

# Bristol Gate Dividend Report 2024

As of December 31, 2024



## *The Dividend Information You Need, From Those Who Know It*

Throughout the 12-month period ending December 31, 2024, there were 407 dividend payers in the S&P 500®, delivering a median dividend growth rate of 5.8%. In the same period, we saw 16 S&P 500® companies cut their dividends. Within this report we explore the investment cases for dividend growth and dividend yield and provide updated information on the dividend universe.

## **DIVIDEND STATISTICS FOR THE US AND CANADIAN MARKETS THROUGH JANUARY 1 – DECEMBER 31, 2024**

### **S&P 500® Dividend Statistics**

Total Dividend Payers	407
Avg. Dividend Growth	6.5%
Median. Dividend Growth	5.8%
MC Weighted Dividend Growth	17.8%
Cutters (# of companies)	16
Maintainer (# of companies)	69
Grower (# of companies)	315
Inadequate # of Payments (# of companies)	7
Suspenders	1
Avg. Dividend Yield	2.4%
Median Dividend Yield	2.0%
Avg. Grower Dividend Growth	10.0%
Median. Grower Dividend Growth	7.1%

### **S&P/TSX Dividend Statistics**

Total Dividend Payers	177
Avg. Dividend Growth	6.7%
Median. Dividend Growth	5.0%
MC Weighted Dividend Growth	8.2%
Cutters (# of companies)	6
Maintainer (# of companies)	44
Grower (# of companies)	126
Inadequate # of Payments (# of companies)	1
Suspenders	0
Avg. Dividend Yield	3.3%
Median Dividend Yield	2.8%
Avg. Grower Dividend Growth	10.9%
Median. Grower Dividend Growth	7.4%

*Source: Bristol Gate Capital Partners, Bloomberg. Data from January 1, 2024 – December 31, 2024.*

## **DIVIDEND INVESTING: YIELD VS GROWTH**

Dividend investing offers an attractive value proposition:

- income,
- potential capital growth, and
- lower downside risk over time.

Dividend investing can mean different things to investors. Prioritizing dividend yield or dividend growth delivers different investor outcomes. Below, we look at how these approaches raise separate questions, leading to separate results.

## THE CASE FOR YIELD

Emphasis on yield often focuses on income generation today. In the near term, a higher dividend yield represents a larger stream of income. Savers can reinvest, while retirees can replace earnings and fund expenditures with the income accrued from high dividend yielding names.

Higher yielding companies are often associated with relative downside protection. These companies are traditionally in the defensive sectors: Consumer Staples, Energy, Real Estate, and Utilities. Lacking high growth characteristics, dividends may make up a greater share of a company's total return. Barring a dividend cut, the income portion of the return is stable, which helps provide consistency in returns and can help insulate investors in volatile markets.

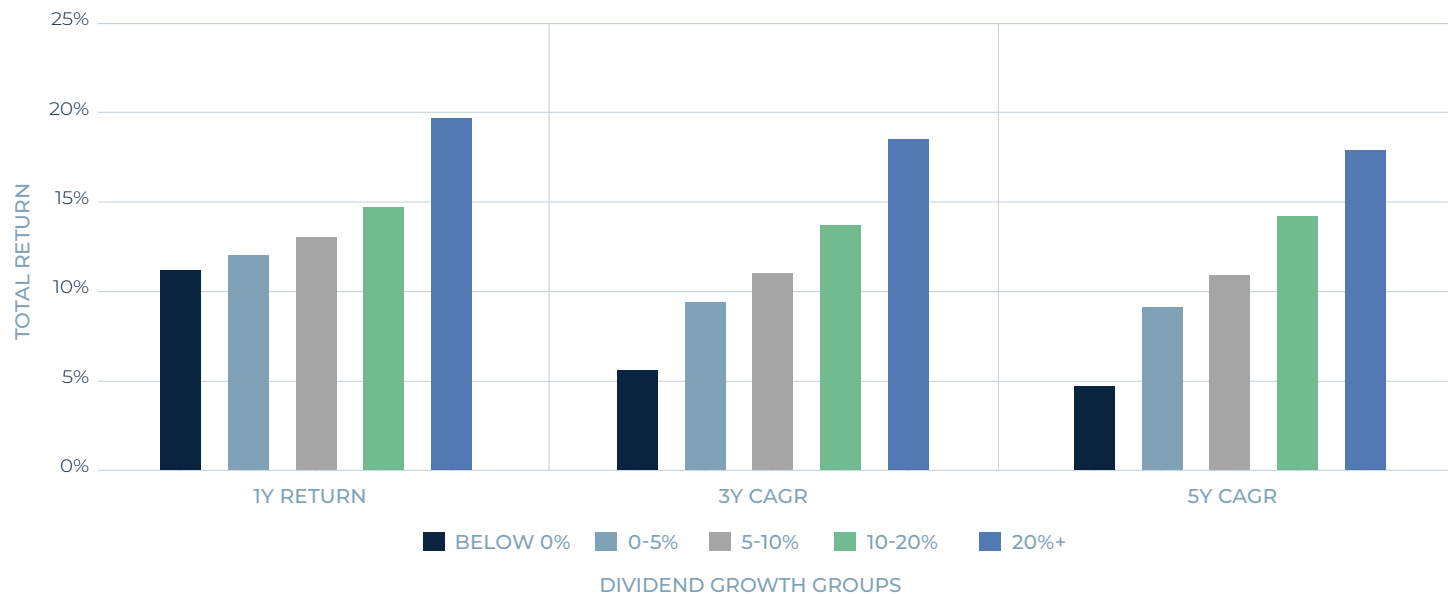
If your primary reason for investing in dividend paying securities focuses on income, avoiding dividend cuts may be more important than targeting price appreciation. The risk with higher yields could be the possible indication of slowing growth. Sustainability of income and capital are paramount in outcome.

## THE CASE FOR GROWTH

The focus of dividend growth prioritizes total return and share appreciation, which can accompany dividend growth. This investment philosophy connects the principle that the income an asset produces, and its value are inherently linked over time.

While the benefit of a higher current income seems attractive, the total return benefit of dividend growth (higher dividend growth in particular), may suit investors looking to grow their capital and income over time versus a focus on yield. Companies in the S&P 500 which grew their dividends the most over the last 40 years consistently delivered higher returns. The return disparity becomes more striking when looking at dividend growth over longer time periods.

