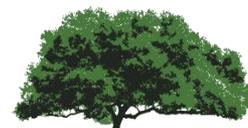


DIVIDEND GROWTH: YIELD ON COST



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

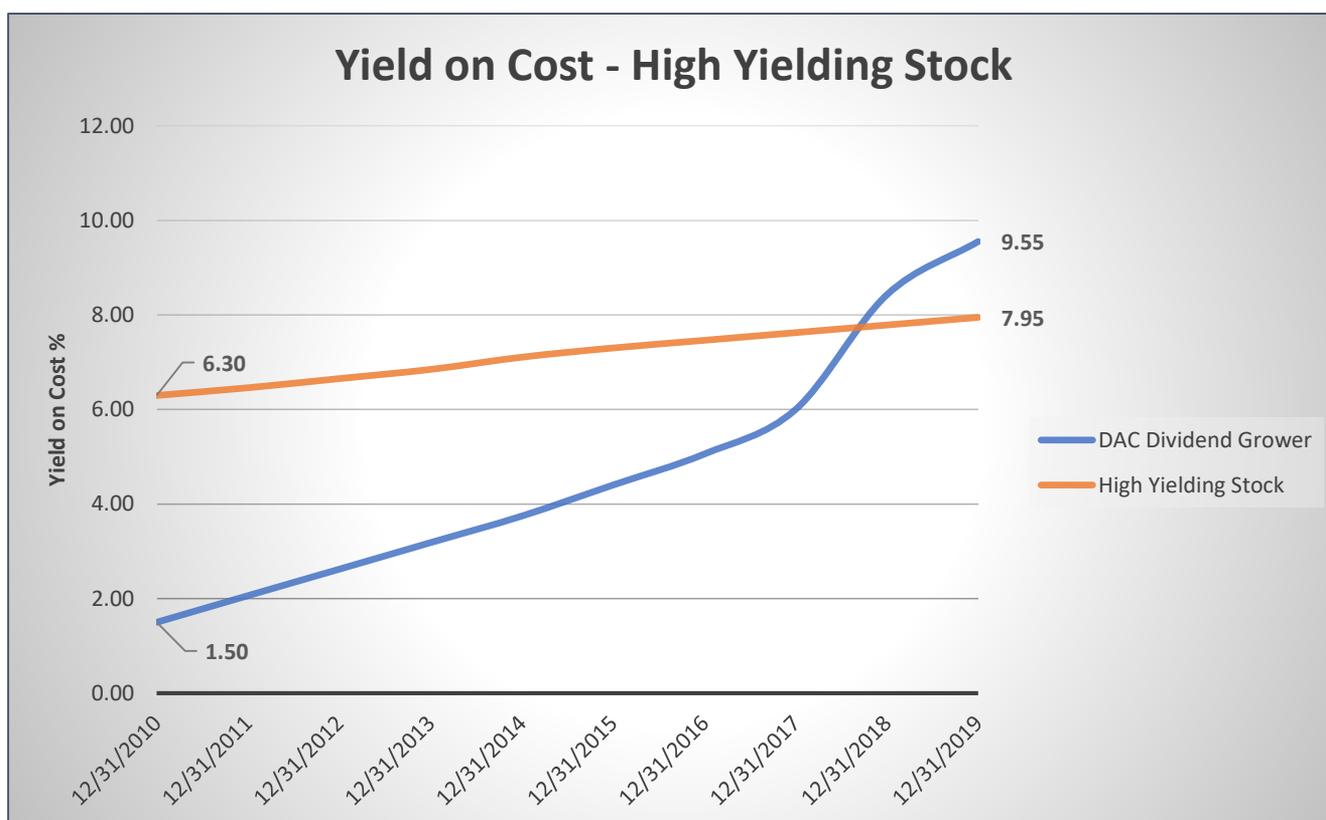
CLARITY. POWER. SIMPLICITY

Dividend Assets Capital believes that dividend growth is one of the best indicators of future price performance of a stock. When dividends are paid consistently, at an increasing rate over the long-term, this is likely to exert a positive movement of price performance. We can illustrate how this dividend growth may affect the investment outcome of various dividend paying stocks simply by comparing their 10-year “Yield On Cost.”

Example 1

Higher Yielding Stock (“HYS”) vs. Lower Yielding DAC Growth Stock (“LYS”) - on 12/31/2010, HYS had a dividend yield of 6.30% and LYS had a dividend yield of 1.50%, a 480 basis point difference. 10 years later, as of 12/31/2019, LYS’s Yield On Cost was 9.55%, 160 basis points higher than HYS’s. The initial yield gap was eliminated because LYS’s price had appreciate 636% in those 10 years vs. HYS’s stock price appreciation of just 72%.

