



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

Informed Dividend Investors

Second Quarter 2022

DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

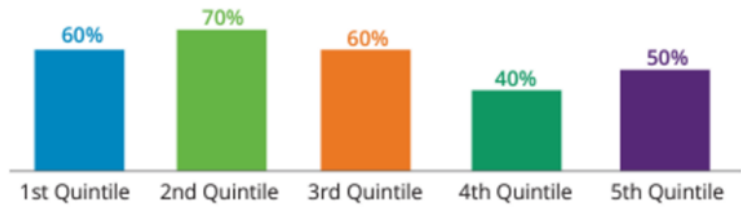
Payout Ratio and Dividend Yield... highest might not be best:

It's often thought that higher yielding or higher dividend paying stocks offer a better long-term outcome from a dividend investment. However, stocks offering the highest level of dividend payouts have not performed as well as those that pay elevated, but not the very highest, levels of dividends. The payout ratio is calculated by dividing a company's yearly dividend per share by its earnings per share. A high payout ratio means that a company is using a significant percentage of its earnings to pay a dividend, which leaves them with less money to invest in the future growth of the business.

Wellington Management did a study of dividend stock payout ratios. They grouped dividend payers into five categories from the highest payout percentage to the lowest. They found that stocks with the highest dividend payout ratio (which also tended to have the highest yield) outperformed the S&P 500 66.7% of the time over the last 92 years (1930 – 2021). However, stocks in the next bracket outperformed far more frequently at 77.8% of the time. That was the best level of the five quintiles. This study concluded that one of the best ways to measure whether a company will be able to pay a consistent dividend is through the payout ratio.

While the highest yield may seem on the surface to be an attractive investment factor, investors should know the payout ratio that is generating that yield to better understand the real strength of a dividend investment. The bottom line... preference should always be given to healthy vs. high to unsustainable payout ratios.

Percentage of time Dividend Payers by Quintile outperformed the S&P 500® Index during the 10 decade-periods from 1930-2021:



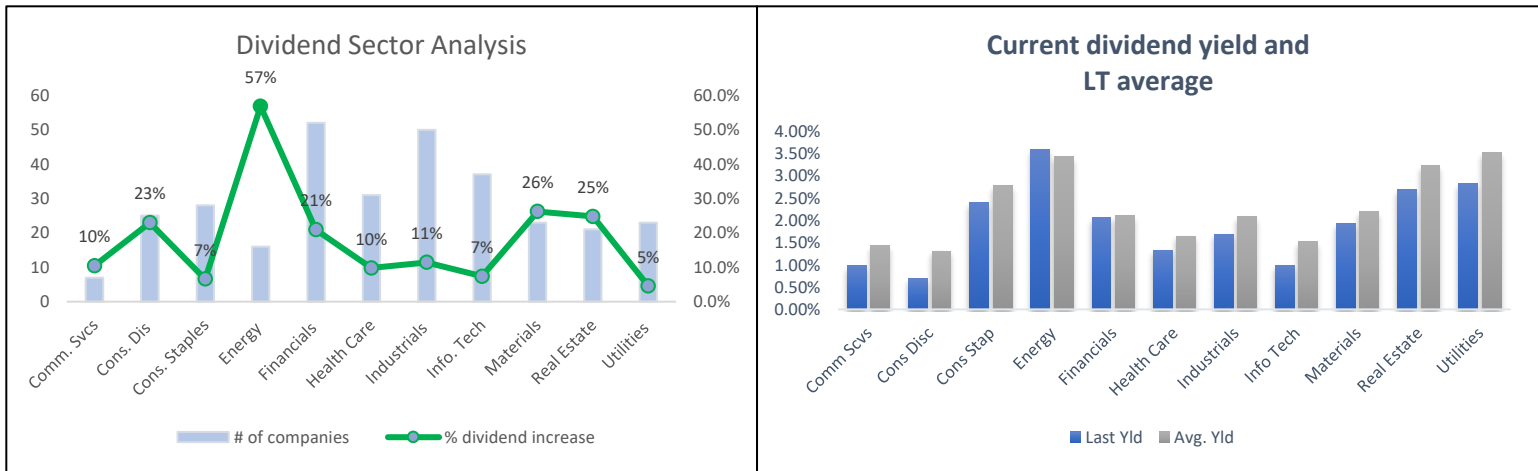
Source: Wellington Management and Hartford Funds, 12/21.

Generally, dividend payout ratios can be categorized this way:

Good	< 35%: okay payout
Healthy	35% to 55%: appropriate payout
High	55% to 75%: company expected to distribute more than half of its earnings as dividends
Very High	75% to 95%: company is declaring to pay almost all the money it makes as dividends
Unsustainable	> 95%: poor earnings leads to exceedingly high payout and a dividend cut and/or elimination

S&P 500 Sector Tracker

- 313 companies increased their trailing 12-month dividends Y/Y.
- Financials had the highest number of companies that raised their dividends.
- Energy, Materials, and Real Estate sectors all had notable dividend increases.



Source: Dividend Assets Capital, Bloomberg

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- From a dividend perspective, the Energy, Utilities, and Real Estate sectors offer the highest absolute dividend yields of about 3.6%, 2.8%, and 2.7%, respectively. Only the Energy sector yields are still higher than historical averages despite significant price appreciation for the stocks.
- Like earnings, the rate of dividend and relative yield changes matter; thus, Energy and Industrial stocks seem attractive.

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Dividend Assts Capital, LLC is an independent, employee owned wealth advisor specializing in high quality companies with a history of consistently increasing dividends. Built on a pioneering legacy, and our goal is straightforward; achieve our clients desired outcomes through investments that provide sustainable and rising income with long-term capital appreciation. We partner with successful families, advisors and institutions delivering tailored services that adhere to fiduciary principles to provide...

Clarity: A transparent and understandable approach to portfolio management.

Simplicity: We believe dividends are the best indicator of the future price performance of a stock.

Devotion: We build confidence through a disciplined process and strong devotion to our investment philosophy and clients.



DIVIDEND ASSETS CAPITAL, LLC
INVESTMENT ADVISORS

Clarity. Simplicity. Devotion.

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