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TRIVARIATE RESEARCH

DIVIDEND YIELD IS NEAR 50-YEAR LOWS – WHAT CORPORATE BEHAVIORS ARE MONETIZABLE?

ADAM S. PARKER, Ph.D., FOUNDER

adam@trivariateresearch.com
646-734-7070

CHANG GE, ANALYST

chang@trivariateresearch.com
614-397-0038

MAXWELL ARNOLD, ANALYST

maxwell@trivariateresearch.com
347-514-1234

RYAN MCGOVERN, DIR. OF RESEARCH SALES

ryan@trivariateresearch.com
973-271-8017

COLIN COONEY, HEAD OF SALES

colin@trivariateresearch.com
617-910-7934

BACKGROUND AND RESEARCH SUMMARY

Background: Over the last 100 years, in round numbers, the S&P500 has averaged near 10% per year return, with approximately 30% of that return coming from dividends. However, the S&P 500's dividend yield today is approaching its lowest levels in 50 years, sitting at 1.14%—a figure only undercut during the Tech bubble, when it bottomed out at 1.09%.

Dividend-paying stocks are experiencing their 3rd-worst stretch in 25 years, hurt by the surge in non-or-low-payers (Great 8) and weakness in traditionally high-yield defensive sectors like Consumer Staples, Telecom, and Pharma.

Most dividend actions remain normal: 68% of payers increased dividends last year and only 5% cut—roughly in line with long-term averages, suggesting no late-cycle stress.

Cuts vs. cancellations behave differently: Dividend cutters often show deteriorating fundamentals and sharp underperformance, while cancellers usually rebound strongly after the announcement as the market resets expectations and the cut is a hubris-adjustment or right-sizing that gives the company a new opportunity.

Company quality drives post-cut returns: Junk stocks that cut dividends on average outperform over the subsequent two years as balance sheets heal, whereas high-quality companies that cut tend to underperform because cuts damage the premium multiple and established narrative about the company's quality.

RESEARCH SUMMARY AND CONCLUSIONS

Dividend increases work best when payout ratios are low: Companies in the lowest payout-ratio quintile (less than 16.2%) outperform after increasing their dividends; high-payout increasers tend to fade shortly after the announcement.

Size and float matter: Mega-cap dividend increasers lag post-announcement, while SMID caps hold up better. Firms with very low float underperform after increases, suggesting insider-benefit dynamics.

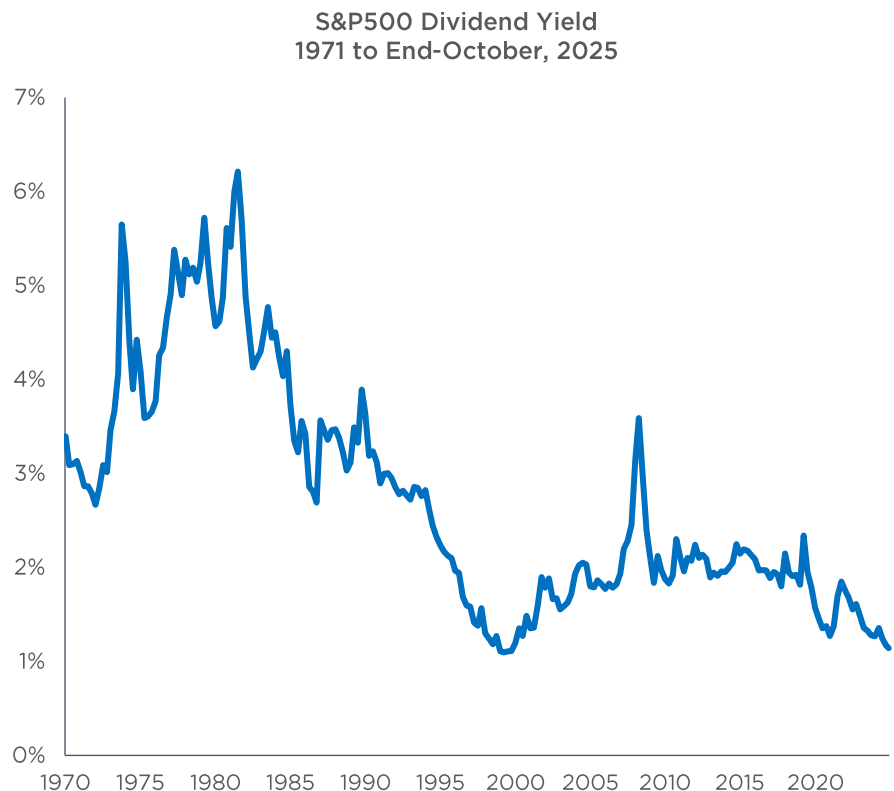
Dividend initiations show wide dispersion: Micro-cap initiators surge as dividends signal stability; value-stock initiators outperform early; and sector outcomes vary widely, with Materials and Financials strong but Healthcare and Technology weak as often initiations for these growthier sectors are seen as evidence of weaker growth prospects.

On Slide 20, we suggest long / short ideas for companies with recent dividend increase announcements. Long ideas include companies in the bottom quintile of payout ratio, as they are poised to increase their dividend again in the future. Short ideas include high-quality stocks in the bottom quintile of percentage of shares that are free-floating.

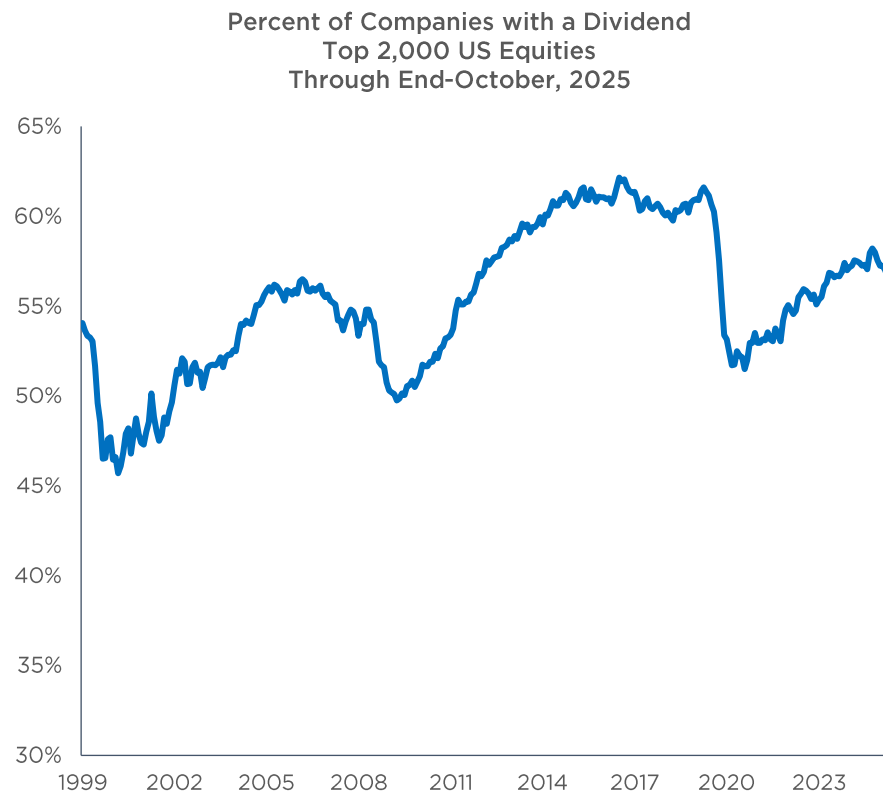
On Slide 21, we suggest long / short quantitatively-derived stock ideas for companies that have recently announced dividend decreases. The long screen contains junk stocks, as the dividend decrease may help them improve their balance sheet. The short screen includes high-quality or growth companies, as their margins or growth may be impaired if they are cutting their dividend.

THE S&P500 DIVIDEND YIELD IS NEAR 50-YEAR LOWS

Over the last 100 years, in round numbers, the S&P500 has averaged near 10% per year return, with approximately 30% of that coming from dividends. But today, the dividend yield of the S&P500 is nearing 50-year lows at 1.14%, only lower during the Technology bubble when it troughed at 1.09% (left). The percentage of companies with a dividend sits at 56%, not meaningfully different from the last 25 years (right). Hence, it is clearly the largest companies by market cap. having low / no dividends that are driving this current regime.