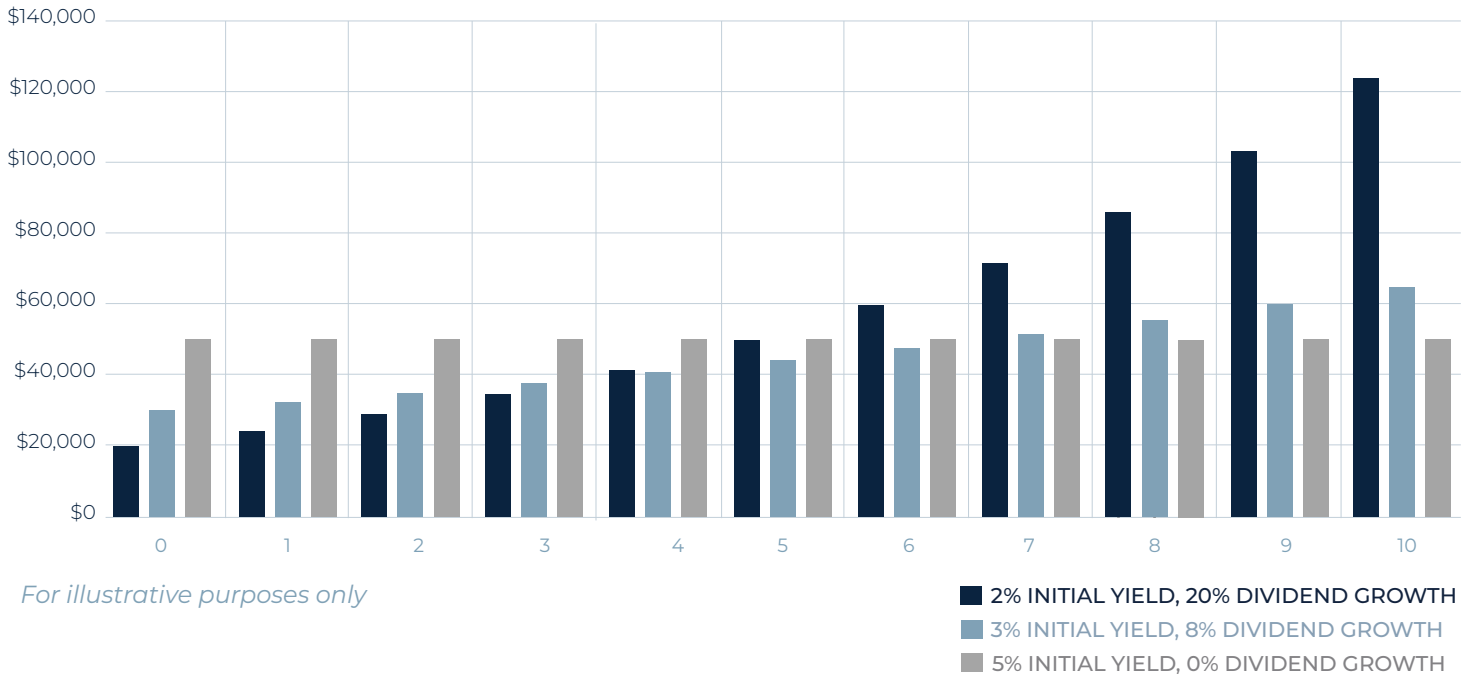
**ANNUAL RETURNS OF DIVIDEND PAYERS**



The chart above illustrates the total return for dividend paying securities in the S&P 500 based on their dividend growth rate over the relevant periods. The period referenced is from January 1, 1990, to December 31, 2024, and observations are made on a monthly basis. Source: Bristol Gate Capital Partners, FactSet.

Higher dividend growth is often found in companies with lower dividend yields. The initial stream of income may lag in comparison to a higher yielding company. The lower income return may not dampen volatility relative to a higher yielding name. However, dividend growers offer investors a potentially rewarding outcome of capital growth and growing income over time. In fact, dividend growers offer the attractive potential of greater yield on cost if held for enough time.

## ANNUAL DIVIDEND INCOME (\$1MM PORTFOLIO)



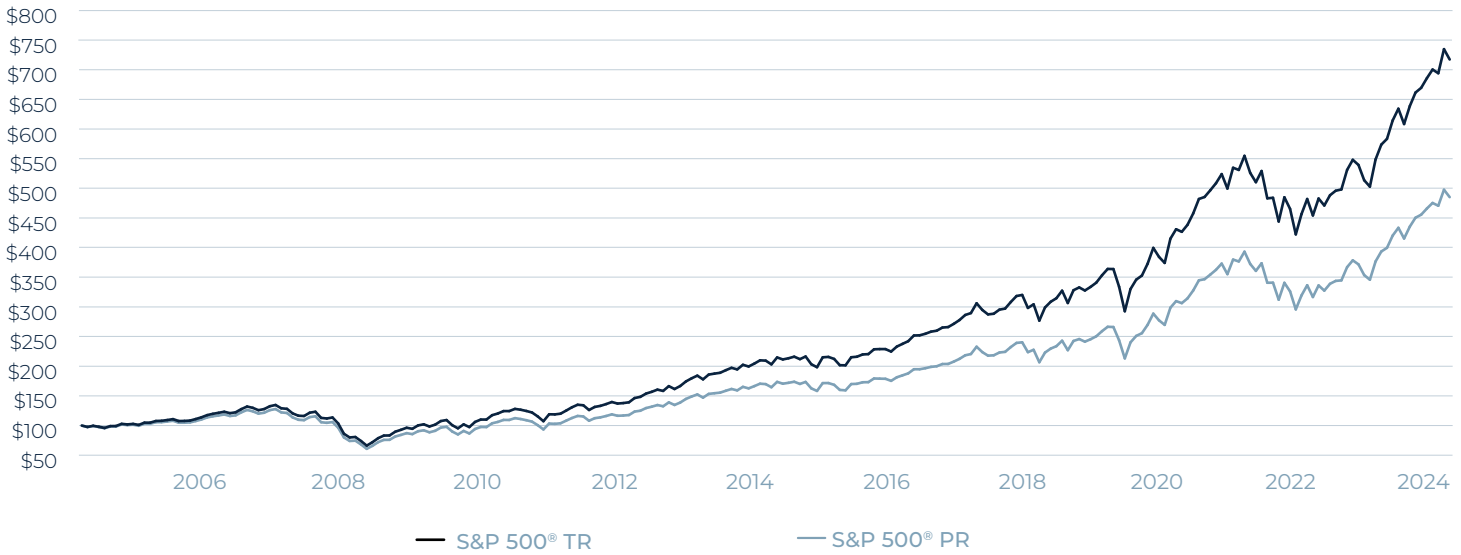
In the world of dividends, different approaches lead to different investor outcomes. Any dividend investor should ensure their focus on dividend yield and/or dividend growth aligns with their goals and invest accordingly.

