

# Bristol Gate Dividend Report 2025

December 31, 2025



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

Throughout the 12-month period ending December 31, 2025, there were 412 dividend payers in the S&P 500®, delivering a median dividend growth rate of 5.4%. In the same period, we saw 13 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, 2025 – DECEMBER 31, 2025**

### **S&P 500® Dividend Statistics**

Total Dividend Payers	412
Avg. Dividend Growth	6.6%
Median Dividend Growth	5.4%
MC Weighted Dividend Growth	10%
Cutters (# of companies)	13
Maintainer (# of companies)	63
Grower (# of companies)	332
Inadequate # of Payments (# of companies)	4
Suspenders	0
Avg. Dividend Yield	2.4%
Median Dividend Yield	1.9%
Avg. Grower Dividend Growth	9%
Median Grower Dividend Growth	7%

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

Total Dividend Payers	173
Avg. Dividend Growth	6.7%
Median. Dividend Growth	4.2%
MC Weighted Dividend Growth	9%
Cutters (# of companies)	13
Maintainer (# of companies)	41
Grower (# of companies)	119
Inadequate # of Payments (# of companies)	0
Suspenders	0
Avg. Dividend Yield	2.8%
Median Dividend Yield	2.6%
Avg. Grower Dividend Growth	14%
Median Grower Dividend Growth	8%

*Source: Bristol Gate Capital Partners, Bloomberg. Data from January 1, 2025 – December 31, 2025.*

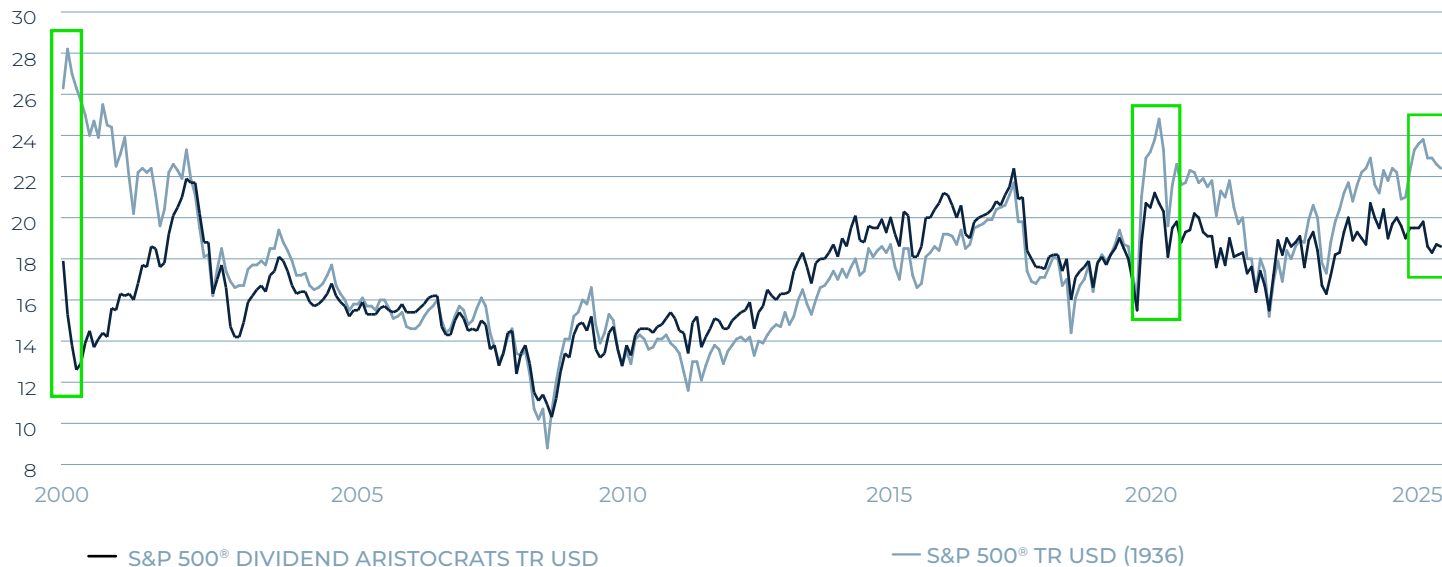
## **DIVIDENDS AT A DISCOUNT: WHEN VALUATION, BREADTH, AND QUALITY CONVERGE**

Periods when dividend focused equities trade at a discount to the broader market have historically marked attractive entry points—particularly when market leadership begins to widen beyond a narrow group of growth or technology stocks. Today's environment exhibits many of those same characteristics.