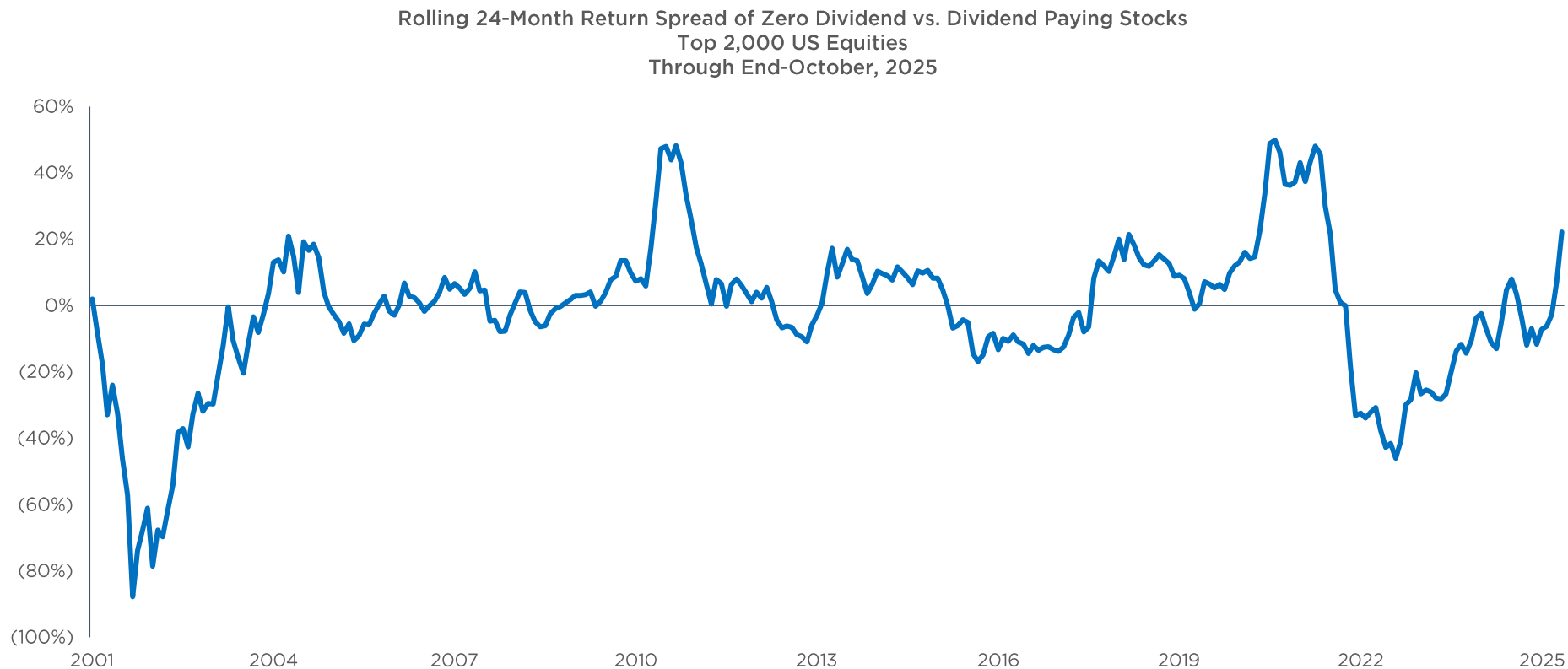
Source: Trivariate Research



Source: Trivariate Research

DIVIDEND PAYING STOCKS: 3RD WORST STRETCH IN 25 YEARS

Dividend paying stocks have had their 3rd worst 2-year performance in the last 25 years (below), with only a worse performance in 2021 and 2010. This comes from both the strength of the Great 8 stocks having low dividend yields and growing faster, but also classic defensive sectors with high dividends like Consumer Staples, Telecomms. and Pharmaceuticals lagging.



Source: Trivariate Research

THERE ARE SEVERAL KINDS OF DIVIDEND EVENTS

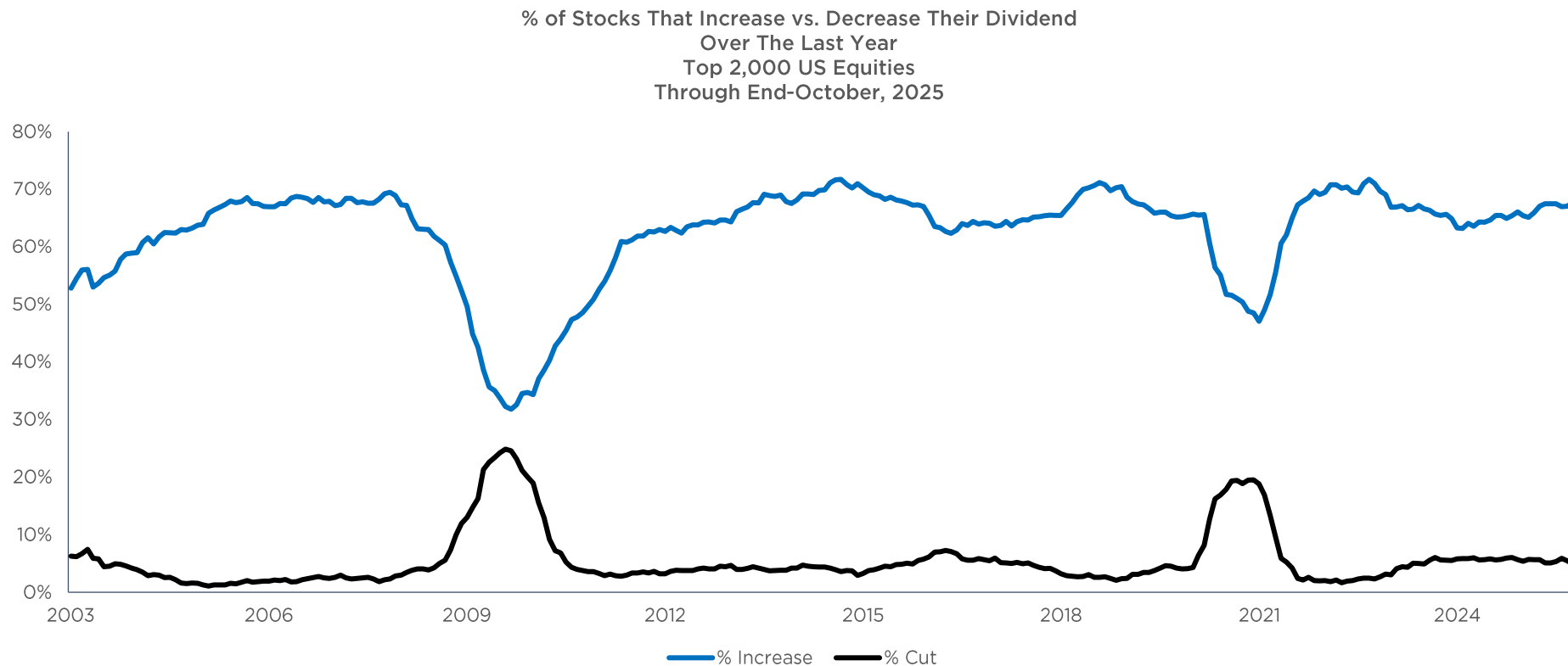
We studied stock returns around the announcement of four dividend events: initiations, increases, decreases, and cancellations. For today's research we ignore smaller but interesting events like dividend stock and one-time dividends and focus on increases, initiations, decreases, and cancellations / suspensions of dividends. The largest sample size by far over the last quarter-century is dividend increases.

Sample Size of Dividend Events, Top 2,000 US Equities
1999 to End-October, 2025

Event	Sample Size	Description
Dividend Increases	22,214	When a company announces that they are going to pay a dividend that is higher than was previously announced, announces that they are going to pay a higher dividend than they have paid in the past, or announces that they are going to begin paying a regular dividend. It only includes dividends paid in cash.
Dividend Decreases	1,420	When a company either announces that they are going to pay a dividend that is lower than was previously announced or announces that they are going to pay a lower dividend than they have paid in the past. It only includes dividends paid in cash.
Dividend Initiation	417	When a company announces its maiden dividend or reinitiates dividend payment after at least five (5) years without paying dividends.
Dividend Cancellation or Suspension	205	When a company cancels an already announced dividend or suspends or omits to pay a dividend.

68% OF DIVIDEND PAYERS INCREASED IT IN THE LAST YEAR, 5% CUT

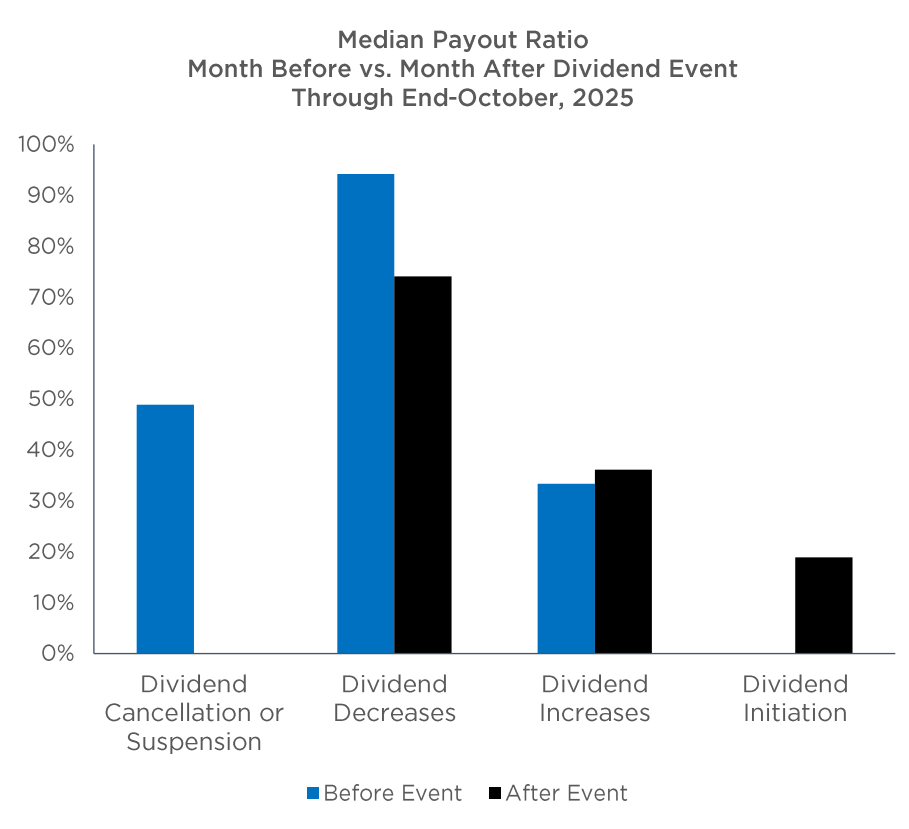
About 68% percent of stocks among the Top 2000 by market capitalization with a dividend have increased it over the last year, while roughly 5% have cut theirs. Both are about in-line with long-term averages, suggesting nothing late-cycle or otherwise unusual about the current regime relative to history.



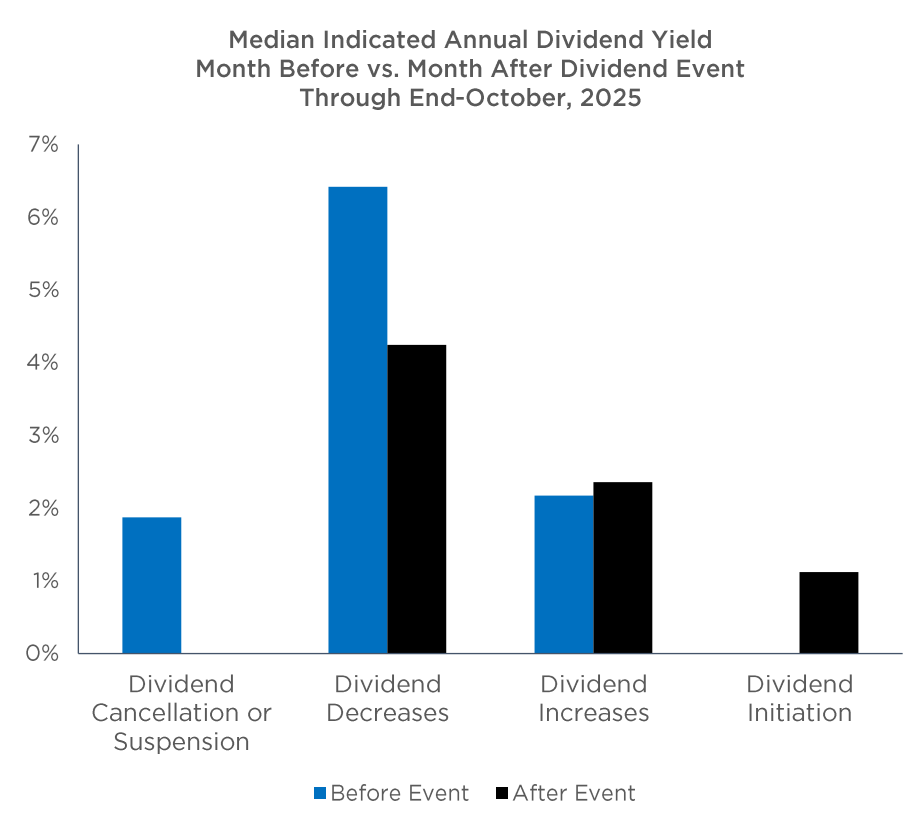
Source: Trivariate Research

DECREASES ARE CALCULATED, CANCELATIONS ARE TAIL EVENTS

The median payout ratio of a company that increases their dividend rises from 33% to 36% after. Companies that decrease their dividend have a median payout ratio of 94% pre-decrease and 74% post-decrease. Interestingly, this is larger than the median payout ratio of companies that cancel their dividend at 49% (left). This suggests that companies that cancel their dividend often do so due to a tail event that structurally limits their ability to pay a dividend. Those that initiate a dividend have a median payout ratio of 19% and a median indicated yield of 1.1%. The median dividend yield drops from 6.4% to 4.2% post-decrease (right).