Yield On Cost: High Yelder vs. Low Yelder

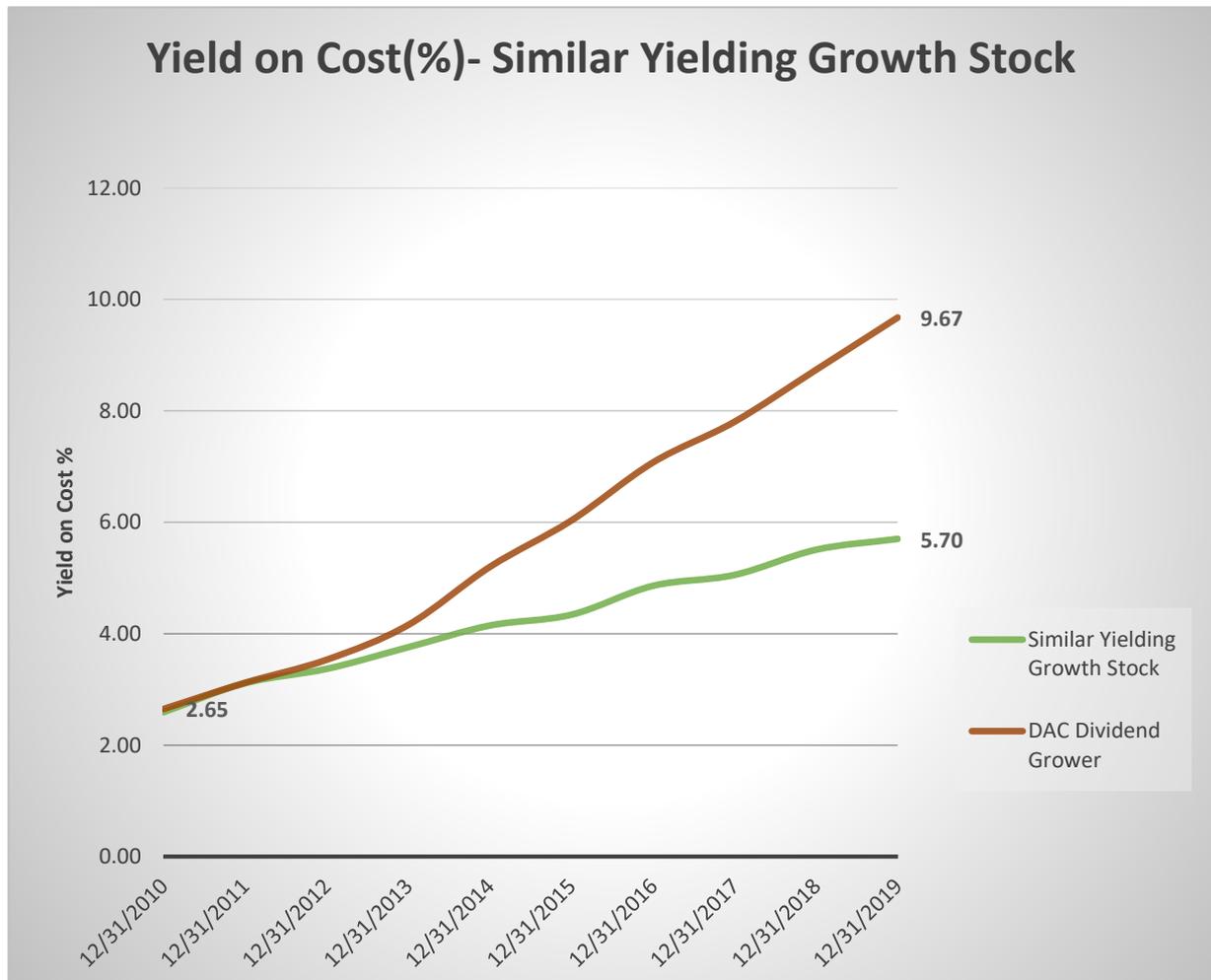


Source: DAC, Bloomberg 5/6/2020 (12/31/2010-12/31/2019)

Example 2

Similar Yielding DAC Growth Stock 1 (“SYGS”) vs. Similar Yielding Value Stock 2 (“SYVS”) - on 12/31/2010, SYGS and SYVS had similar dividend yields, 2.65% and 2.59% respectively. 10 years later, SYGS’s Yield On Cost was 9.67%, 397 basis points above SYVS’s Yield On Cost. Additionally, SYGS’s price had appreciated 252% over the 10-year period vs. 59% price appreciation for SYVS.