# BRISTOL GATE DIVIDEND CHART BOOK

## WHY DIVIDENDS MATTER

### TOTAL RETURN VS. PRICE RETURN OF THE S&P 500®

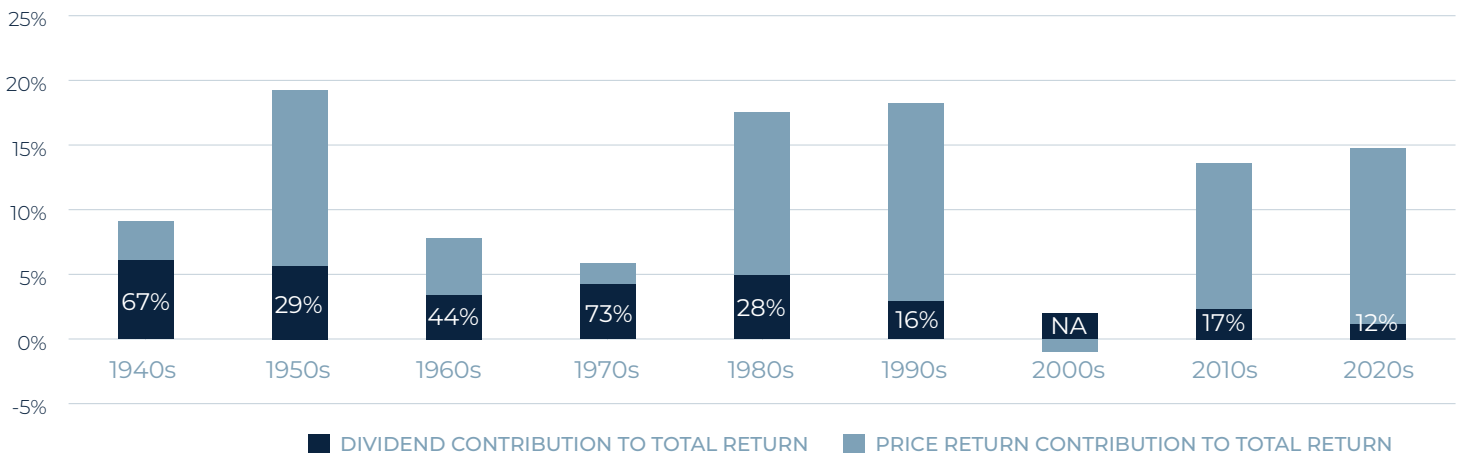
Reinvestment of dividends have contributed to significant wealth creation opportunities.



Source: Morningstar, Bristol Gate. December 31, 2004 – December 31, 2024

### CONTRIBUTION OF DIVIDENDS TO TOTAL RETURN BY DECADE

The contribution of dividends over time has varied by decade. In periods of market volatility, they have proven to be a reliable source of return.