As shown in the accompanying charts, the S&P 500 Dividend Aristocrats Total Return Index has again reached a meaningful price to earnings discount relative to the S&P 500. Since 1999, this valuation gap has meaningfully widened only on a handful of occasions: the peak of the Dot Com bubble in early 2000, the COVID 19 dislocation in 2020, and the current period beginning in late 2025

## PRICE/EARNINGS RATIO – JANUARY 1, 1999 TO DECEMBER 31, 2025

TIME PERIOD: 1999-01 TO 2025-12-31



Source: Morningstar Direct

## VALUATION GAPS TEND TO CLOSE IN FAVOR OF DIVIDENDS

Historically, wide valuation dispersions between dividend growers and the broader index emerged when market returns were dominated by a single factor or style. In 2000, that driver was speculative Technology stocks. In 2020, it was long duration, low rate sensitive growth companies. In both cases, Dividend Aristocrats lagged initially but outperformed meaningfully once excess concentration began to unwind.

The table below confirms this pattern quantitatively. One year after reaching peak discounts:

- Following the Dot Com peak, Aristocrats outperformed the S&P 500 by over 40 percentage points
- After the 2020 pandemic driven distortion, performance normalized as valuations rebalanced and broader participation returned
- Since November 1 of the current cycle, Dividend Aristocrats have outperformed again, reinforcing the historical tendency for dividends to lead during periods of valuation mean reversion

	2000-03-01 TO 2001-02-28	2020-09-01 TO 2021-08-31	2025-11-01 TO 2026-03-31
S&P 500® TR USD	-8.20	31.17	-4.04
S&P 500® Dividend Aristocrats TR USD	32.16	31.53	5.63
<b>Aristocrats +/- S&amp;P 500®</b>	<b>40.36</b>	<b>0.37</b>	<b>9.67</b>

The takeaway is consistent: valuation extremes have mattered more than macro forecasts when it comes to forward relative returns.

## YIELD, EARNINGS QUALITY, AND BALANCE SHEET SUPPORT

P/E discounts rarely exist in isolation. Today's dividend opportunity is reinforced by improvements across several complementary fundamentals:

- Dividend yield spreads between dividend growers and the broad index remain elevated relative to history, even after the recent rally
- Payout ratios remain disciplined, supported by resilient operating cash flows rather than balance sheet leverage
- Dividend Aristocrats continue to exhibit higher average return on equity and return on invested capital, reflecting mature business models with pricing power and capital discipline

Importantly, this discount is not being driven by deteriorating fundamentals. Earnings growth for Dividend Aristocrats is slower than the narrow leadership cohort but remains stable and historically rewarded when market volatility increases or leadership rotates.

## MARKET BREADTH IS CATCHING UP TO VALUATION SIGNALS

A crucial difference between today and prior false starts is breadth. Since November, the market has begun to broaden materially, with the S&P 500 Equal Weighted Index outperforming the capitalization weighted index by roughly 500 basis points through March. That rotation away from concentrated leadership has historically benefited dividend and quality oriented strategies.

This matters because dividend strategies generally require two conditions to outperform:

1. Valuation dispersion must be wide enough to matter
2. Market participation must expand beyond a narrow set of growth names

Both conditions appear increasingly present.

## DIVIDENDS AS A VOLATILITY DAMPENER LATE CYCLE

Another often overlooked advantage during these periods is downside mitigation. Dividend Aristocrats have historically exhibited:

- Lower volatility
- Smaller maximum drawdowns
- Faster recovery times following market corrections

When forward index returns are increasingly driven by earnings durability rather than multiple expansion, dividend consistency becomes more valuable – not less.

## THE BROADER NARRATIVE

The current dividend discount should not be viewed as a tactical anomaly. It reflects a familiar late cycle evolution: leadership narrows, valuations stretch, dispersion widens, and capital eventually migrates toward companies with durable earnings, pricing power, and shareholder returns.

The table above illustrate this clearly. The historical record underscores it quantitatively. And the early stage outperformance since November suggests the market may once again be in the process of closing a valuation gap that has previously favoured dividend growers.