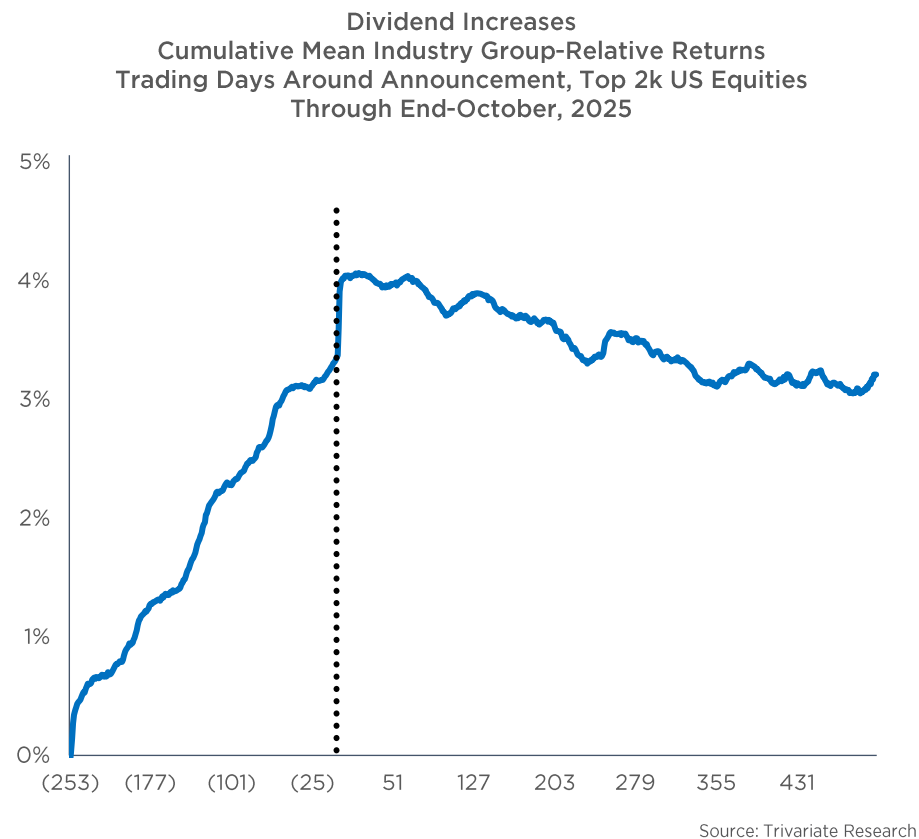
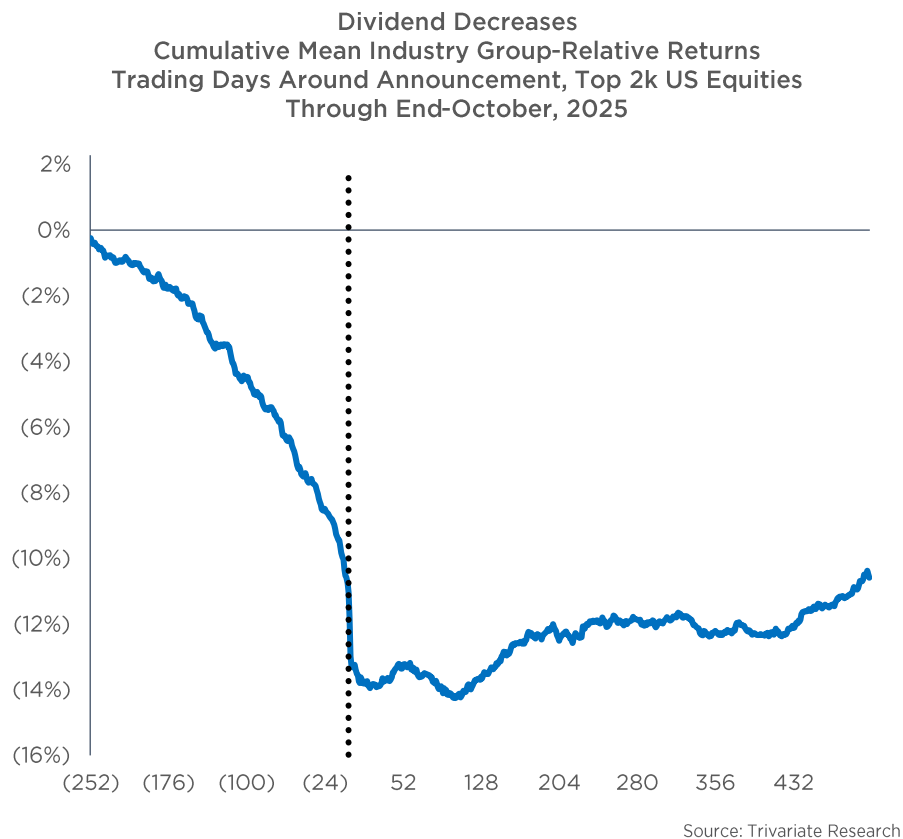
Source: Trivariate Research



Source: Trivariate Research

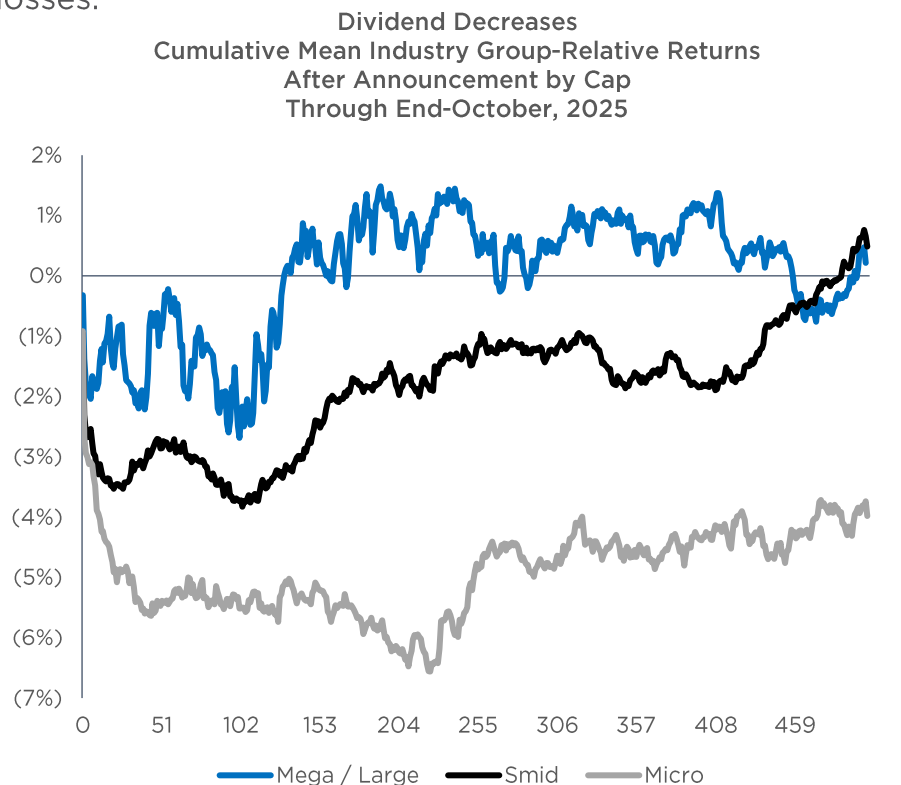
THERE IS SOME MEAN REVERSION AROUND DIVIDEND CUTS & RAISES

Companies that decrease their dividend underperform their industry group average by 14% from one year before to after the announcement (left) as the market on average predicts financial stress. The returns after announcement are flat for 5 months before they start to slightly outperform. If you short a company that you think will cut their dividend, you should cover after they do. Dividend increases are the opposite, with moderate outperformance of 4% in the year prior, followed by in-line vs. industry average performance the year after (right).

