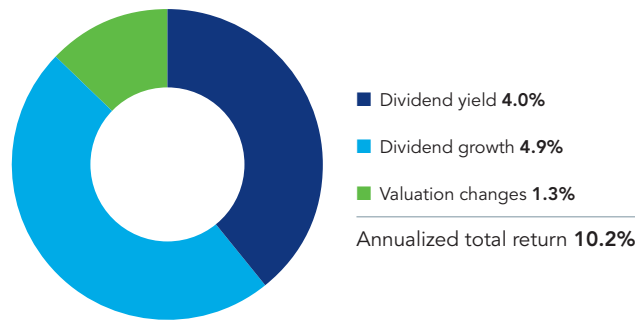
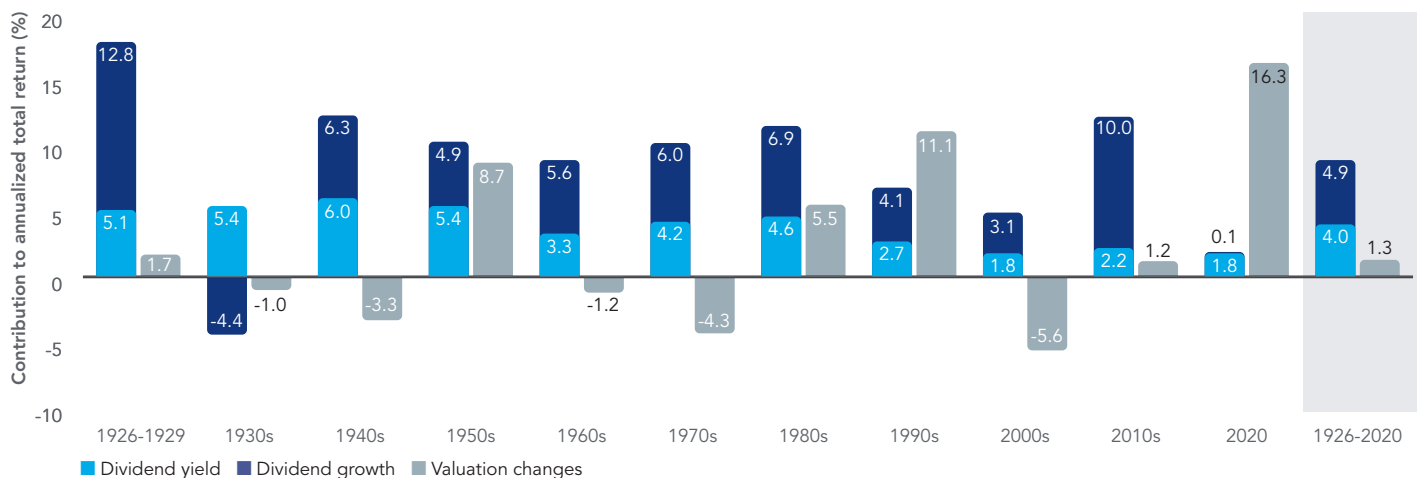


Chart represents the components of the annualized total return from 1/1/26 to 12/31/20.

2. Dividends have bolstered total return even in down markets*

Consider a strategy that invests in companies with long histories of paying dividends and an ability and a commitment to continue to pay dividends even in challenging markets.



Graph represents 1/1/26 to 12/31/20.

*Sources: Robert Shiller database, Yale University, <http://www.econ.yale.edu/~shiller/data.htm> and Federated Hermes, Inc. Stocks are represented by the S&P Composite Stock Price Index and its dividend-paying and non-dividend-paying components.

Dividend yield referenced in these charts is calculated by taking the compound annual growth rate minus the capital appreciation.

Dividend growth is the increase of a security's annual dividend distribution to shareholders over a period of time.

Valuation changes refer to price changes that were not directly tied to or accounted for in dividend growth, but that resulted from underlying changes in fundamentals.

These charts are for illustrative purposes only and are not representative of the performance of any particular investment.

Past performance is no guarantee of future results.

Not FDIC Insured • May Lose Value • No Bank Guarantee

3. Dividends offer the potential for long-term outperformance with lower volatility

Seek a strategy focused on investing in companies with long histories of paying attractive dividends. Maintaining dividend payments over time can indicate that a company is shareholder-friendly, has strong cash flow and other attractive characteristics that can fuel long-term returns.