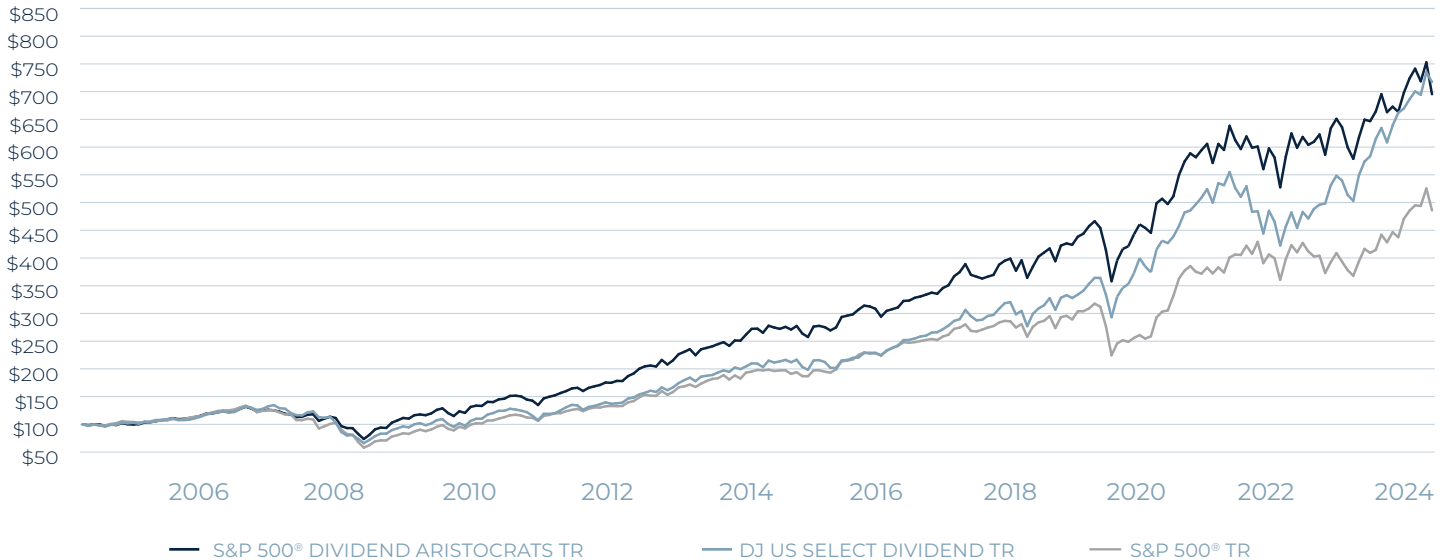


Source: Morningstar, Bristol Gate. Data through December 31, 2024

## DIVIDEND GROWTH VS. HIGH DIVIDEND YIELD

### PERFORMANCE OF DIVIDEND GROWERS VS. DIVIDEND YIELDERS

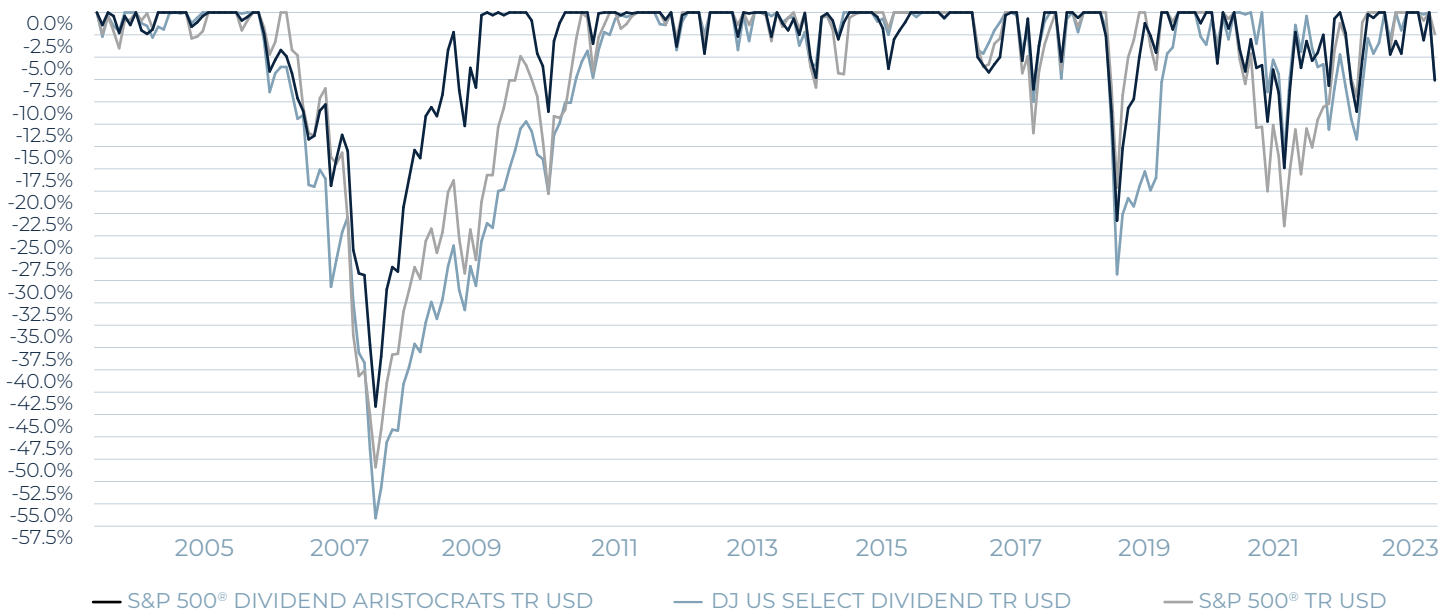
Over the past 20 years, the S&P 500 Dividend Aristocrats (a proxy for a dividend growth portfolio) has outperformed both the market and also the Dow Jones US Select Dividend index (a proxy for a high yield-oriented portfolio).



Source: Morningstar, Bristol Gate. December 31, 2004 – December 31, 2024

### DOWNSIDE PROTECTION OF DIVIDEND GROWERS VS. DIVIDEND YIELDERS

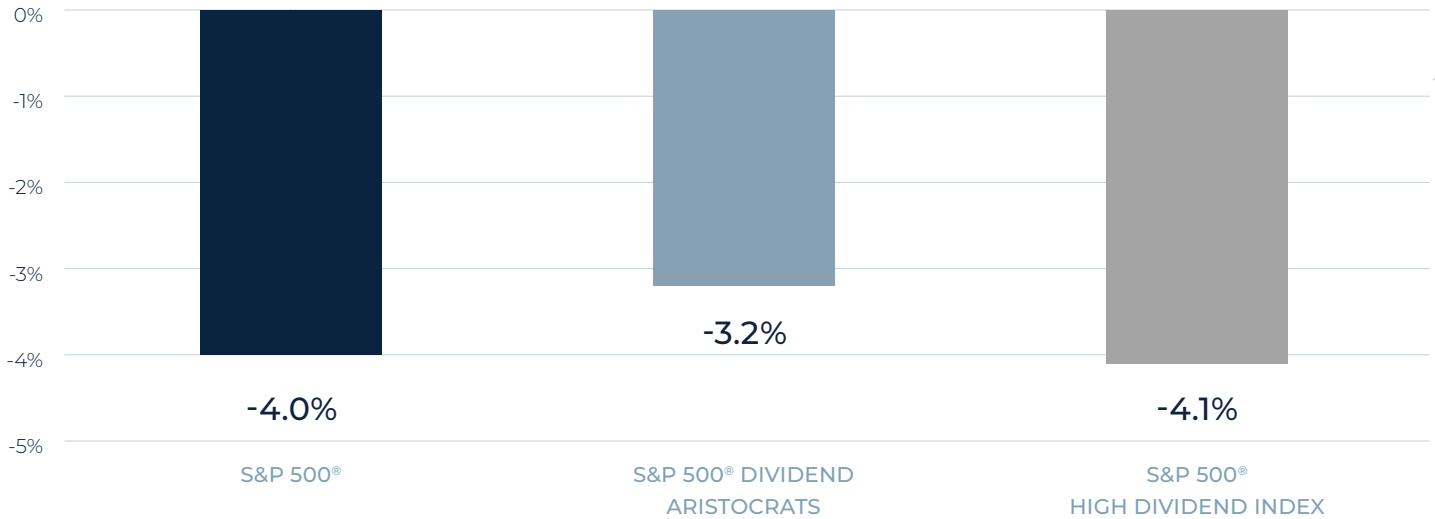
Over the past 20 years, dividend indices have been more successful than the broad market in protecting capital during large pullbacks.



Source: Morningstar, Bristol Gate December 31, 2004 – December 31, 2024

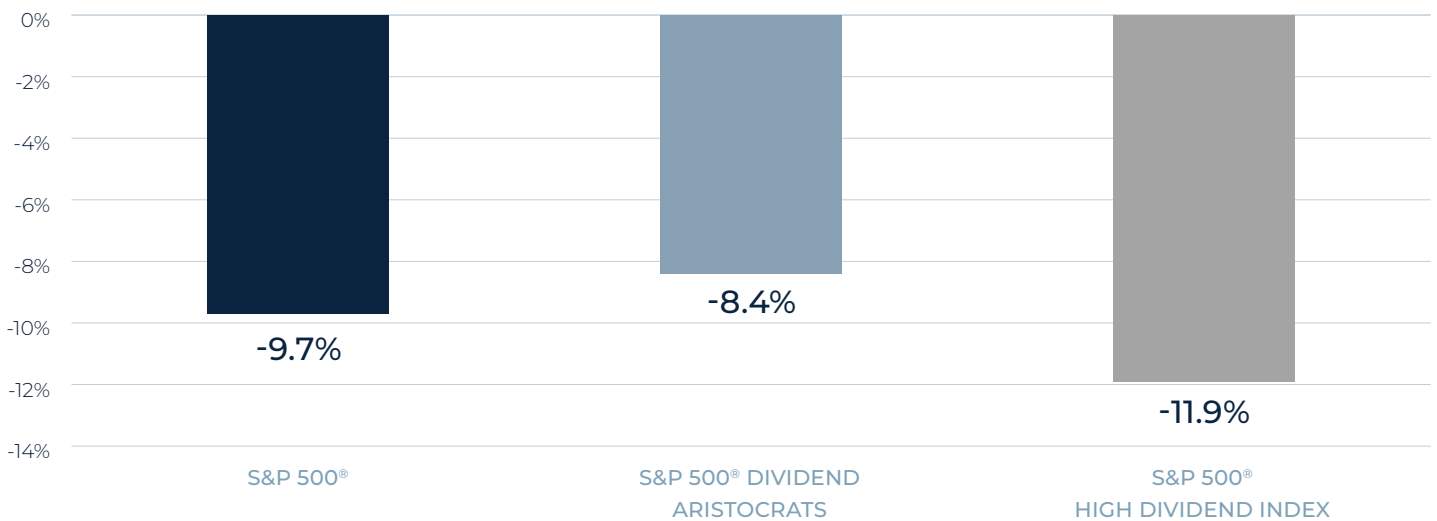
During both down months and the 15 most severe down months, the dividend growth index provided a better buffer than the yield focused index (High Dividend Index).