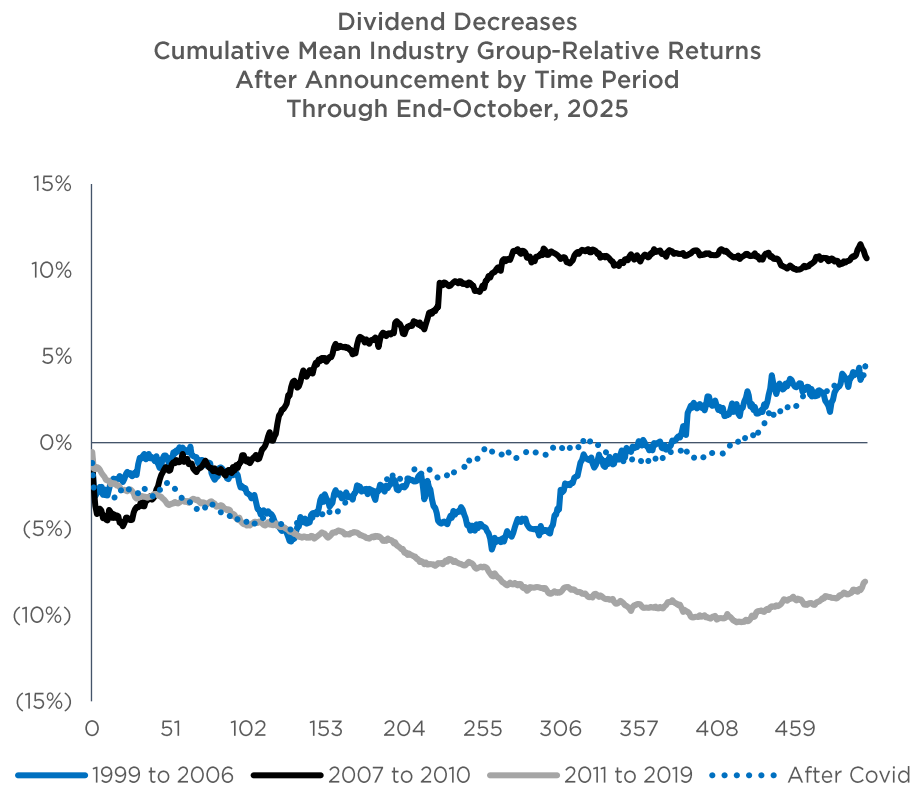


SMALLER COMPANIES USUALLY DON'T RECOVER FROM DIVIDEND CUTS

Dividend decreases are more detrimental to stock prices for smaller companies than larger companies (left). Mega / large caps tend to return to the same price levels as before the dividend cut announcement after 6 months. Smaller companies have a sharper decline in the month after the dividend cut and SMID caps end up recovering within 2 years, while micro caps never recover their relative-to-industry performance. Dividend decreases were rewarded during the Financial Crisis, as it was necessary for many companies to stay above water. While companies that decreased their dividend continued to underperform from 2011 to 2019, in the other two regimes they recovered their losses.



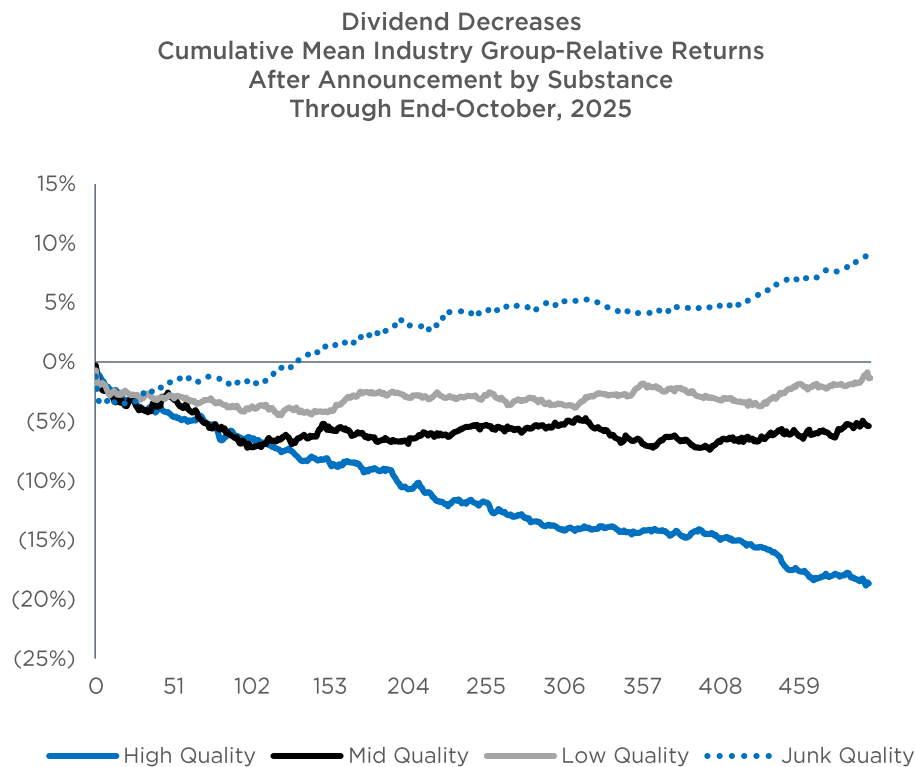
Source: Trivariate Research



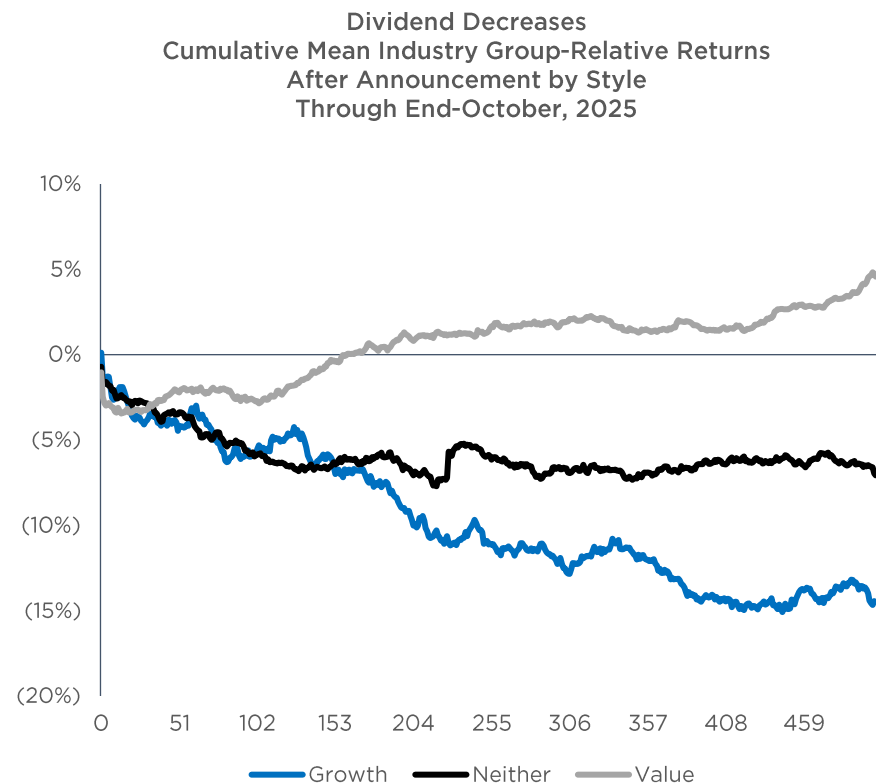
Source: Trivariate Research

QUALITY IS THE MOST IMPORTANT VARIABLE FOR DIVIDEND CUTS

The two-year industry group-relative returns after announcing a dividend cut is dependent on the quality of the company. Junk companies rebound from initial underperformance and end up outperforming by 9% over the next two years, as cutting the dividend on average is a prudent strategy to improve their balance sheet and avoid bankruptcy (left). High-quality companies that cut their dividend underperform by 19% on average over the subsequent 2 years. Value companies (right) that cut their dividend see a rebound while growth companies consistently underperform. Only 20% of growth companies have a dividend, so a cut is dramatic to the multiple for growth stocks.