Yield On Cost: Similar Initial Yields



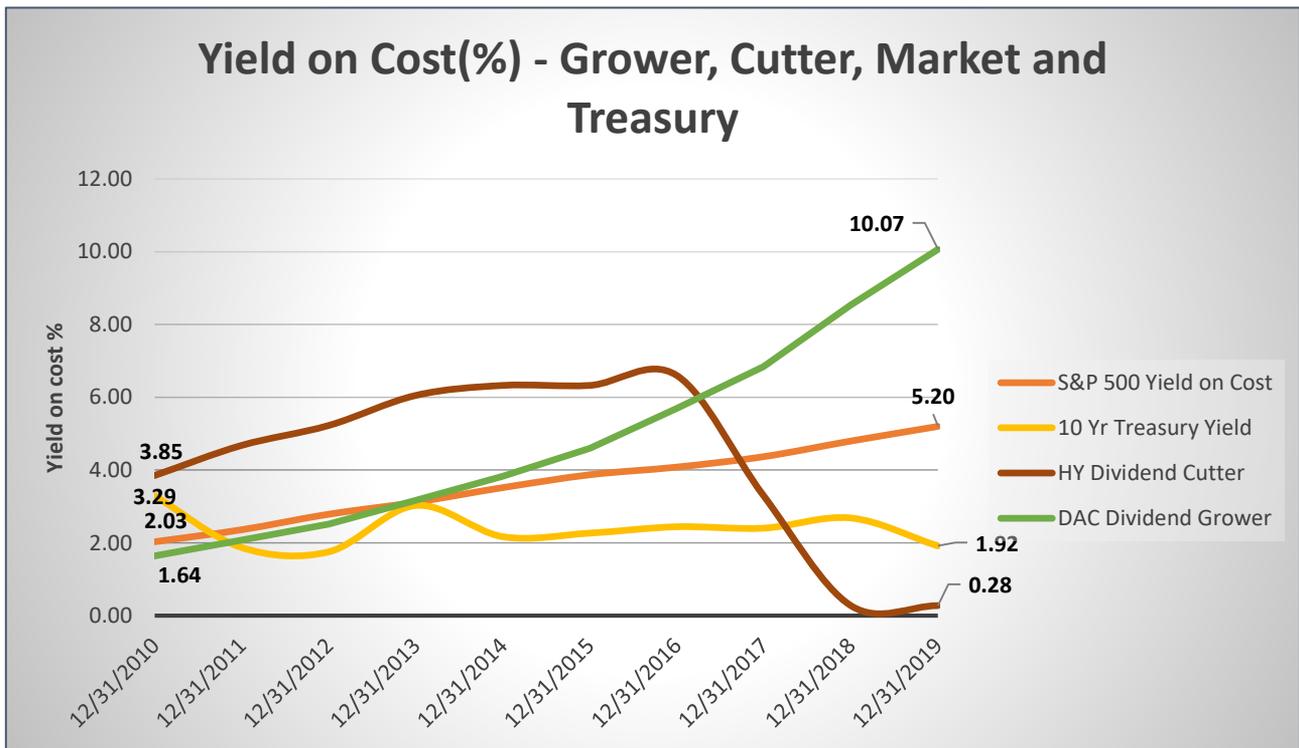
Source: DAC, Bloomberg 5/6/2020 (12/31/2010-12/31/2019)



Example 3

DAC Dividend Grower Stock (“DGS”) vs. Dividend Cutter Stock (“DCS”) - on 12/31/2010, DGS and DCS had 1.64% and 3.85% respectively. 10 years later, DGS’s Yield On Cost was 10.07%, 979 basis points above DCS’s Yield On Cost. Additionally, DGS’s price had appreciated 450% over the 10-year period vs. -0.36% decline for DCS.

Yield On Cost: Dividend Grower vs. Dividend Cutter



Source: DAC, Bloomberg 5/6/2020 (12/31/2010-12/31/2019)

Whether it’s growth vs. value or high vs. low yield, the concern for long term investors should not be the current dividend yield, but the potential future yield on an investment today. As you can see from these examples, that outcome is more heavily influenced by a company’s continued ability to grow their dividends which in turn drives its price appreciation.

NOTE: Yield On Cost is the current annual dividend divided by the initial cost basis of an investment. The data for the above example was taken from an actual dividend growth stock that DAC has invested in.



Dividend Assets Capital, LLC is a privately held asset manager specializing in equity investments that aims to provide rising income. Our core investment programs include high-quality, dividend growth and Master Limited Partnership (MLP) strategies that offer investors the potential to enhance their portfolio income with the added benefits of capital appreciation and diversification. We strive to enable our clients to achieve their financial goals by bringing clarity out of complexity...

Clarity: straightforward & time-tested approach to portfolio management.

Power: disciplined process with devotion to our investment philosophy.

Simplicity: dividends are the best indicator of the future price performance of a stock, it's that simple.

Disclosures:

Past performance is not indicative of future results. The actual returns experienced by individual clients will differ due to many factors, including individual investments and fees, individual client restrictions, and the timing of investments and cash flows.

The S&P 500 Index is a market value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group presentation. The index is unmanaged, and you cannot invest directly in the index. The index comparisons are provided for informational purposes only. Any third-party information contained herein was prepared by sources deemed to be reliable but is not guaranteed.

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