## AVERAGE RETURN DURING S&P 500 DOWN MONTHS



Source: Bristol Gate Capital Partners, Bloomberg. Data from Jan 1, 2000 – December 31, 2024

## AVERAGE RETURN DURING S&P 500 WORST 15 MONTHS



Source: Bristol Gate Capital Partners, Bloomberg. Data from Jan 1, 2000 – December 31, 2024

## DIVIDEND EXPOSURE RETURN QUILT

A common distinction is between high dividend yielding companies versus high dividend growth companies. Below we have contrasted the calendar year returns of some more notable dividend indices.

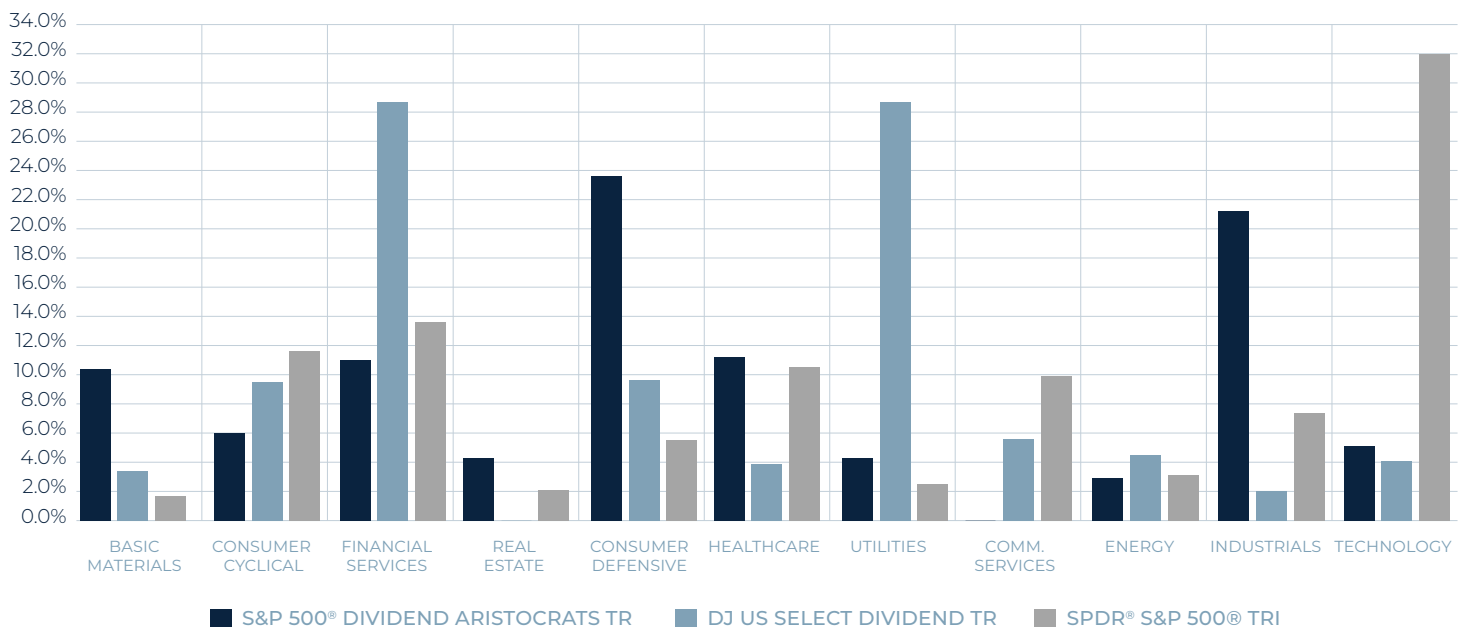
### CALENDAR YEAR RETURNS

	2024	2023	2022	2021	2020
S&P 500® Dividend Aristocrats TR USD	7.08%	8.44%	-6.21%	25.99%	8.68%
DJ US Select Dividend TR USD	16.62%	1.53%	2.31%	32.24%	-4.56%
S&P 500® Low Volatility High Div TR USD	18.35%	1.70%	0.93%	25.26%	-9.67%
Morningstar US Dividend Growth TR USD	16.66%	10.45%	-7.75%	26.69%	9.50%
MSCI USA High Dividend Yield GR USD	11.66%	6.83%	-3.75%	21.93%	1.69%
NASDAQ US Dividend Achievers 50 TR USD	5.76%	7.91%	2.97%	26.67%	-3.27%
Russell 1000 Dividend Growth TR USD	9.71%	11.18%	-5.92%	27.07%	12.44%
Russell 1000 Value TR USD	14.37%	11.46%	-7.54%	25.16%	2.80%
Russell 1000 Growth TR USD	33.36%	42.68%	-29.14%	27.60%	38.49%
S&P 500® TR USD	25.02%	26.29%	-18.11%	28.71%	18.40%

Source: Morningstar, Bristol Gate. As of December 31, 2024.

## DIVIDEND GROWTH VS. HIGH DIVIDEND YIELD SECTOR BREAKDOWN

### SECTOR EXPOSURES



Source: Morningstar, Bristol Gate. As of December 31, 2024

## SECTOR DIVIDEND GROWTH BY CALENDAR YEAR RETURN QUILT

LTM DIVIDEND GROWTH	DIVIDEND GROWTH	3 YEAR DIVIDEND GROWTH	DIVIDEND GROWTH	5 YEAR DIVIDEND GROWTH	DIVIDEND GROWTH
Information Technology	6.5%	Information Technology	6.8%	Information Technology	6.4%
Health Care	6.7%	Health Care	7.1%	Health Care	7.7%
Energy	-4.7%	Energy	7.1%	Energy	4.9%
Financials	6.0%	Financials	1.6%	Financials	3.4%
Utilities	4.0%	Utilities	3.0%	Utilities	2.9%
Consumer Discretionary	-1.9%	Consumer Discretionary	9.8%	Consumer Discretionary	-1.9%
Consumer Staples	16.8%	Consumer Staples	4.0%	Consumer Staples	4.2%
Industrials	6.4%	Industrials	11.4%	Industrials	4.3%
Communication Services	43.1%	Communication Services	10.0%	Communication Services	4.8%
Real Estate	6.0%	Real Estate	6.9%	Real Estate	3.3%
Materials	1.1%	Materials	3.8%	Materials	5.5%