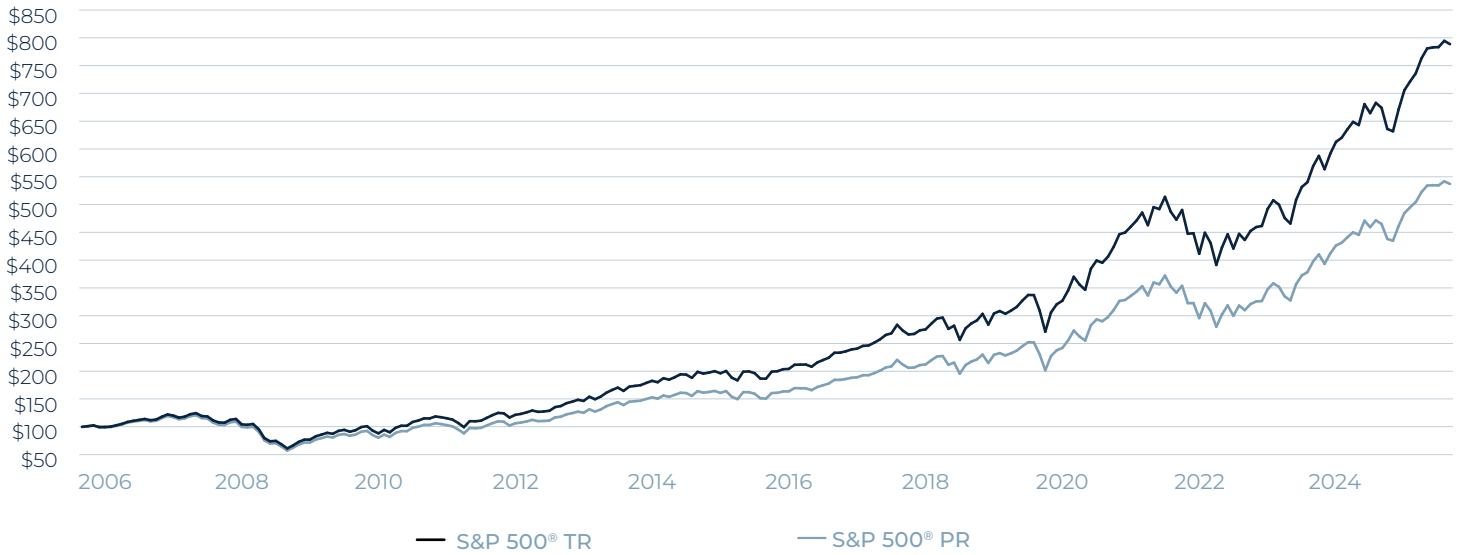
For investors seeking income, quality, and relative valuation support, dividends are not merely a defensive allocation—they are increasingly a source of opportunity.

# BRISTOL GATE DIVIDEND CHART BOOK

## WHY DIVIDENDS MATTER

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

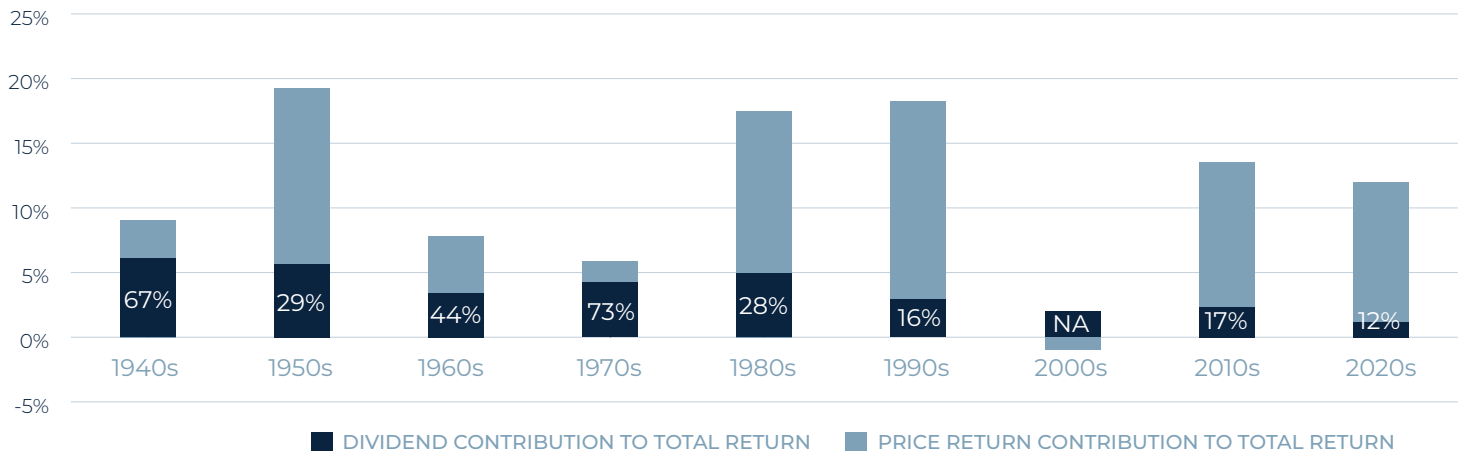
Reinvestment of dividends have contributed to significant wealth creation opportunities.



