

DIVIDENDS

A Reliable Source of Return in Uncertain Markets



crossmarkglobal.com

Where Investments and Values Intersect

Investors seeking income have commonly utilized dividend-paying stocks to achieve their goal. With the ongoing low interest-rate environment supported by the Federal Reserve (Fed) likely to persist, we believe demand for these companies will remain strong.

Quality dividend stocks can be an attractive addition to many portfolios by:

- Providing investors with reliable income
- Helping to protect against inflation
- Acting as a significant driver of total return

A Reliable Source of Income

For over a decade, interest rates have hovered near historic lows, and this environment is not likely to change in the intermediate future. While good news for borrowers, investors seeking income must look beyond time deposits and fixed income. Fortunately, there are about 3,000 dividend-paying U.S. stocks ¹ at any given time, and thousands more to choose from abroad. Dozens of mutual, index, and exchange-traded funds featuring dividend stocks are also available, featuring yields in the 2% to 4% range.² Paying monthly or quarterly, a carefully curated selection of these stocks can provide a reliable income stream.

U.S. 10-yr Treasury Yield



Source: Bloomberg, as of 06/30/2021

Protection Against Inflation

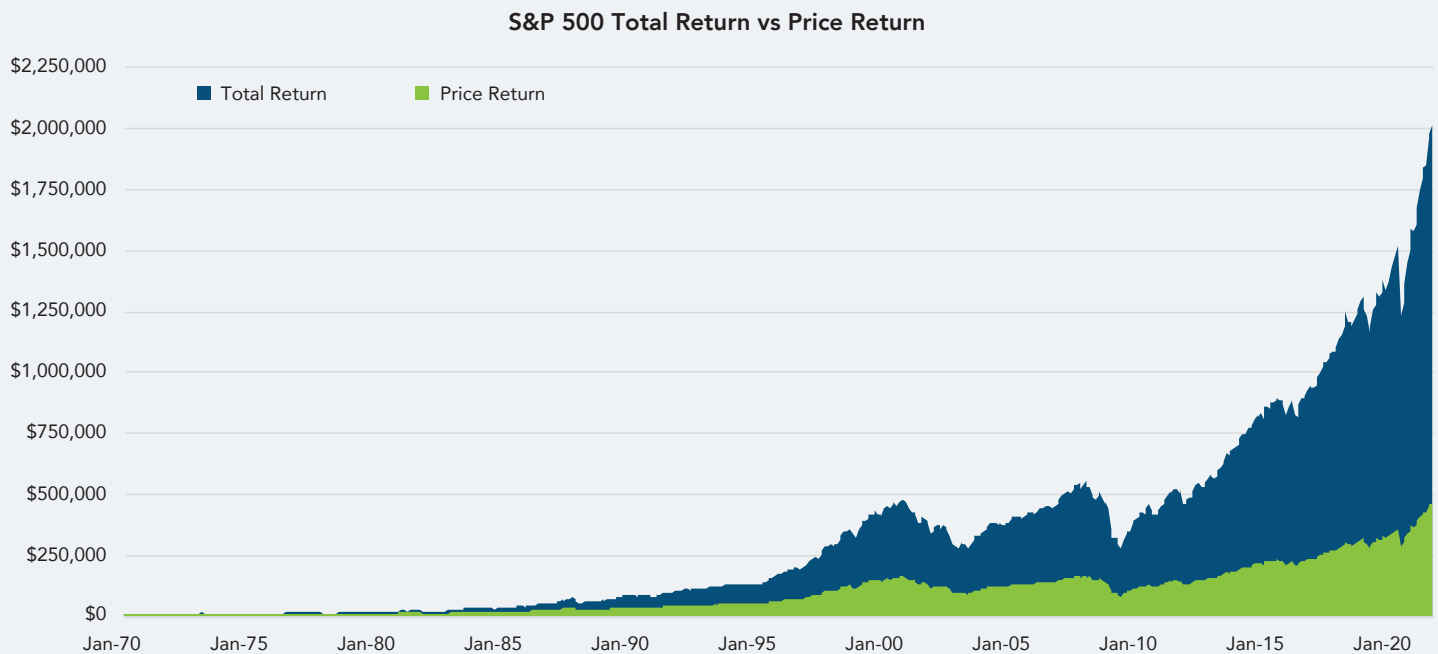
Fixed income investments by definition pay a steady amount on a predetermined schedule until maturity, leaving investors vulnerable to interest rate risk. If prices rise, the purchasing power of the equal periodic payments decreases. However, companies can (and often do) increase the dividends paid over time. The table below shows the growth of dividends ³ paid by S&P 500 companies over the last ten years compared against U.S. inflation ⁴ (as measured by the consumer price index). Over the past decade, S&P 500 companies have increased dividend payouts at a much faster rate than inflation.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Div Growth %	16.3	18.3	12.0	12.7	10.0	5.3	7.1	9.8	8.4	0.1
CPI Inflation %	3.0	1.7	1.5	0.8	0.7	2.1	2.1	1.9	2.3	1.4

Source: Standard & Poor's & U.S. Labor Department, June 2021

A Significant Driver of Total Return

Since 1970, 77% of the total return of the S&P 500 Index is attributable to reinvested dividends and the power of compounding. Given this data, it is apparent that even for investors seeking reliable income, their portfolios grew over this period while receiving dividends in cash. Also, according to S&P Global Research Group, dividends now account for a much greater percentage of U.S. personal income than ever before, reflecting the persistent low interest rate environment. However, reinvesting dividends allows investors to unlock the power of compounding. Recent research shows both the growth of dividends and the performance of dividend-paying stocks is greater than that of non-payers – the graphic below shows the growing contribution of dividends to total return.



Source: Robert Schiller, www.econ.yale.edu/~shiller/, June 2021

Dividend-paying stocks can be an important component of a total portfolio allocation. In a low-interest rate environment, the income is desirable and is a positive contributor to total return. In addition, the population of the U.S. is aging and income from traditional sources remains difficult to find. Given these factors, there will likely be steady demand for dividend-paying stocks in the future. It would not be surprising to see diversified dividend strategies continue to grow assets over the long-term.

At Crossmark, we can help you determine if our dividend-focused strategies would be beneficial for you & your clients.

¹ David Peltier, Thestreet.com, August 2015, When Should Investors Buy a Stock to Get the Dividend?

² Dana Anspach, Thebalance.com, April 2021, 5 Best Dividend Index Funds for Retirement Income

³ Multpl.com/s-p-500-dividend-growth/table/by-year, June 2021

⁴ Usinflationcalculator.com, June 2021, Current U.S. Inflation Rates: 2000-2021

Our Firm

Crossmark Global Investments is a faith-based investment management firm that provides a full suite of investment strategies to institutional investors, financial advisors, and the clients they serve. For over 30 years, we have delivered uniquely constructed products based on our proprietary, disciplined, and repeatable process. We are especially known for helping our clients align their investments with their values by creating socially conscious, responsible investment strategies. Founded in 1987, we are headquartered in Houston, Texas.

Contact a member of our Advisor Solutions Team

advisorsolutions@crossmarkglobal.com | 888.845.6910

Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results. Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

Equity investments generally involve two principal risks—market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

This content may not be reproduced, copied or made available to others without the express written consent of Crossmark.