

The Dividend Information You Need, From Those Who Know It

While we recognize that there are still several significant headwinds we face from a macro perspective, including the risk of a recession, there are some reasons for optimism. Staying invested through the volatility we have experienced this year is an example of the mental tax investors must pay to earn the attractive long term returns equity markets have provided.

We are also encouraged by the historical results after a significant market decline in the first half of the year. The S&P 500® Total Return Index has declined 20% to June 30, 2022. Since 1928, there have been six instances where the index has declined more than 15% in the first half of the year, including this year. Of the five previous instances (1932, 1939, 1940, 1962, 1970) all had positive returns in the second half, with an average return of 26%, median of 18% and minimum of approximately 10%. After the tough start to the year, we believe investors will once again be well-served exercising a bit of patience.

Despite rising interest rates and high inflation figures being reported, earnings on a backward-looking basis have been reasonably strong, although with many companies revising their guidance downward for the rest of the year. Over the course of the year, 401 S&P 500® dividend payers provided investors with a median dividend growth rate of 8.0%.

Below we have compiled important dividend statistics for the first half 2022 for both the S&P 500® and S&P/TSX Composite indices.

S&P 500® DIVIDEND STATISTICS HI 2022

Total Dividend Payers	401
Median Dividend Growth	8.02%
Dividend Cutters	7
Dividend Maintainers	119
Dividend Growers	249
Dividend Suspenders	0
Median Dividend Yield	2.21%
Median Grower Dividend Growth	11.19%

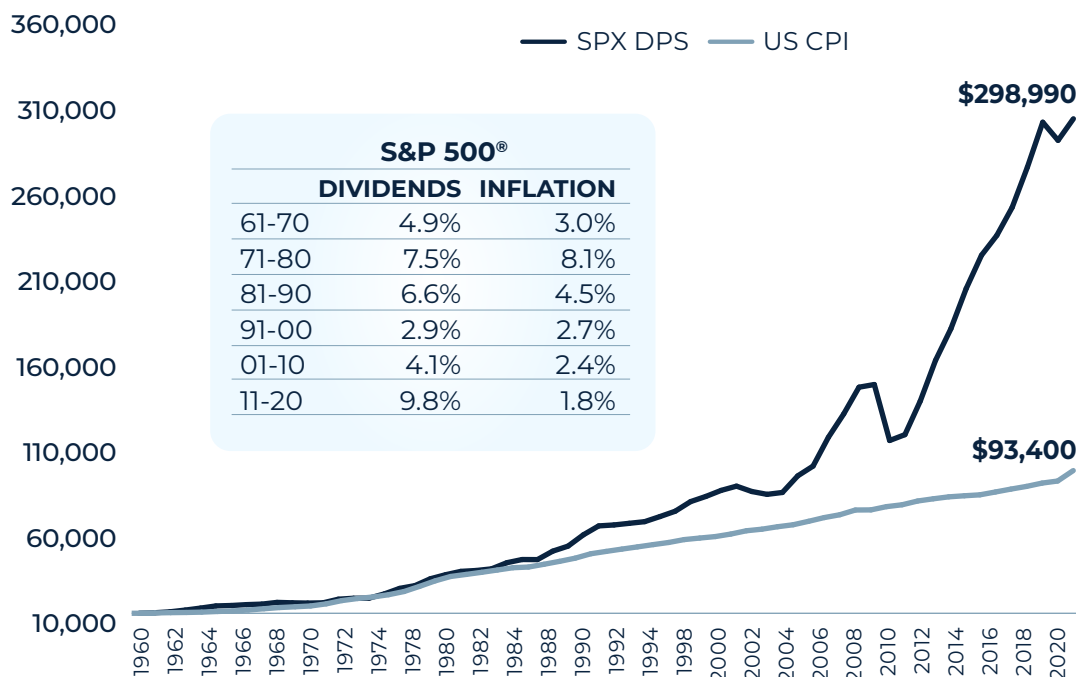
S&P/TSX Dividend Statistics HI 2022

Total Dividend Payers	179
Median Dividend Growth	6.18%
Dividend Cutters	9
Dividend Maintainers	51
Dividend Growers	104
Dividend Suspenders	0
Median Dividend Yield	2.81%
Median Grower Dividend Growth	12.69%

Source: Factset, Bloomberg, Company Reports, Bristol Gate Capital Partners Inc.

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SHOULD DIVIDEND INVESTORS FEAR INFLATION?