Source: Morningstar, Bristol Gate. December 31, 2005 - December 31, 2025.

### 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.

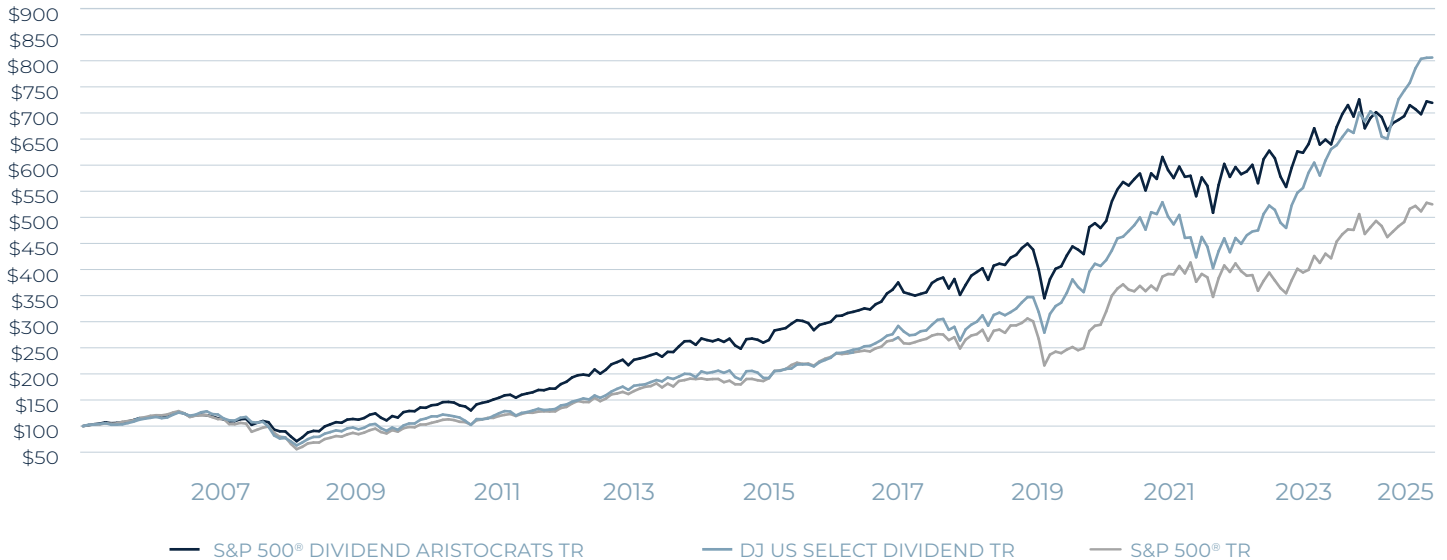


Source: Morningstar, Bristol Gate. Data through December 31, 2025

## DIVIDEND GROWTH VS. HIGH DIVIDEND YIELD

### PERFORMANCE OF DIVIDEND GROWERS VS. DIVIDEND YIELDERS

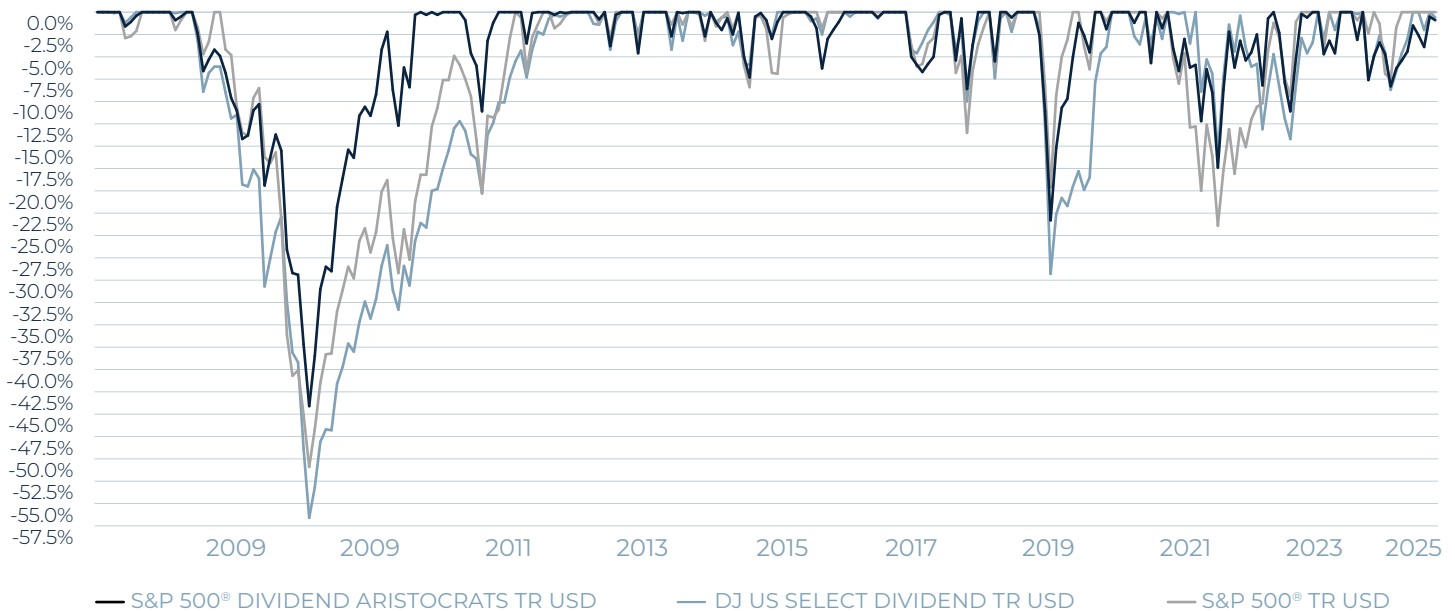
Over the past 20 years, the S&P 500 Dividend Aristocrats (a proxy for a