

Why dividend investing?

Dividend income has the potential to provide a distinct advantage when fixed-income yields are low, the outlook for inflation is uncertain and the broader market is volatile. But not all dividends are the same. When it comes to pursuing a strong, reliable income stream, it's essential to consider a company's track record of paying and increasing its dividends over time.

1. Dividends and dividend growth have fueled total return* — S&P 500 1926-2019

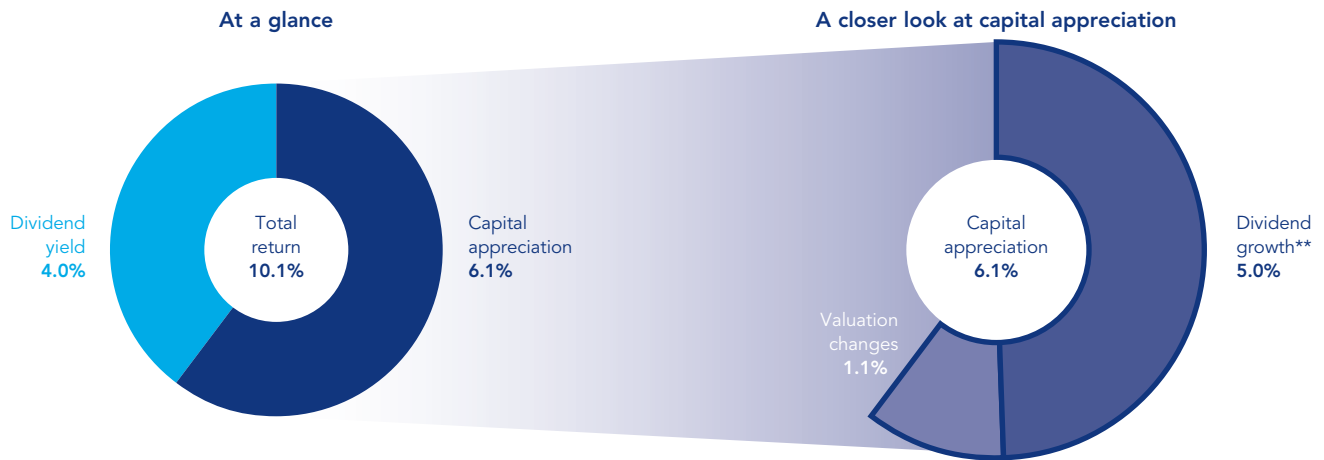
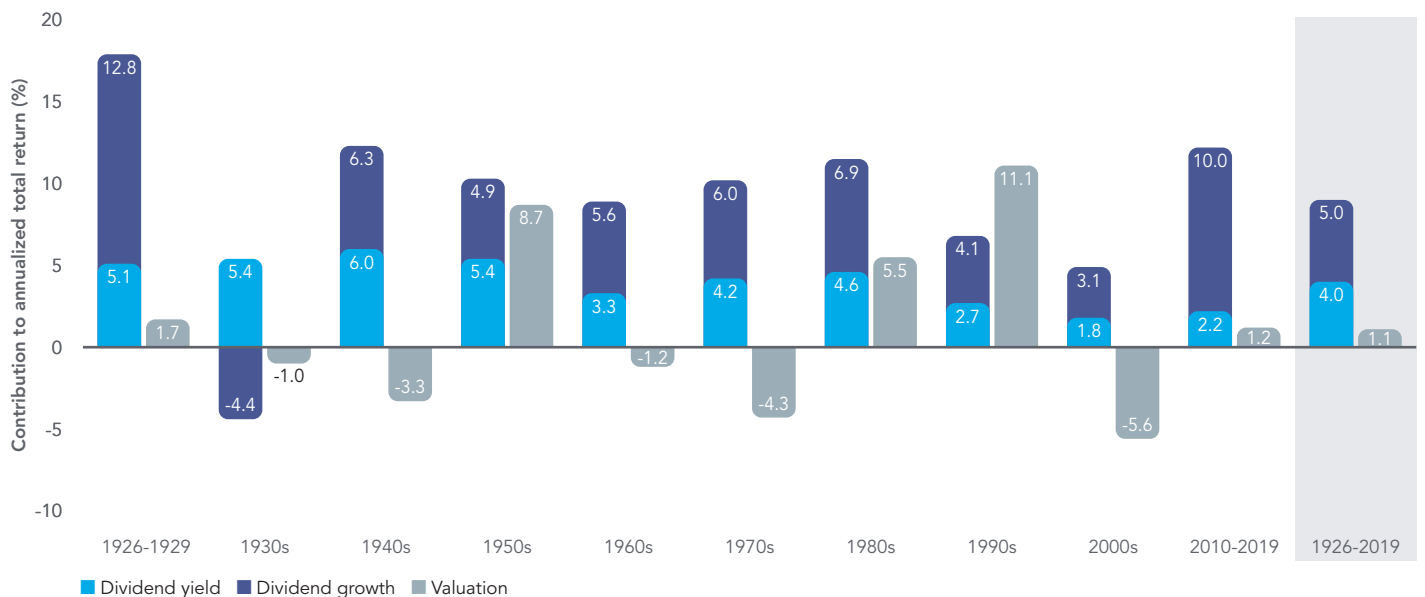