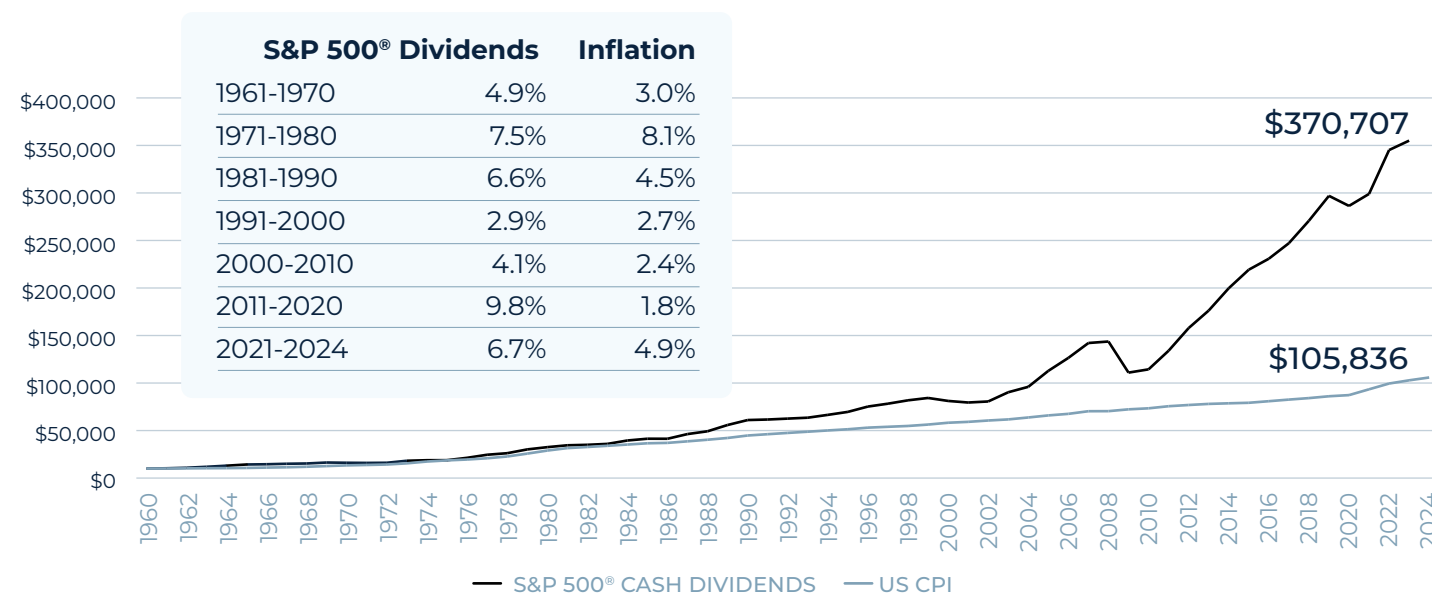
Source: Bristol Gate Capital Partners, Bloomberg. Data as of December 31, 2024. S&P 500® Sectors

## DIVIDENDS IN DIFFERENT INFLATIONARY ENVIRONMENTS

Dividend growth exposure has proven to be an effective way to preserve purchasing power.

### DIVIDENDS VS. INFLATION

GROWTH OF \$10,000



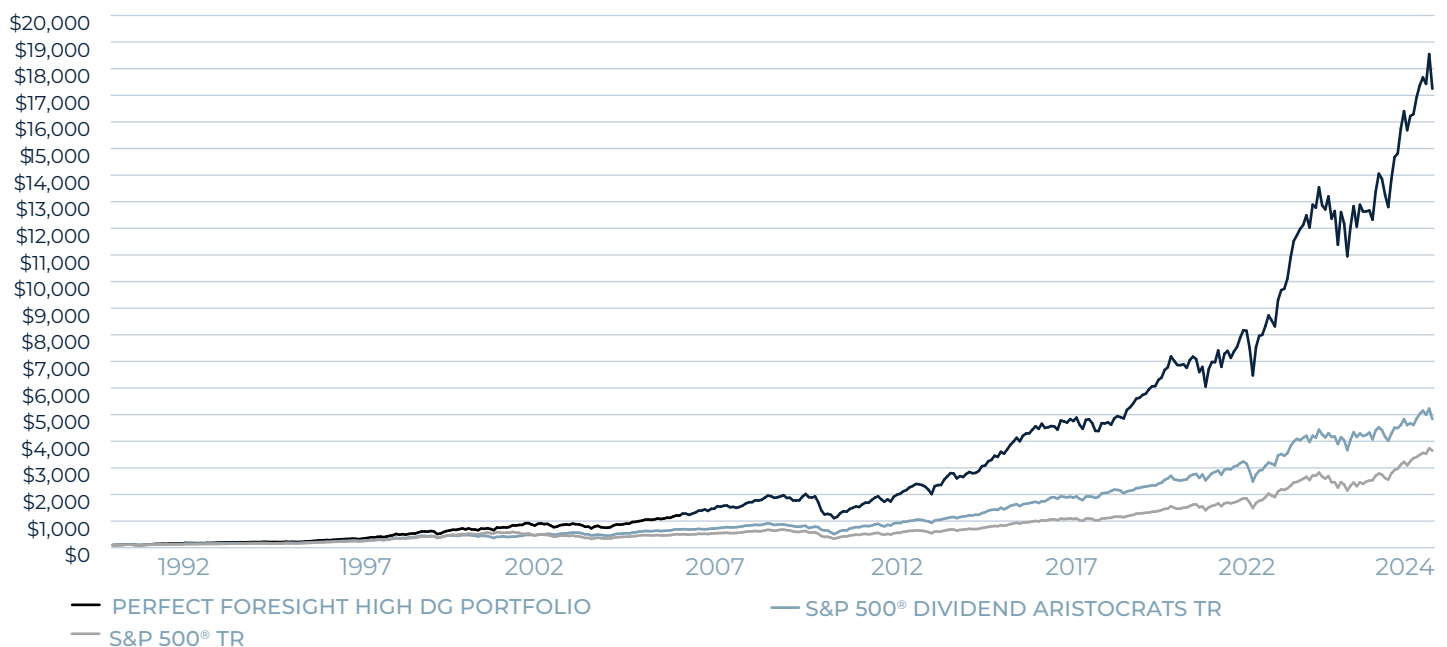
Source: Bristol Gate Capital Partners, Bloomberg. Data as of December 31, 2024



## HIGH DIVIDEND GROWTH WITH PERFECT FORESIGHT – THE BRISTOL GATE METHODOLOGY

Bristol Gate uses a proprietary Machine Learning model to identify the best dividend growers of tomorrow, today. As a group of stocks, the top 25% of dividend growers form a compelling investment opportunity. While we are unable to perfectly predict which companies will be in this portfolio each year, we strive to predict the best performers and to best understand the opportunity of this universe. Below is a clear example of why we focus on the highest dividend growers.