dividend growth portfolio) and the Dow Jones US Select Dividend index (a proxy for a high yield-oriented portfolio) have both outperformed the market.



Source: Morningstar, Bristol Gate. December 31, 2005 – December 31, 2025

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

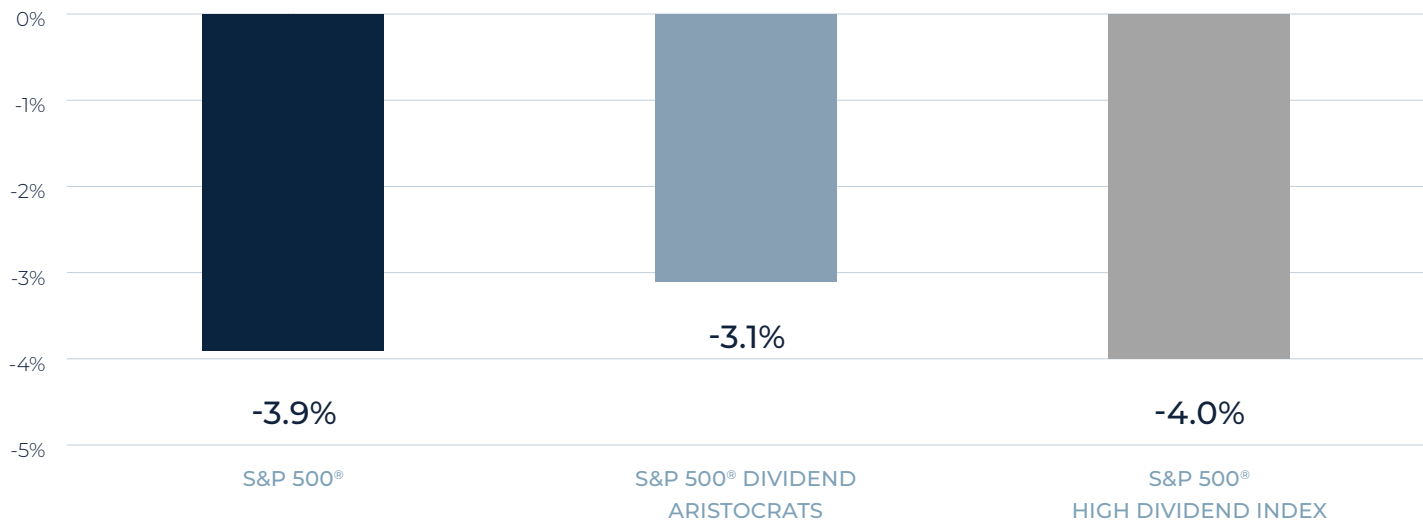
Over the past 20 years, dividend indices have been more successful than the broad market in protecting capital during large pullbacks.