Companies with long histories of paying and increasing dividends produced attractive returns with lower volatility than the broad stock market

	Average annual return (%)			Standard deviation (volatility) (%)		
	10-year	15-year	20-year	10-year	15-year	20-year
S&P 500 Dividend Aristocrats® Index¹	13.68	11.16	10.47	12.63	14.14	13.39
S&P 500 Index²	13.88	9.88	7.47	13.54	15.12	15.08

Trailing 12-month dividend yield (%)

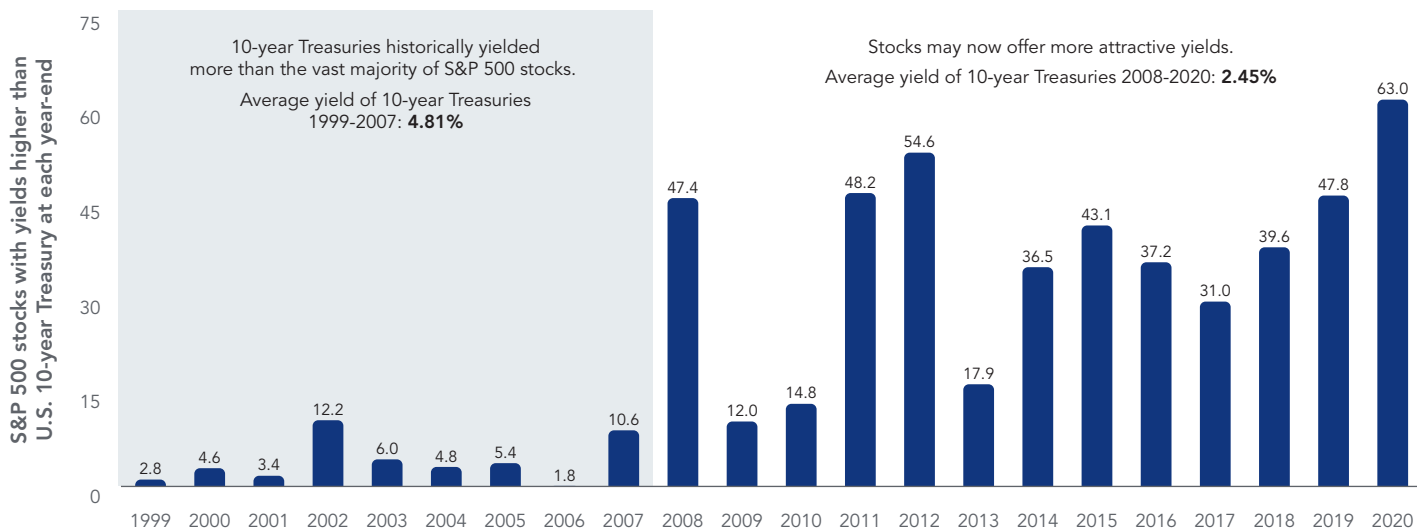
	12/31/00	12/31/05	12/31/10	12/31/20
S&P 500 Dividend Aristocrats® Index¹	2.37	2.31	2.82	2.47
S&P 500 Index²	1.20	1.80	1.88	1.57

As of 12/31/20. Sources: S&P, Bloomberg, Morningstar, Inc.

4. Dividends can offer an attractive alternative in a low-rate environment

Look for a strategy with active managers who seek out companies with a history of providing investors with a steady and increasing dividend income regardless of yield trends. Dividends can provide crucial income in a low-yield environment.

Percent of S&P 500 stocks with dividend yields greater than U.S. 10-year Treasury (%)



As of 12/31/20. Graph shows the percent of stocks in the S&P 500 Index that had higher dividend yields than the U.S. Treasury yield as of each year-end. For example, as of 12/31/20 the U.S. Treasury yield was 0.93% and there were 315 stocks in the S&P 500 with higher dividend yields.

Sources: Strategas Research Partners, Federal Reserve Bank of St. Louis.

There is no guarantee that dividend-paying stocks will continue to pay dividends. In addition, dividend paying stocks may not experience the same capital appreciation potential as non-dividend paying stocks. Investing involves risk, including possible loss of principal.

¹ **S&P 500 Dividend Aristocrats® Index** measures the performance of S&P 500 companies that have increased dividends every year for the last 25 consecutive years. The Index treats each constituent as a distinct investment opportunity without regard to its size by equally weighting each company.

² **S&P 500 Index** is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Performance is for a selected time period. Other time periods may have different results. This example does not show the tax consequences of each type of investment. Stocks offer higher growth potential, but their prices are more volatile than those of bonds.

Stocks are represented by Standard & Poor's Composite Index of 500 Stocks, an unmanaged index that is generally considered representative of the U.S. stock market.

These charts are for illustrative purposes only and are not representative of performance for any specific investment. Actual investments cannot be made in an index.

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