

CHANGE IN DIVIDEND POLICY HAS SHOWN TO BE A GOOD PREDICTOR IN SELECTING THE BEST AND WORST PERFORMING DIVIDEND PAYING STOCKS.

HIGHLIGHTS

- ❑ Dividend paying stocks outperformed non-dividend paying stocks and had lower volatility.
- ❑ Of those stocks that pay dividends, stocks with increasing dividends outperformed those stocks with flat or decreasing dividends.
- ❑ Non-dividend paying stocks outperformed dividend-paying stocks in up markets, but also underperformed in down markets and exhibited a high level of volatility.
- ❑ Stocks with increasing dividends outperformed all groups as their holding periods increased
- ❑ Non-dividend paying stocks outperformed in Energy and Technology sectors, while dividend increasing stocks outperformed in more sectors than any other group.

DISCUSSION

What factor was tested?

As baby boomers are approaching retirement, they become more interested in income producing investments. Dividends appear attractive compared to the low interest rates that look as though they will continue to remain at current levels. Dividend tax cuts, in theory, make dividends attractive.

These are a few of the factors that have contributed to a renewed interest in the effect dividends have on stock performance, so this quarter we decided to test this. To do this, the factor that we created was quarter-to-quarter change in indicated annual dividend. Based on this factor, we broke our universe down into four portfolios:

- Companies' dividends increased from the previous quarter
- Companies' dividends remained the same
- Companies' dividends decreased from the previous quarter
- Companies did not pay dividends

How can I see the rest of the report?

Please call your account manager, or Adam Cohen, 312-630-9880 x227 to receive the full report, and to find out more about Zacks Quantitative Services.