Source: Morningstar, Bristol Gate December 31, 2005 – December 31, 2025

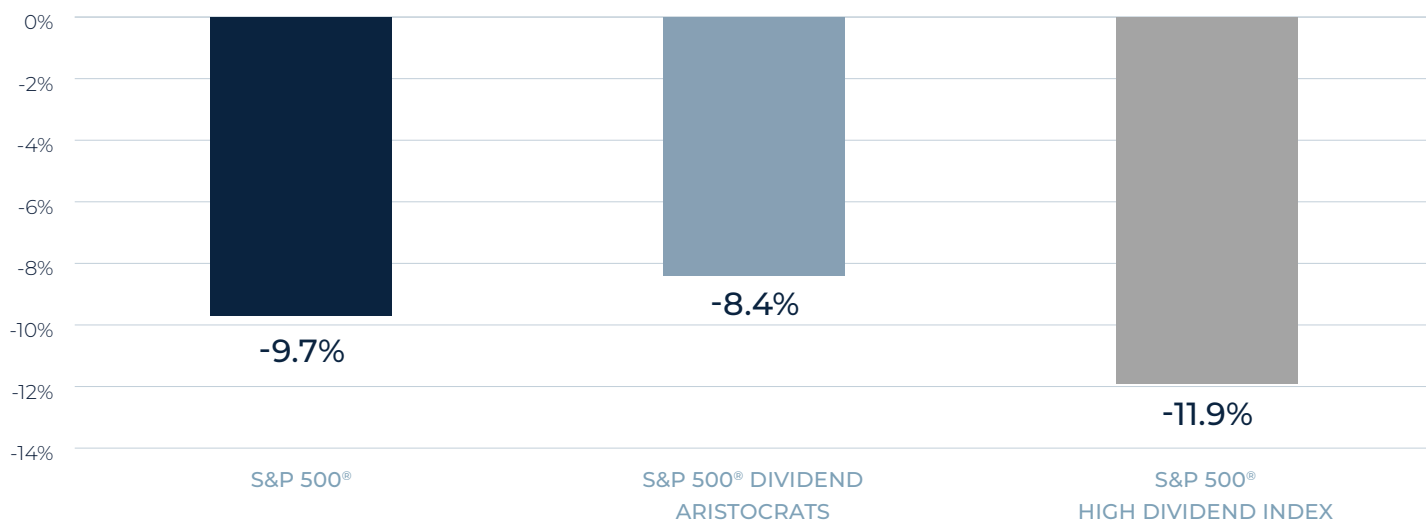
During both down months and the 15 most severe down months, the dividend growth index provided a better buffer than the yield focused index (High Dividend Index).

## AVERAGE RETURN DURING S&P 500 DOWN MONTHS



Source: Bristol Gate Capital Partners, Bloomberg. Data from Jan 1, 2000 – Dec 31, 2025

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



Source: Bristol Gate Capital Partners, Bloomberg. Data from Jan 1, 2000 – Dec 31, 2025