### PERFORMANCE OF THE PERFECT DIVIDEND GROWTH PORTFOLIO

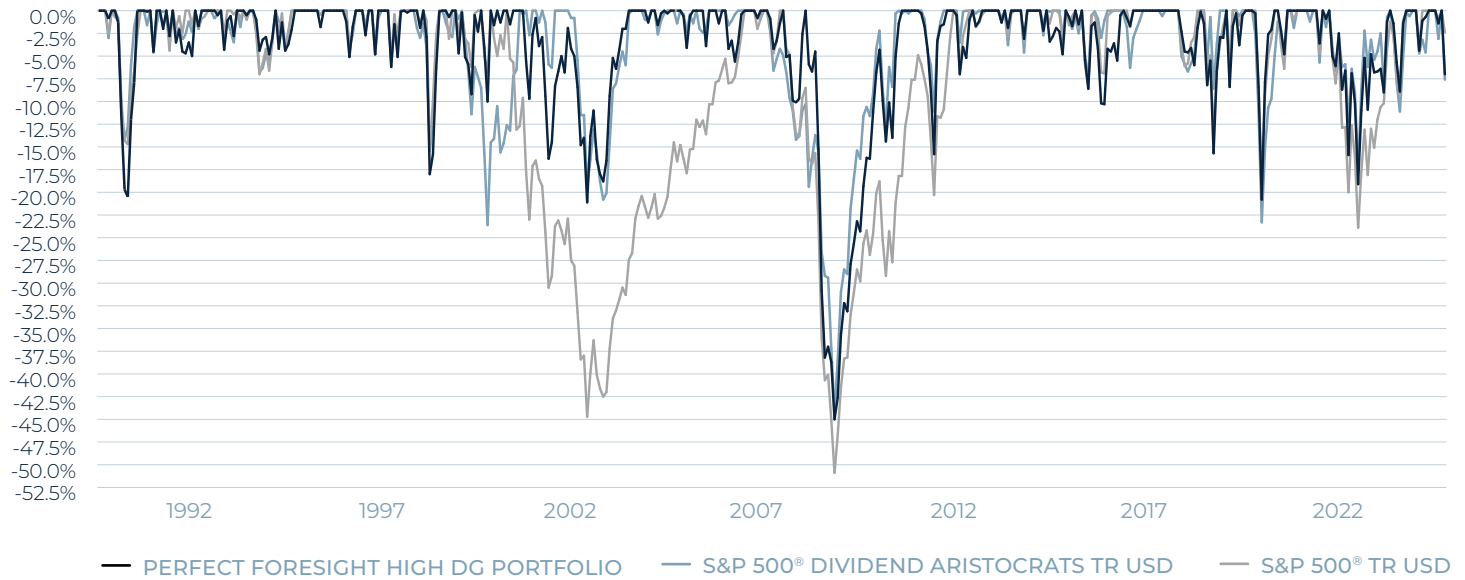


Source: Bristol Gate, Bloomberg, January 31, 1990-December 31, 2024, in USD

If you had perfect foresight and invested in the top 25% of the highest dividend growth companies for the next twelve months at the beginning of each year, you would outperform the market over the past 20 years, resulting in very attractive risk-adjusted returns over time. Each theoretical portfolio presented for the stated category was constructed from an equal weight basket of stocks selected from the S&P 500 universe and reconstituted annually.

This outperformance of high dividend growers is in part attributable to their performance during periods of increased volatility.

## DOWNSIDE PROTECTION OF THE PERFECT DIVIDEND GROWTH PORTFOLIO



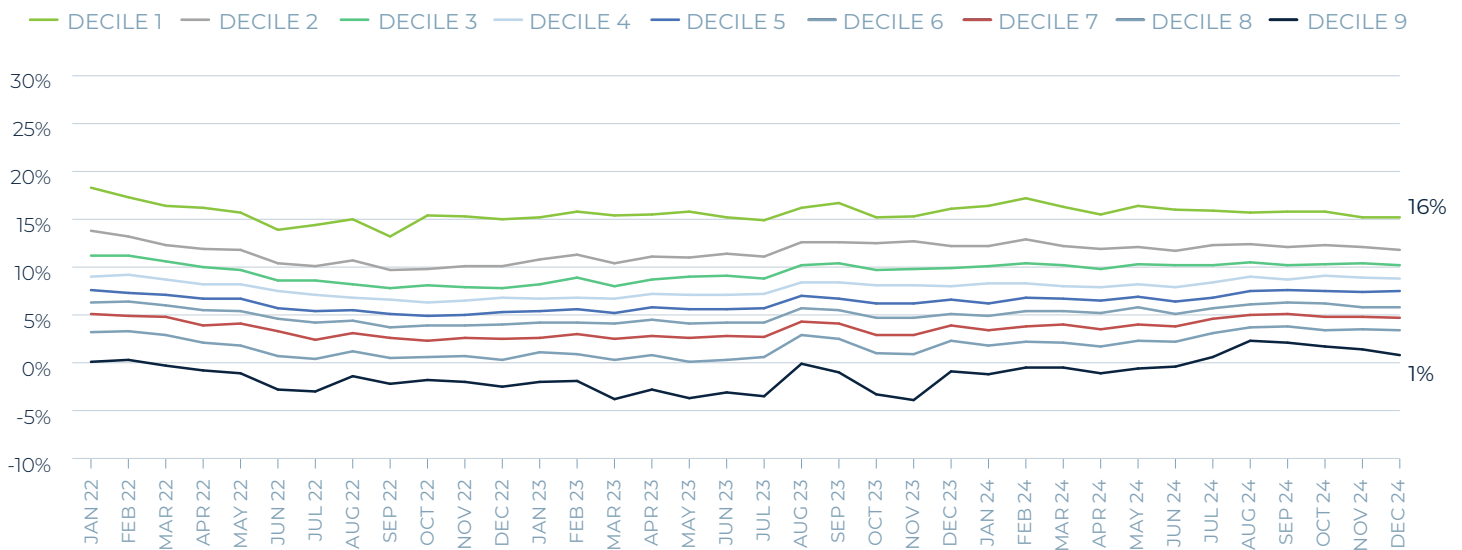
Source: Bristol Gate, Bloomberg, February 2, 1990 - December 31, 2024, in USD.

## DIVIDEND GROWTH TRENDS – LOOKING FORWARD TWELVE MONTHS

Below are our proprietary predictions of median dividend growth looking forward over the next 12 months, broken into 9 deciles of dividend payers. Decile 1 are the fastest dividend growers, with Decile 9 representing the slowest.