Chart represents the components of the annualized total return from 12/31/25 to 12/31/19. Dividend yield referenced in these charts is calculated by taking the compound annual growth rate minus the capital appreciation.

2. Dividends are a component of total return (%)*



Graph represents 12/31/25-12/31/19.

Diversification does not ensure a profit or protect against loss.

*Source: 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.

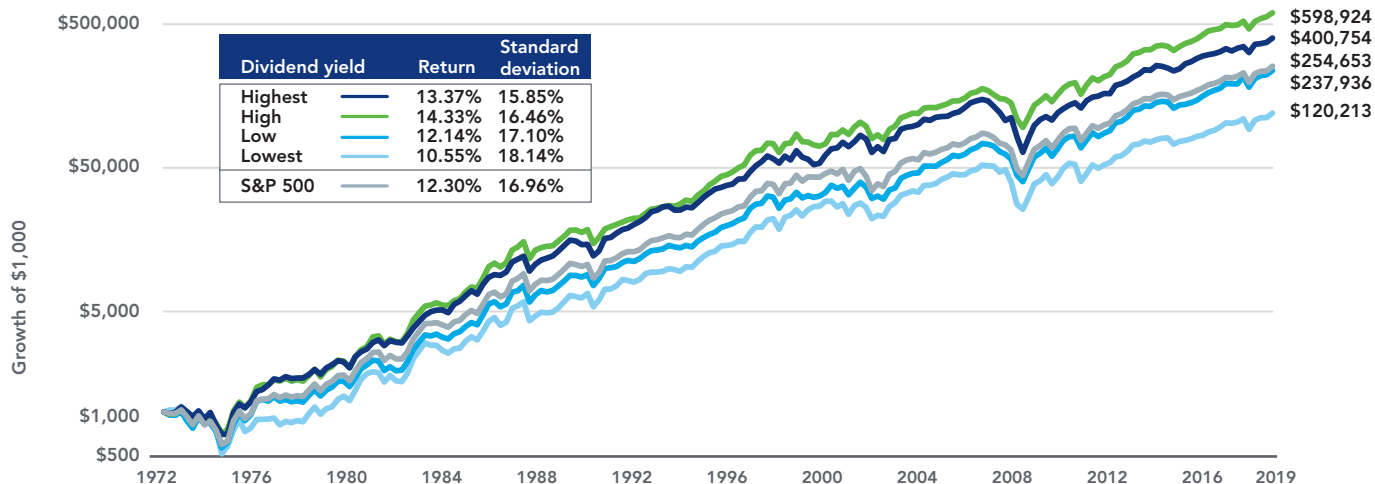
**Dividend growth: The increase of a security's annual dividend distribution to shareholders over a period of time.

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.

3. Higher dividend yields have led to attractive total returns

This illustration compares the performance of \$1,000 invested in companies with low dividend yields versus \$1,000 invested in companies with high dividend yields. From 1972 to 2019, investing in stocks with higher dividend yields would have resulted in a higher return than the S&P 500.



Source: © 2020 Ned Davis Research, Inc.

Returns and standard deviation are annualized.