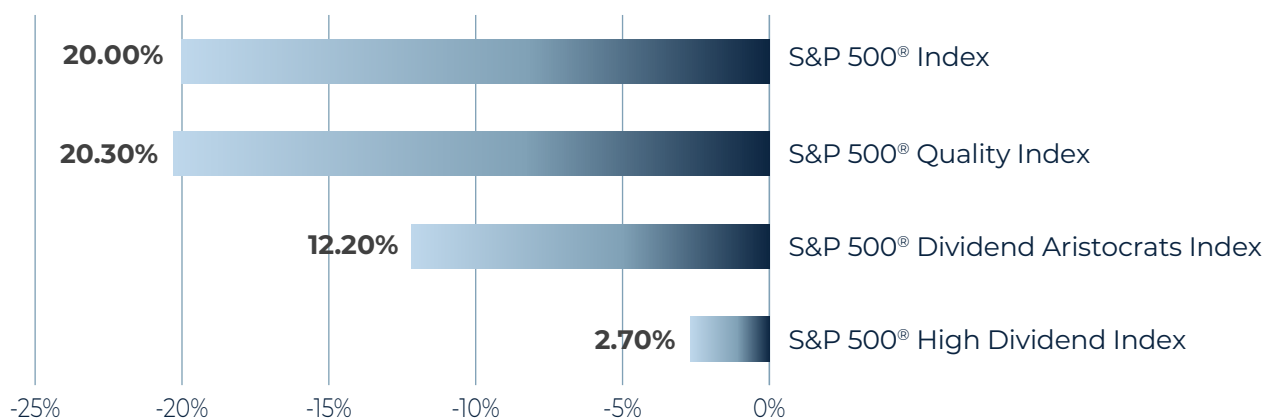


Amid increasing worries about high inflation levels, dividends investors might be reassured by looking at history of prior high inflation periods. The most period of persistently high inflation was in the 1970s, where it averaged over 8% for the decade. Just the dividends paid out alone in the S&P 500® delivered a total return of 7.5% in the same period, however, offsetting virtually all the impact of rising prices.

Damodaran Online, Bloomberg, Bristol Gate Capital Partners

DIVIDEND STOCKS ARE NOT A MONOLITH

YTD TOTAL RETURN



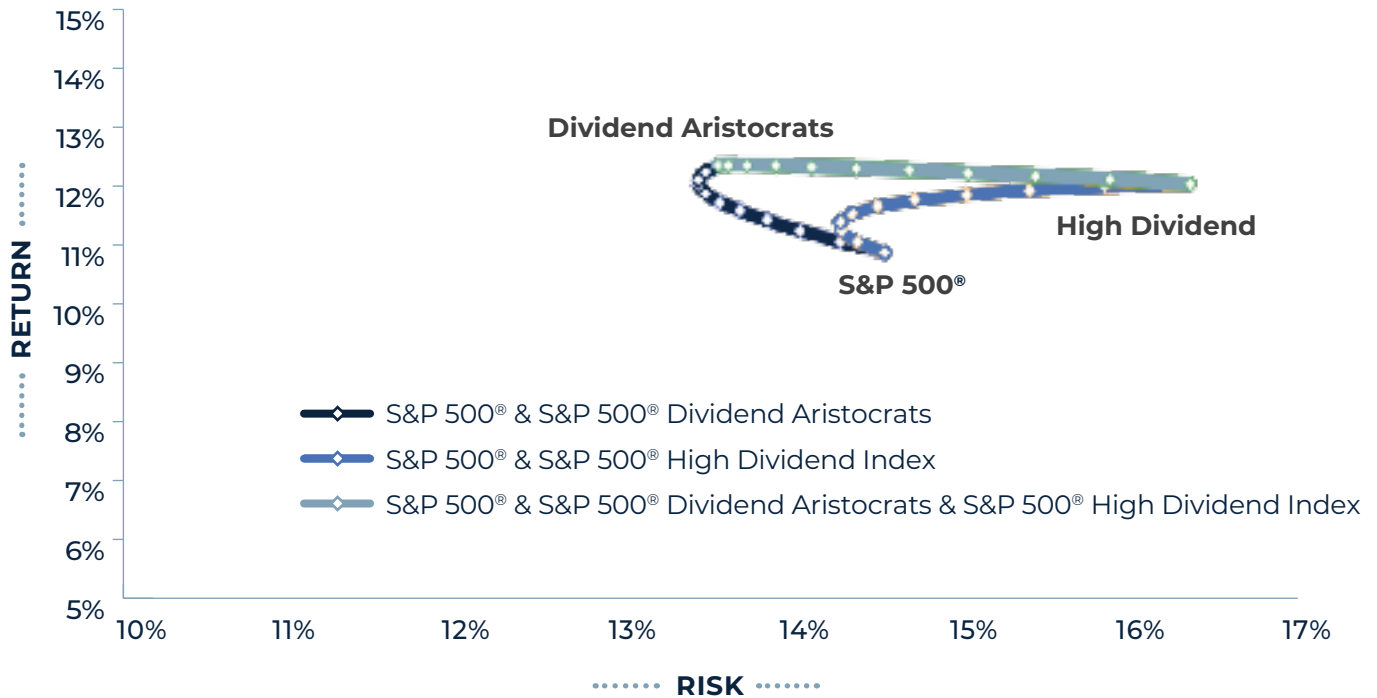
Source: S&P Dow Jones Indices LLC, Bristol Gate Capital Partners

Investments are often simplified into broad buckets (growth, value, income, etc.) but this year is a stark reminder that just because a stock is a dividend payer doesn't mean that there is not a myriad of attributes that may make it more or less suited for investors portfolios. We have seen higher quality stocks decline in line with the S&P 500® Index this year, while high dividend stocks have held up much better than the broad market. What does history tell us about what kind of dividend paying stocks have offered the most attractive risk/return profile over the long term?

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DIVIDEND GROWERS HAVE HISTORICALLY OUTPERFORMED HIGH DIVIDEND YIELDING STOCKS

EXHIBIT 1: COMBINATIONS OF S&P 500®, S&P 500® DIVIDEND ARISTOCRATS AND S&P 500® HIGH DIVIDEND



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1990, to Dec. 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. The S&P Dividend Aristocrats was launched May 2, 2005. The S&P 500® High Dividend Index was launched Sept. 21, 2015.

Source: S&P Dow Jones Indices LLC

Historically, the trend from the first half of this year does not translate to long-term investment success. Dividend growers, as represented by the Dividend Aristocrats Index, have offered the most attractive risk/reward profile. Pairing it with the S&P High Dividend Index or S&P 500® Index has only served to reduce the return profile and add volatility. Investors should be wary of focusing simply on dividend yield when constructing portfolios.

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