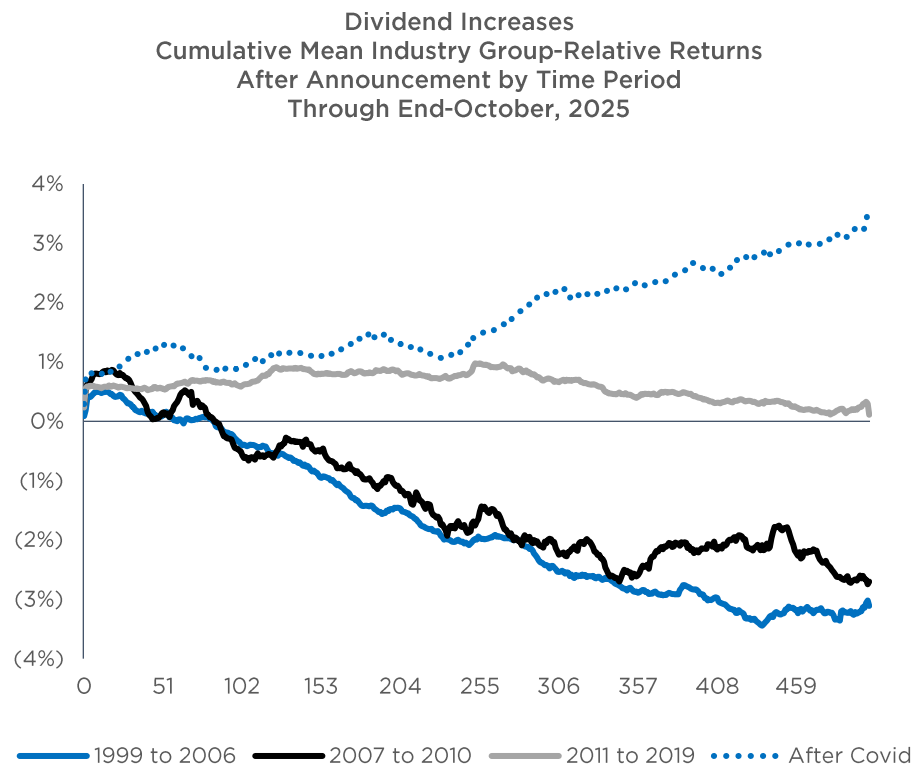
Source: Trivariate Research



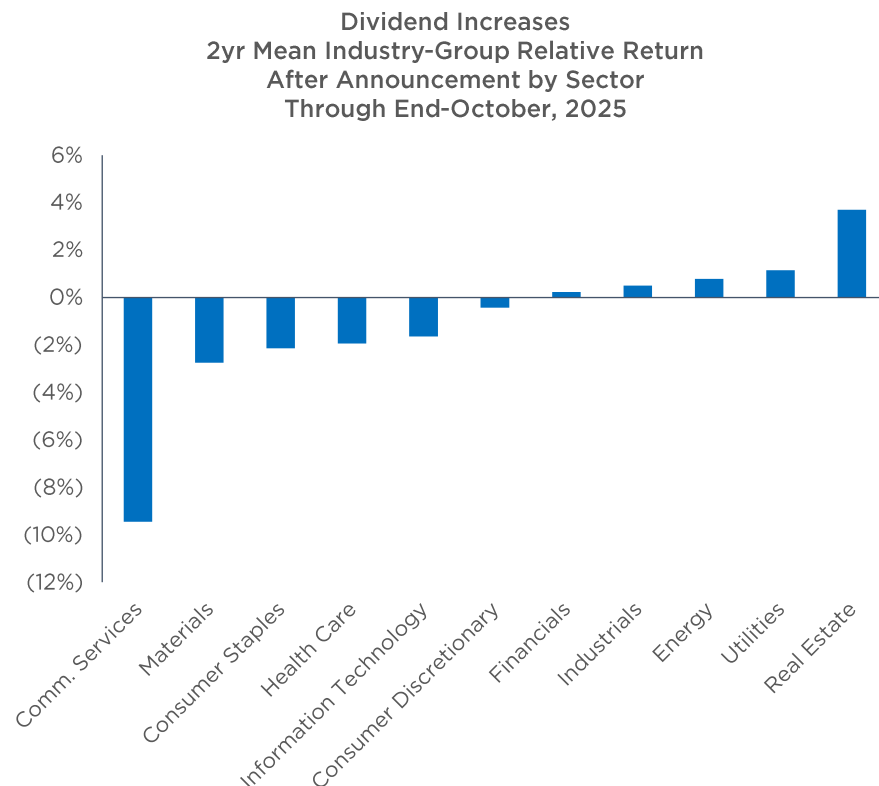
Source: Trivariate Research

DIVIDEND INCREASERS HAVE PERFORMED BETTER SINCE COVID

From 1999 to 2010, companies that increased their dividend went on to underperform their industry group following the small increase on the announcement (left). From 2011 to 2019, the returns have been in-line with their industry group, and since COVID-19 dividend increasers have seen some mild outperformance. Dividend increases have worked best in Real Estate, Utilities, and Energy; worst in Communication Services, Materials, and Consumer Staples (right).



Source: Trivariate Research

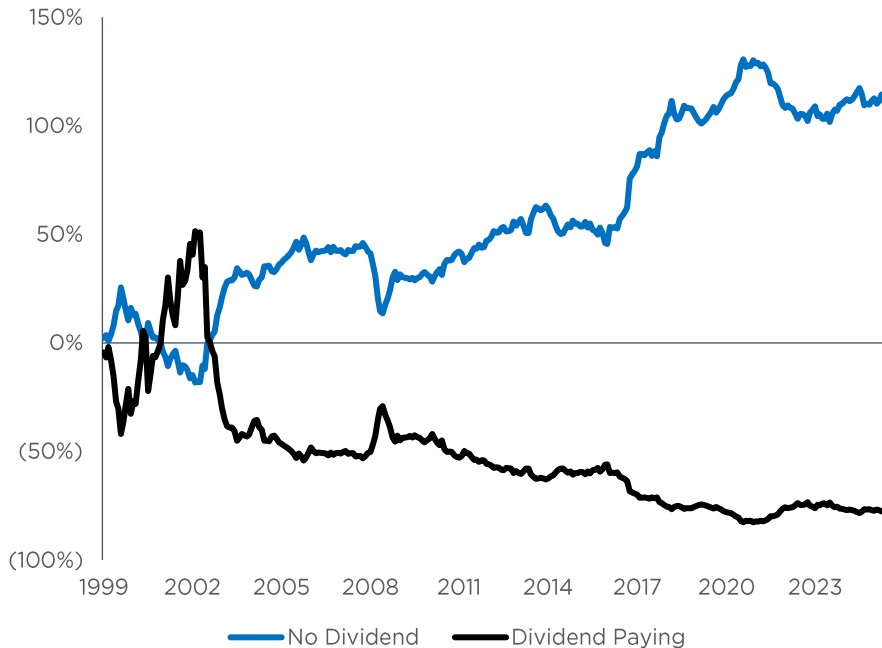


Source: Trivariate Research

DIVIDEND PAYERS HAVE FAILED IN COMMUNICATION SERVICES

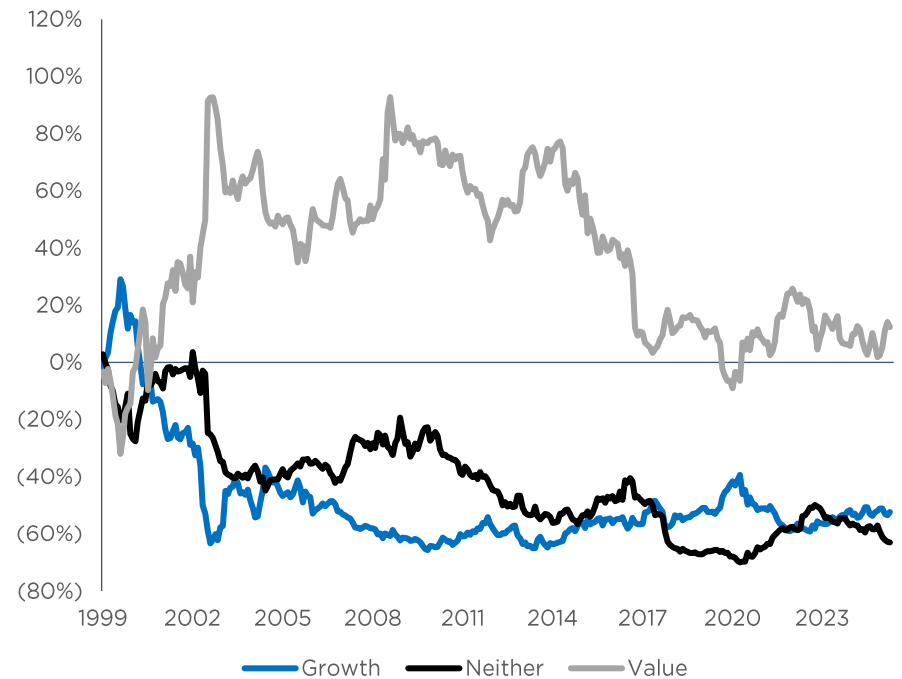
The underperformance of dividend increasers in the Communication Services is explained by the underperformance of dividend issuers in the sector. Over the last 25 years, companies in the sector that pay no dividend have far outperformed those that pay a dividend (left). In addition, this is not explained by growth vs. value, as growth has not beaten value in the sector (right). High-yielding legacy Communication Services typically had low top-line growth and high-leverage, fueling weakness.

Cumulative Industry Group-Relative Return
Zero Dividend vs. Dividend Paying Stocks
Communication Services Sector, Top 2k US Equities
Through End-October, 2025



Source: Trivariate Research

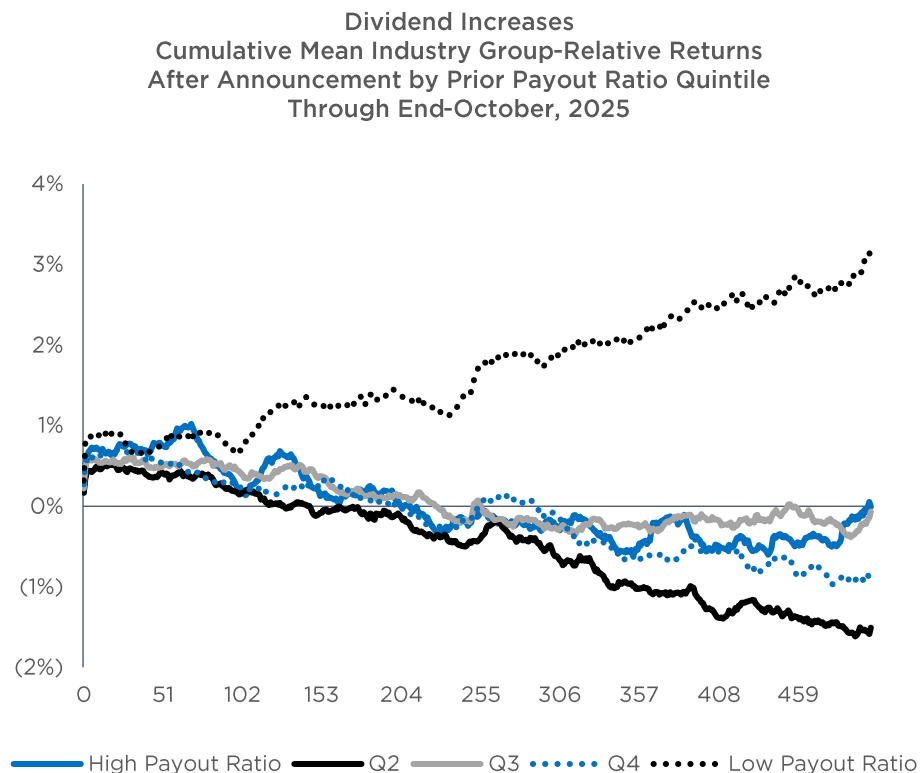
Cumulative Industry Group-Relative Return by Style
Communication Services Sector, Top 2k US Equities
Through End-October, 2025



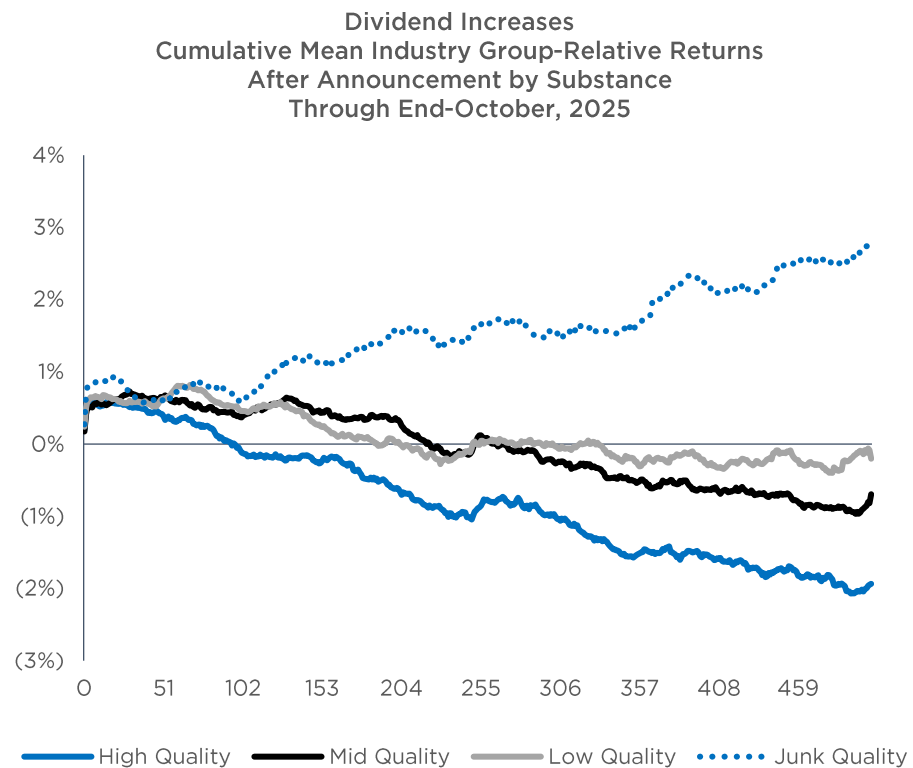
Source: Trivariate Research

INCREASE YOUR DIVIDEND IF THE PAYOUT RATIO IS LOW

Among those stocks that increase their dividend payout ratios, companies that increase their dividend in the lowest payout ratio quintile (payout ratio < 16.2%) outperform their industry group average over the next two years, while those in all other quintiles begin to underperform about four months post the announcement, on average (left). Junk stocks that increase their dividends outperform (right), likely because the ability to grow their dividend in and of itself increases the chance they move out of the junk quadrant.