## 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.

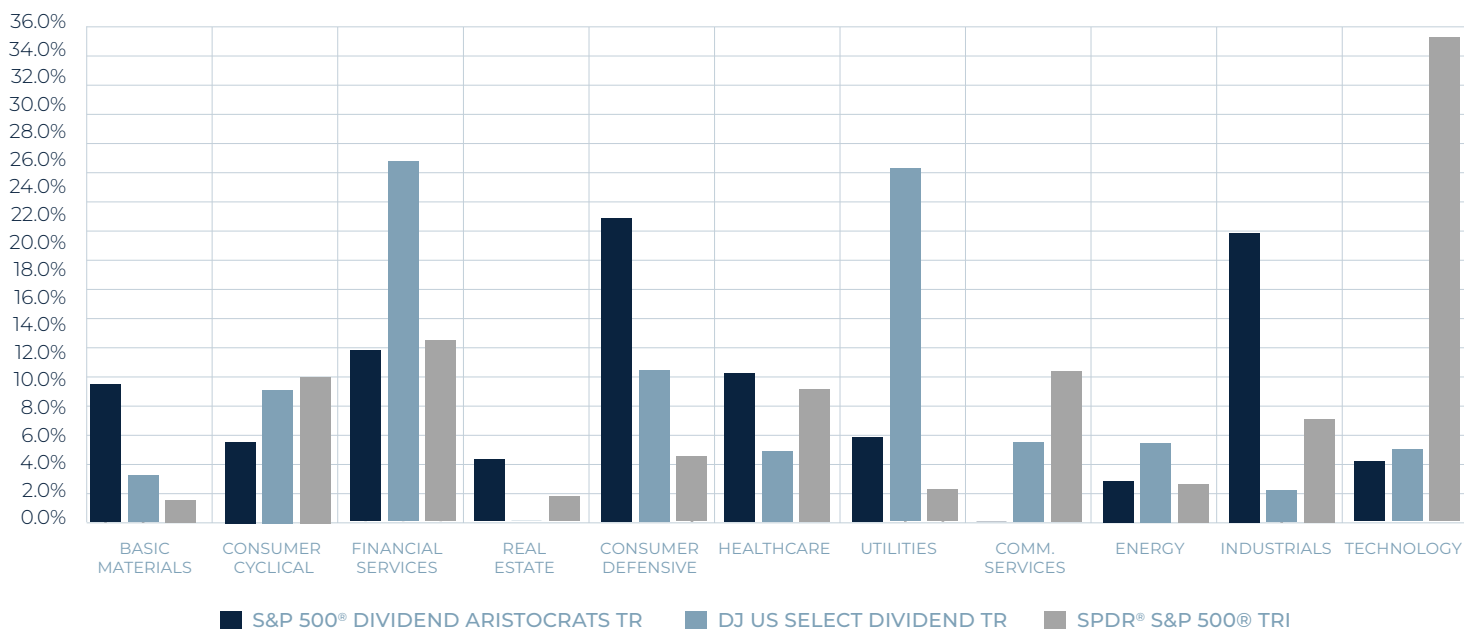
### CALENDAR YEAR RETURNS

	2025	2024	2023	2022	2021
S&P 500® Dividend Aristocrats TR USD	7.28	7.08	8.44	-6.21	25.99
DJ US Select Dividend TR USD	12.12	16.62	1.53	2.31	32.24
S&P 500® Low Volatility High Div TR USD	14.24	18.35	1.70	0.93	25.26
Morningstar US Dividend Growth TR USD	11.97	16.66	10.45	-7.75	26.69
MSCI USA High Dividend Yield GR USD	1.16	11.66	6.83	-3.75	21.93
NASDAQ US Dividend Achievers 50 TR USD	7.72	5.76	7.91	2.97	26.67
Russell 1000 Dividend Growth TR USD	15.91	9.71	11.18	-5.92	27.07
Russell 1000 Value TR USD	18.56	14.37	11.46	-7.54	25.16
Russell 1000 Growth TR USD	3.68	33.36	42.68	-29.14	27.60
S&P 500® TR USD	17.88	25.02	26.29	-18.11	28.71

Source: Morningstar, Bristol Gate. As of December 31, 2025

## DIVIDEND GROWTH VS. HIGH DIVIDEND YIELD SECTOR BREAKDOWN

### SECTOR EXPOSURES



Source: Morningstar, Bristol Gate. As of December 31, 2025

## 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	4.7%	Information Technology	5.6%	Information Technology	4.3%
Health Care	6.7%	Health Care	6.1%	Health Care	7.3%
Energy	-4.7%	Energy	-2.6%	Energy	6.9%
Financials	6.0%	Financials	1.5%	Financials	3.7%
Utilities	4.0%	Utilities	4.9%	Utilities	2.3%
Consumer Discretionary	-1.9%	Consumer Discretionary	4.1%	Consumer Discretionary	5.8%
Consumer Staples	16.8%	Consumer Staples	3.7%	Consumer Staples	2.5%
Industrials	6.4%	Industrials	7.5%	Industrials	7.6%
Communication Services	43.1%	Communication Services	18.1%	Communication Services	8.4%
Real Estate	6.0%	Real Estate	0.3%	Real Estate	5.0%
Materials	1.1%	Materials	-1.2%	Materials	5.1%