All indices are allocated to start at \$1,000. Dividend yield indices are equal-dollar-weighted with quarterly rebalancing.

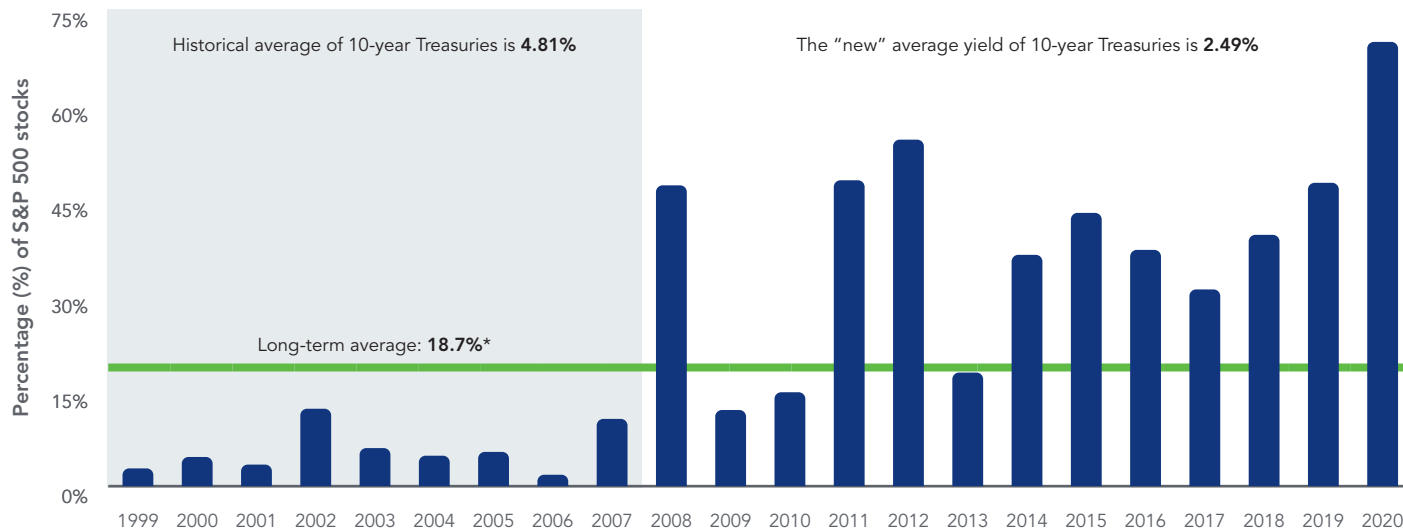
Each stock in S&P 500 is ranked from highest to lowest by dividend yield on December 31st of every year and placed into "quartiles," baskets of 125 stocks in each basket. The stocks in the quartiles are equal weighted. The dividend yield is defined as each stock's annual dividends per share divided by its stock price as of December 31st of that year. The top 125 stocks fall into the highest dividend-yield quartile, the next 125 into the second highest dividend-yield quartile, and so on. Standard deviation and returns are also equal weighted.

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

For more than a decade, yields on many fixed-income securities have been historically low, forcing income-seeking investors to look for alternatives. Dividend yields of many stocks have become relatively attractive compared to the yield of the U.S. 10-year Treasury, which has dropped from 4.81% on average between 1999 and 2007 to 2.49% on average from 12/31/07 to 8/31/20. In this low yield environment, 70% of stocks in the S&P 500 now offer higher dividend yields than the 10-year U.S. Treasury.

Percentage of S&P 500 stocks with dividend yields greater than U.S. 10-year Treasuries



Graph as of 9/18/20. Historical average of 10-year Treasuries from 1/31/99 to 12/31/07. "New" average of 10-year Treasuries from 1/31/08 to 8/31/20.

*The line on the chart indicates the average percent of S&P 500 stocks with dividend yields higher than the 10-year Treasury yield: an average of 18.7% from 12/31/90 to 9/18/20.

Sources: Strategas Research Partners, as of 9/18/20, and Federal Reserve Bank of St. Louis.

There is no guarantee that dividend-paying stocks will continue to pay dividends.

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.

Separately managed accounts are available through Federated Investment Counseling.

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