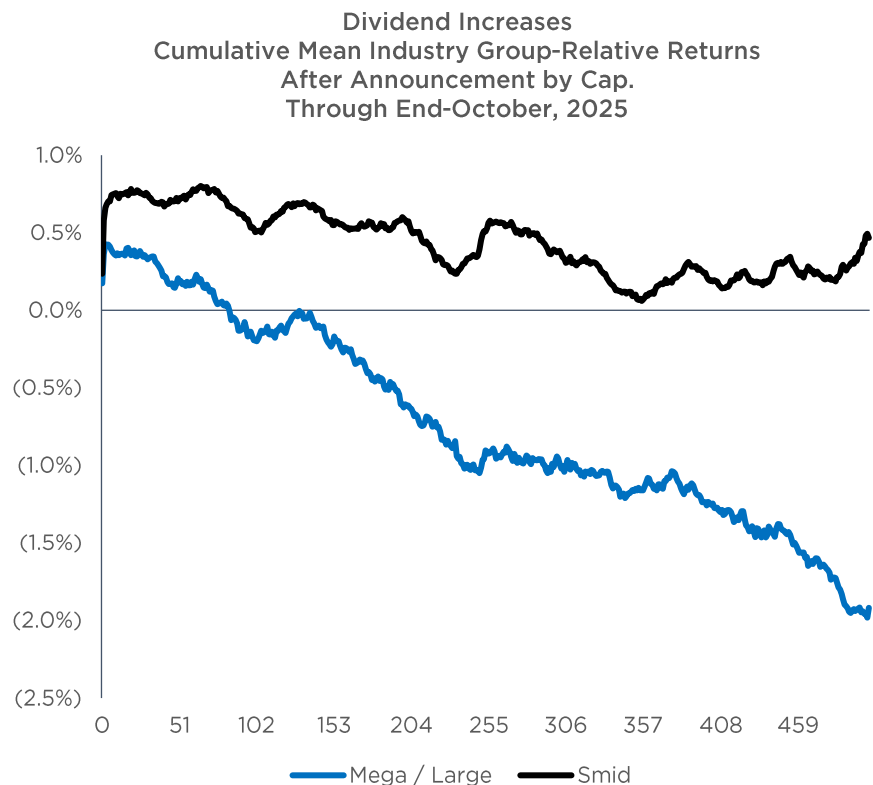
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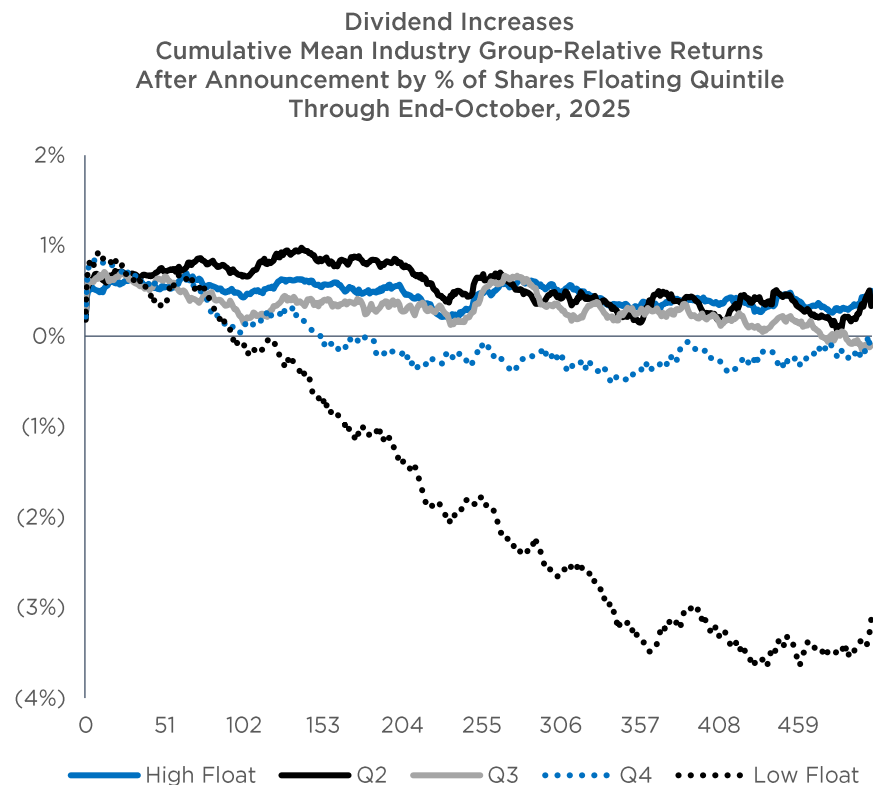
Source: Trivariate Research

SIZE AND FLOAT MATTER FOR DIVIDEND INCREASES

Mega / large caps that increase their dividend underperform post-announcement, while SMID caps perform in-line with their industry group average (left). Companies in the lowest quintile of percentage of shares that are floating underperform following dividend increases. Often companies with less floating shares may be issuing dividends to benefit insiders with large holdings (right).



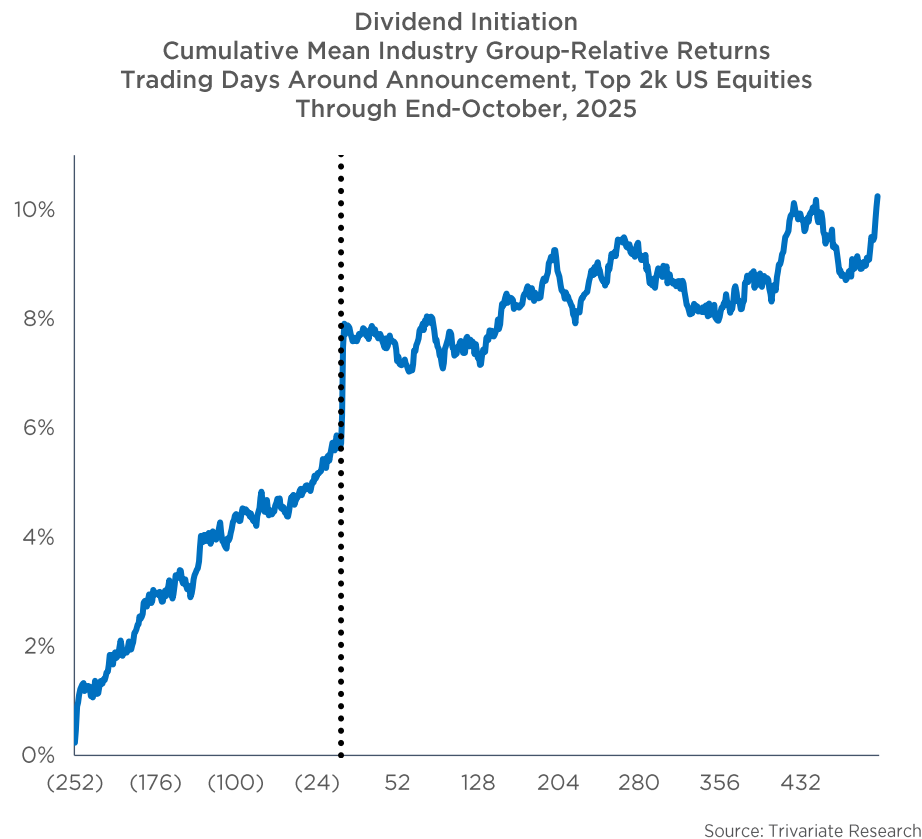
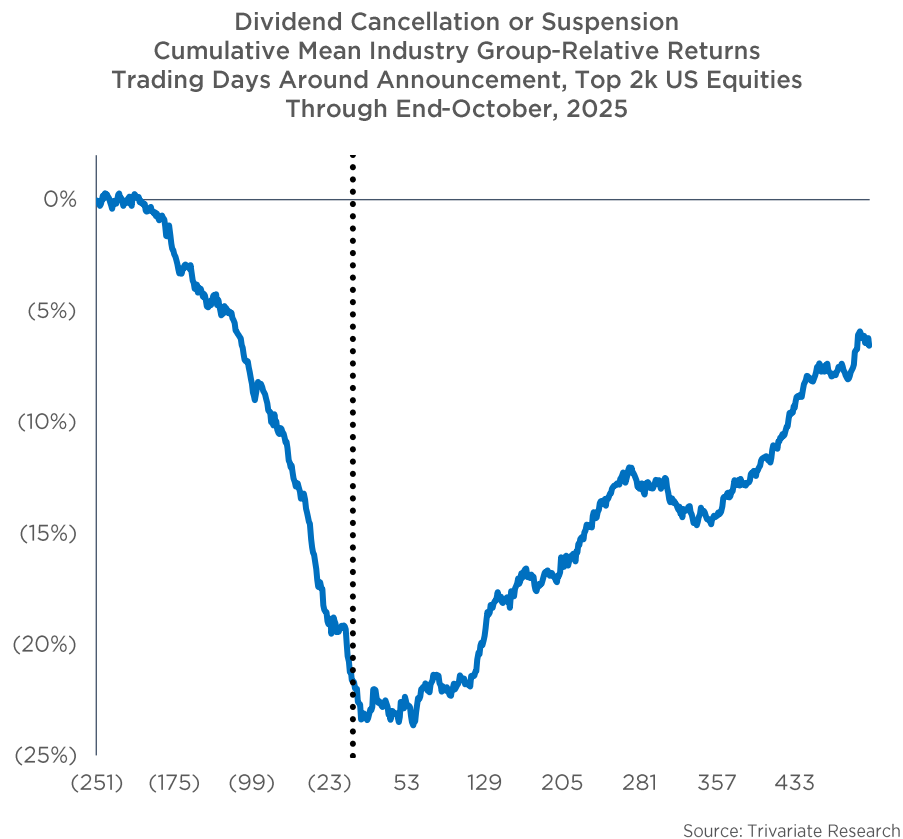
Source: Trivariate Research