Not all dividend growth is made equal. There is a predicted dividend growth spread of nearly 15% between the top and bottom decile. We believe there is an opportunity to earn above average rates of dividend growth by focusing consistently on the first and second decile of dividend growers.

### 12 MONTH FORWARD DIVIDEND GROWTH PREDICTION BY DECILE



Source: Bristol Gate Capital Partners, FactSet. Data represents the Next Twelve-Month prediction of Dividend Growth. As an example, the 01/01/2024 represents the prediction for 01/01/2025

## TOP 15 DIVIDEND PAYERS HISTORICALLY BY DOLLAR AMOUNT

2024	DIVIDENDS PAID (\$B)	2023	DIVIDENDS PAID (\$B)	2022	DIVIDENDS PAID (\$B)	2021	DIVIDENDS PAID (\$B)	2020	DIVIDENDS PAID (\$B)	2019	DIVIDENDS PAID (\$B)
Microsoft Corp	22.29	Microsoft Corp	20.2	Microsoft Corp	18.6	Microsoft Corp	16.9	Microsoft Corp	15.5	At&T Inc	14.8
Exxon Mobil Corp	16.17	Apple Inc	15.0	Exxon Mobil Corp	14.9	At&T Inc	15.1	At&T Inc	14.9	Exxon Mobil Corp	14.44
Apple Inc	15.23	Exxon Mobil Corp	14.9	Apple Inc	14.8	Exxon Mobil Corp	14.9	Exxon Mobil Corp	14.9	Apple Inc	14.12
JP Morgan Chase	14.35	JP Morgan Chase	13.4	JP Morgan Chase	13.6	Apple Inc	14.5	Apple Inc	14.1	Microsoft Corp	14.1
Chevron Corp	11.72	Johnson & Johnson	11.9	At&T Inc	11.6	JP Morgan Chase	12.6	JP Morgan Chase	12.8	JP Morgan Chase	12.2
Johnson & Johnson	11.70	Chevron Corp	11.2	Johnson & Johnson	11.5	Johnson & Johnson	10.9	Johnson & Johnson	10.3	Verizon Comm	9.96
Verizon Comm	11.19	Verizon Comm	11.0	Chevron Corp	10.8	Verizon Comm	10.4	Verizon Comm	10.2	Johnson & Johnson	9.83
Abbvie Inc	10.90	Abbvie Inc	10.4	Verizon Comm	10.7	Chevron Corp	10.1	Chevron Corp	9.4	Wells Fargo & Co	9.5
Broadcom Inc	9.81	Pfizer Inc	9.2	Abbvie Inc	9.9	Abbvie Inc	9.1	Pfizer Inc	8.3	Chevron Corp	8.85
Procter & Gamble	9.47	Procter & Gamble	9.0	Pfizer Inc	8.9	Coca-Cola Co/The	9.0	Procter & Gamble	7.9	Pfizer Inc	8.01
Bank Of America	9.46	Bank Of America	9.0	Procter & Gamble	8.8	Pfizer Inc	8.7	Wells Fargo & Co	7.8	Fox Corp - A	7.92
Pfizer Inc	9.45	Home Depot Inc	8.2	Bank Of America	8.4	Procter & Gamble	8.4	Bank Of America	7.8	Fox Corp - B	7.92
Home Depot Inc	8.77	At&T Inc	8.1	Philip Morris In	7.8	Bank Of America	7.9	Gen Digital Inc	7.6	Bank Of America	7.76
Costco	8.65	Philip Morris In	7.9	Home Depot Inc	7.6	Philip Morris In	7.5	Philip Morris In	7.3	Procter & Gamble	7.58
At&T Inc	8.19	Coca-Cola Co/The	7.8	Broadcom Inc	7.0	Home Depot Inc	6.9	Abbvie Inc	7.2	Philip Morris In	7.11

Source: Bristol Gate Capital Partners, Bloomberg. Data as of December 31, 2024. Constituents selected from the S&P 500®

If you would like to learn more about dividend payers, please reach out to anyone on our Relationship Management Team who will be happy to share information on the constituents in these deciles.

## DISCLAIMER

There is a risk of loss inherent in any investment; past performance is not indicative of future results. Prospective and existing investors in Bristol Gate's pooled funds or ETF funds should refer to the fund's offering documents which outline the risk factors associated with a decision to invest. Separately managed account clients should refer to disclosure documents provided which outline risks of investing. Pursuant to SEC regulations, a description of risks associated with Bristol Gate's strategies is also contained in Bristol Gate's Form ADV Part 2A located at [www.bristolgate.com/regulatory-documents](http://www.bristolgate.com/regulatory-documents).

This piece is presented for illustrative and discussion purposes only. It should not be considered as personal investment advice or an offer or solicitation to buy and/or sell securities and it does not consider unique objectives, constraints, or financial needs of the individual. Under no circumstances does this piece suggest that you should time the market in any way or make investment decisions based on the content. Investors are advised that their investments are not guaranteed, their values change frequently, and past performance may not be repeated. References to specific securities are presented to illustrate the application of our investment philosophy only, do not represent all of the securities purchased, sold or recommended for the portfolio, and it should not be assumed that investments in the securities identified were or will be profitable and should not be considered recommendations by Bristol Gate Capital Partners Inc. A full list of security holdings is available upon request. For more information contact Bristol Gate Capital Partners Inc. directly. The information contained in this piece is the opinion of Bristol Gate Capital Partners Inc. and/or its employees as of the date of the piece and is subject to change without notice. Every effort has been made to ensure accuracy in this piece at the time of publication; however, accuracy cannot be guaranteed. Market conditions may change and Bristol Gate Capital Partners Inc. accepts no responsibility for individual investment decisions arising from the use of or reliance on the information contained herein. We strongly recommend you consult with a financial advisor prior to making any investment decisions. Please refer to the Legal section of Bristol Gate's website for additional information at [bristolgate.com](http://bristolgate.com).

The sectors referenced herein are based on the Global Industry Classification Standard. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and S&P Global Market Intelligence ("S&P") and is licensed for use by Bristol Gate Capital Partners Inc. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements including, but not limited to, statements about the Bristol Gate strategies, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events and conditions or include words such as "may", "could", "would", "should", "expect", "anticipate", "intend", "plan", "believe", "estimate" and similar forward-looking expressions or negative versions thereof.

These forward-looking statements are subject to various risks, uncertainties and assumptions about the investment strategies, capital markets and economic factors, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed. Economic factors include, but are not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

Readers are cautioned not to place undue reliance on forward-looking statements and consider the above-mentioned factors and other factors carefully before making any investment decisions. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith. Forward-looking statements are not guarantees of future performance, and actual results could differ materially from those expressed or implied in any forward-looking statements. Bristol Gate Capital Partners Inc. has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.