Source: Trivariate Research

BUYING A DIVIDEND CANCELLER IS BUYING AT THE BOTTOM

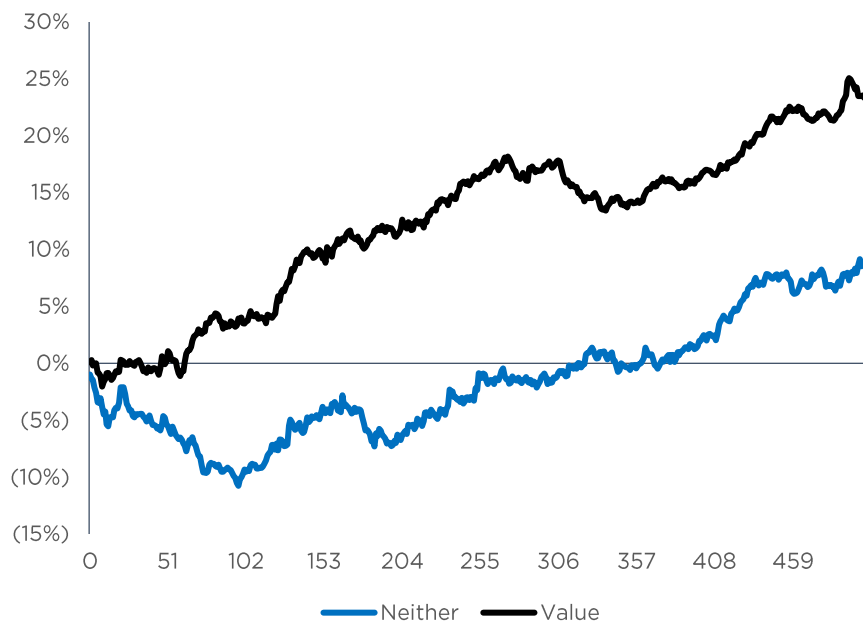
Companies that cancel their dividend underperform their industry group average greatly prior to announcing the cancellation (left), but three months later sharply outperform their industry group average. Dividend initiators outperform prior to initiating their dividend and see some mild outperformance after (right).



VALUE STOCKS THAT CANCEL THEIR DIVIDEND TEND TO WORK

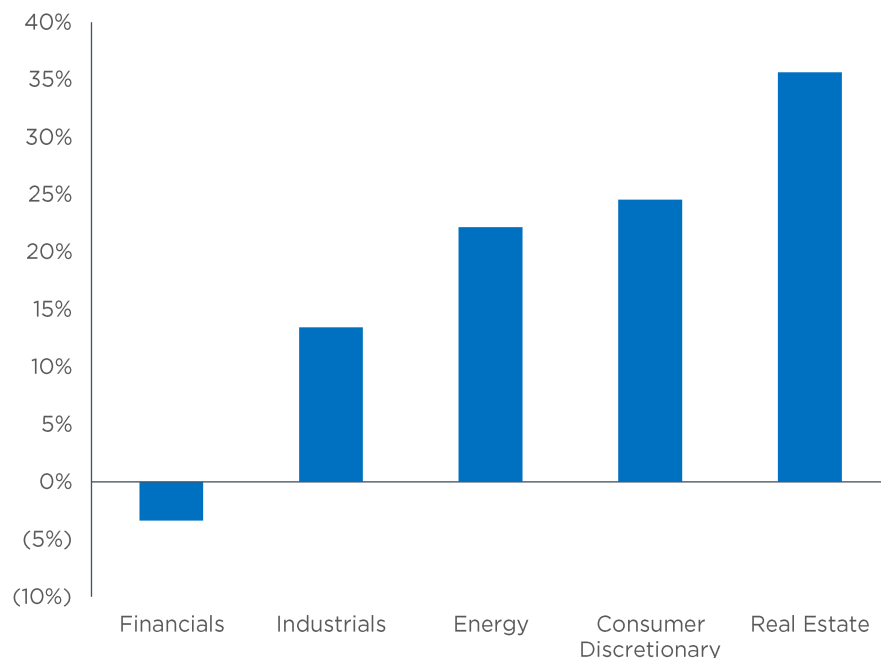
We have a systematic model to tag stocks into three cohorts: growth, value, and a middle ground which we call “Neither”. The rebound of stock prices after dividend cancellation is most prominent in our value universe. If an already cheap stock cancels its dividend, it is a good place to look for value (left). Companies in the “neither” middle ground see continued underperformance for five months after dividend cancellation, as multiples have not yet troughed at the time of cancellation. Dividend cancellers rebound the most in Real Estate and Consumer Discretionary and underperform in Financials (right).

Dividend Cancellation or Suspension
Cumulative Mean Industry Group-Relative Returns
After Announcement by Style
Through End-October, 2025



Source: Trivariate Research

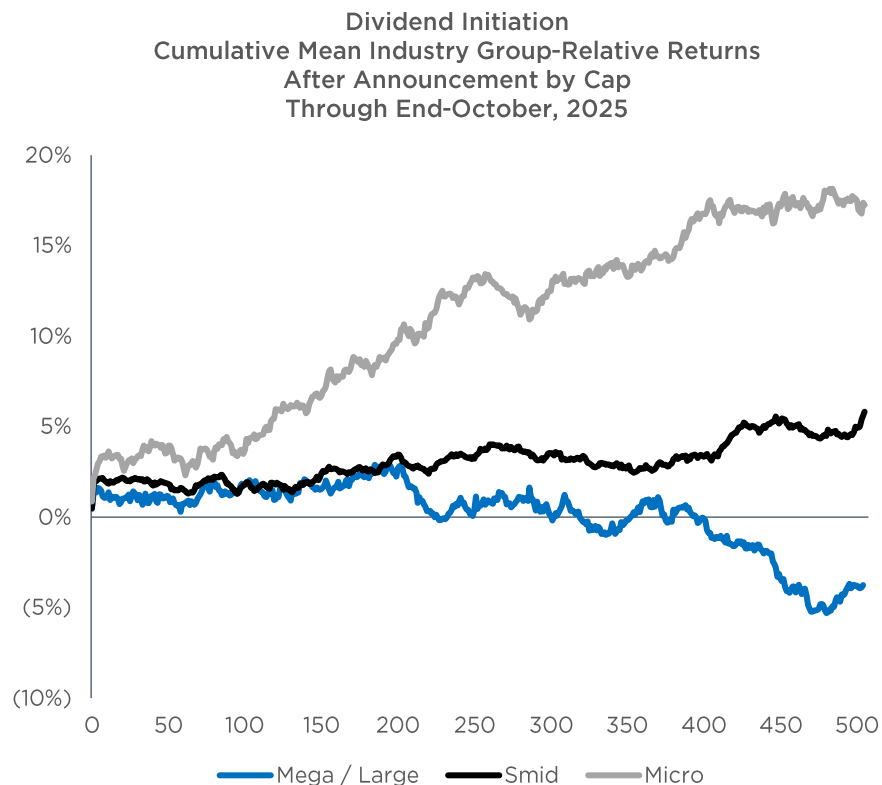
Dividend Cancellation or Suspension
2yr Mean Industry-Group Relative Return
After Announcement by Sector
Through End-October, 2025



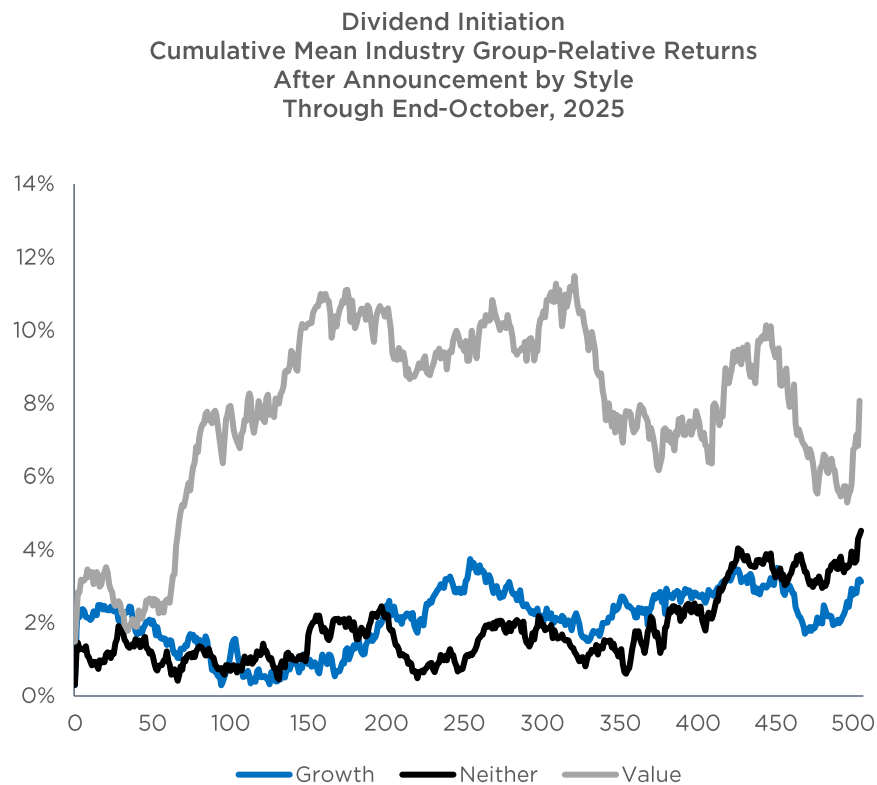
Source: Trivariate Research

VALUE STOCKS THAT INITIATE A DIVIDEND OUTPERFORM

The outperformance of companies that initiate a dividend is mild for mega / large and SMID caps (left). Micro-caps that initiate a dividend greatly outperform for the following 2 years post-announcement, as a dividend is likely a positive sign for business stability. Value stocks that initiate a dividend see strong outperformance in the first 6 months but returns thereafter are more in-line with industry-group averages (right). Growth and “Neither” companies that initiate a dividend average very modest subsequent outperformance.



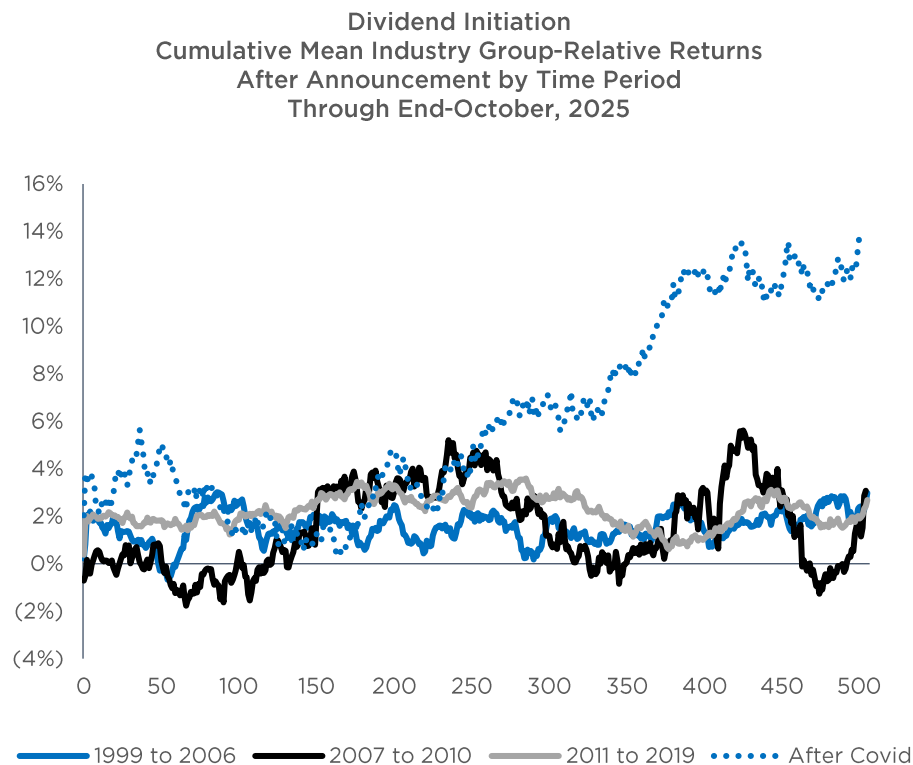
Source: Trivariate Research



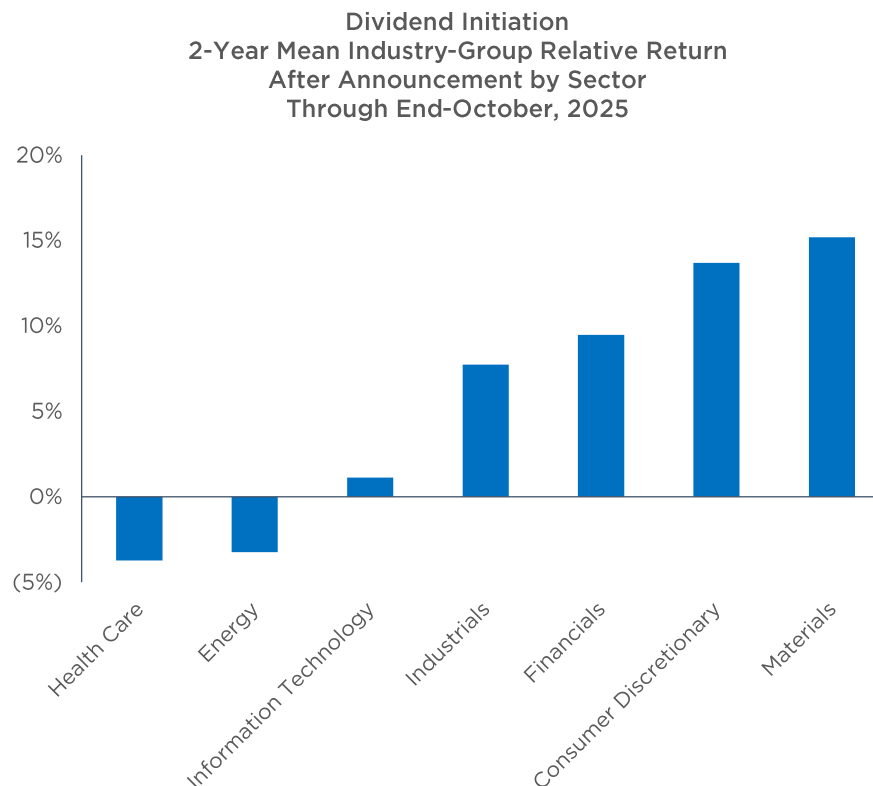
Source: Trivariate Research

DIVIDEND INITIATION RESULTS VARY GREATLY BY SECTOR

The returns following dividend initiation do not differ much by market regime, but recent dividend initiators (post-COVID) have outperformed (left). The returns following a dividend initiation do however vary greatly by sector, with Materials, Consumer Discretionary, and Financials performing the best and Healthcare, Energy, and Technology performing the worst (right).



Source: Trivariate Research



Source: Trivariate Research

DIVIDEND INCREASE QUANTITATIVE LONG / SHORT IDEA SCREENS

Below we suggest long / short ideas for companies with recent dividend increase announcements. Long ideas include companies in the bottom quintile of payout ratio, as they are poised to increase their dividend again in the future. Short ideas include high-quality stocks in the bottom quintile of percentage of shares that are free-floating.

**Long Dividend Increases in Bottom Quintile of Payout Ratio
November 13th, 2025**

Ticker	Company	Sector	Market Cap. (US\$ Bil.)	Announcement Date
AU	AngloGold Ashanti plc	Materials	40.74	11/11/2025
FG	F&G Annuities & Life, Inc.	Financials	4.44	11/7/2025
NNI	Nelnet, Inc.	Financials	4.69	11/6/2025
ROP	Roper Technologies, Inc.	Info Technology	48.19	11/5/2025
COR	Cencora, Inc.	Health Care	70.85	11/5/2025
CNK	Cinemark Holdings, Inc.	Comm. Services	3.47	11/5/2025
NVGS	Navigator Holdings Ltd.	Energy	1.15	11/4/2025
COF	Capital One Financial	Financials	137.83	11/4/2025
WAL	Western Alliance	Financials	8.49	11/3/2025
LDOS	Leidos Holdings, Inc.	Industrials	24.46	10/31/2025
VST	Vistra Corp.	Utilities	58.13	10/30/2025
WDC	Western Digital Corporation	Info Technology	53.73	10/30/2025
UNF	UniFirst Corporation	Industrials	2.88	10/28/2025
UMBF	UMB Financial Corporation	Financials	8.28	10/28/2025
LNG	Cheniere Energy, Inc.	Energy	45.91	10/28/2025

Source: Trivariate Research

**Short High Quality Stock Dividend Increases, Bottom Quintile of Float %
November 13th, 2025**

Ticker	Company	Sector	Market Cap. (US\$ Bil.)	Announcement Date
ICL	ICL Group Ltd	Materials	7.09	11/12/2025
UI	Ubiquiti Inc.	Info Technology	33.74	11/7/2025
SCCO	Southern Copper Corporation	Materials	108.15	10/29/2025
ROL	Rollins, Inc.	Industrials	27.72	10/28/2025
DDS	Dillard's, Inc.	Consumer Disc.	10.37	8/21/2025
GOLF	Acushnet Holdings Corp.	Consumer Disc.	4.68	8/8/2025
SPNS	Sapiens International	Info Technology	2.42	3/26/2025
BSY	Bentley Systems	Info Technology	13.61	2/26/2025
CNS	Cohen & Steers, Inc.	Financials	3.34	2/20/2025
WMT	Walmart Inc.	Cons. Staples	817.54	2/20/2025
ULS	UL Solutions Inc.	Industrials	17.15	2/12/2025
CNA	CNA Financial Corporation	Financials	12.50	2/10/2025
TW	Tradeweb Markets Inc.	Financials	23.48	2/6/2025
USLM	United States Lime & Minerals	Materials	3.39	2/3/2025
RBCA.A	Republic Bancorp, Inc.	Financials	1.31	1/22/2025

Source: Trivariate Research

DIVIDEND DECREASE QUANTITATIVE LONG / SHORT IDEA SCREENS

Below we suggest long / short quantitatively-derived stock ideas for companies that have recently announced dividend decreases. The long screen contains junk stocks, as the dividend decrease may help them improve their balance sheet. The short screen includes high-quality or growth companies, as their margins or growth may be impaired if they are cutting their dividend.

**Long Junk Stock Dividend Decreases
November 13th, 2025**

Ticker	Company	Sector	Market Cap. (US\$ Bil.)	Announcement Date
BAX	Baxter International Inc.	Health Care	9.61	11/11/2025
MAN	ManpowerGroup Inc.	Industrials	1.34	11/10/2025
HUN	Huntsman Corporation	Materials	1.52	11/6/2025
CCOI	Cogent Comm. Holdings, Inc.	Comm. Services	0.79	11/6/2025
FMC	FMC Corporation	Materials	1.70	10/29/2025
BXP	BXP, Inc.	Real Estate	11.22	9/8/2025
ZIM	ZIM Integrated Shipping Serv.	Industrials	1.93	8/20/2025
WHR	Whirlpool Corporation	Consumer Disc.	3.69	8/18/2025
DOW	Dow Inc.	Materials	16.43	7/24/2025
FRO	Frontline plc	Energy	5.58	5/23/2025
CRI	Carter's, Inc.	Consumer Disc.	1.21	5/20/2025
SBLK	Star Bulk Carriers Corp.	Industrials	2.18	5/14/2025
CC	The Chemours Company	Materials	1.84	5/6/2025
ABR	Arbor Realty Trust, Inc.	Financials	1.78	5/2/2025
WEN	The Wendy's Company	Consumer Disc.	1.66	5/2/2025

Source: Trivariate Research

**Short High-Quality or Growth Stock Dividend Decreases
November 13th, 2025**

Ticker	Company	Sector	Market Cap. (US\$ Bil.)	Announcement Date
MNR	Mach Natural Resources LP	Energy	2.01	11/6/2025
CALM	Cal-Maine Foods, Inc.	Consumer Staples	4.44	10/1/2025
ICL	ICL Group Ltd	Materials	7.09	9/1/2025
FTV	Fortive Corporation	Industrials	16.50	8/27/2025
STEP	StepStone Group Inc.	Financials	4.92	8/7/2025
BX	Blackstone Inc.	Financials	109.21	4/17/2025

Source: Trivariate Research

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