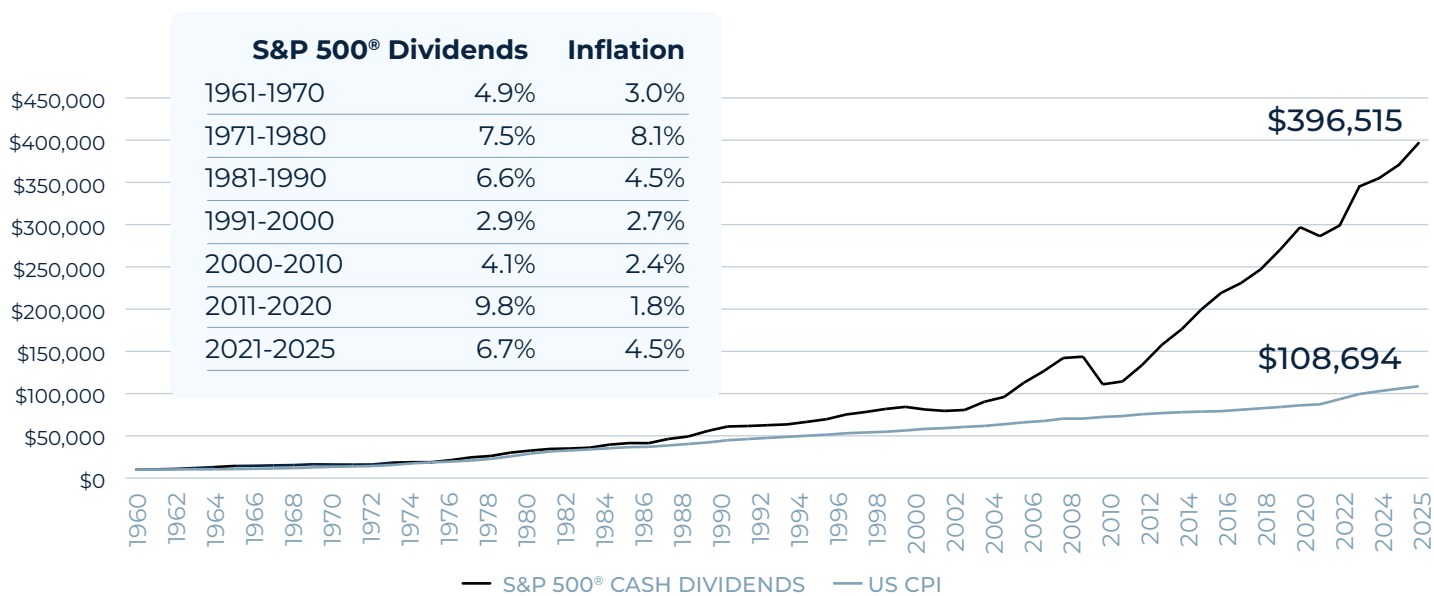
Source: Bristol Gate Capital Partners, Bloomberg. Data as of December 31, 2025. S&P 500® Sectors

## 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, 2025

## DIVIDENDS IN DIFFERENT RATE ENVIRONMENTS

Depending on whether we are in a rising or falling interest rate period, different subsets of Dividend stocks react differently. We went back and looked at the last three significant rising rate periods and falling rate periods.

Below, we look at how different types of dividend stocks performed around the most recent falling rate and rising rate environments. While each of these periods was unique, we think the drivers of performance are relevant as we look forward. We also think strategies that offer performance through all parts of the cycle are more likely to deliver for clients over the long term. The groups of dividend stocks are categorized based on the following criteria, with the S&P 500 constituents serving as the universe:

**Cutters:** Dividend-paying stocks that will cut their dividend during the calendar year.

**Payers:** Stocks that will pay a dividend during the calendar year.

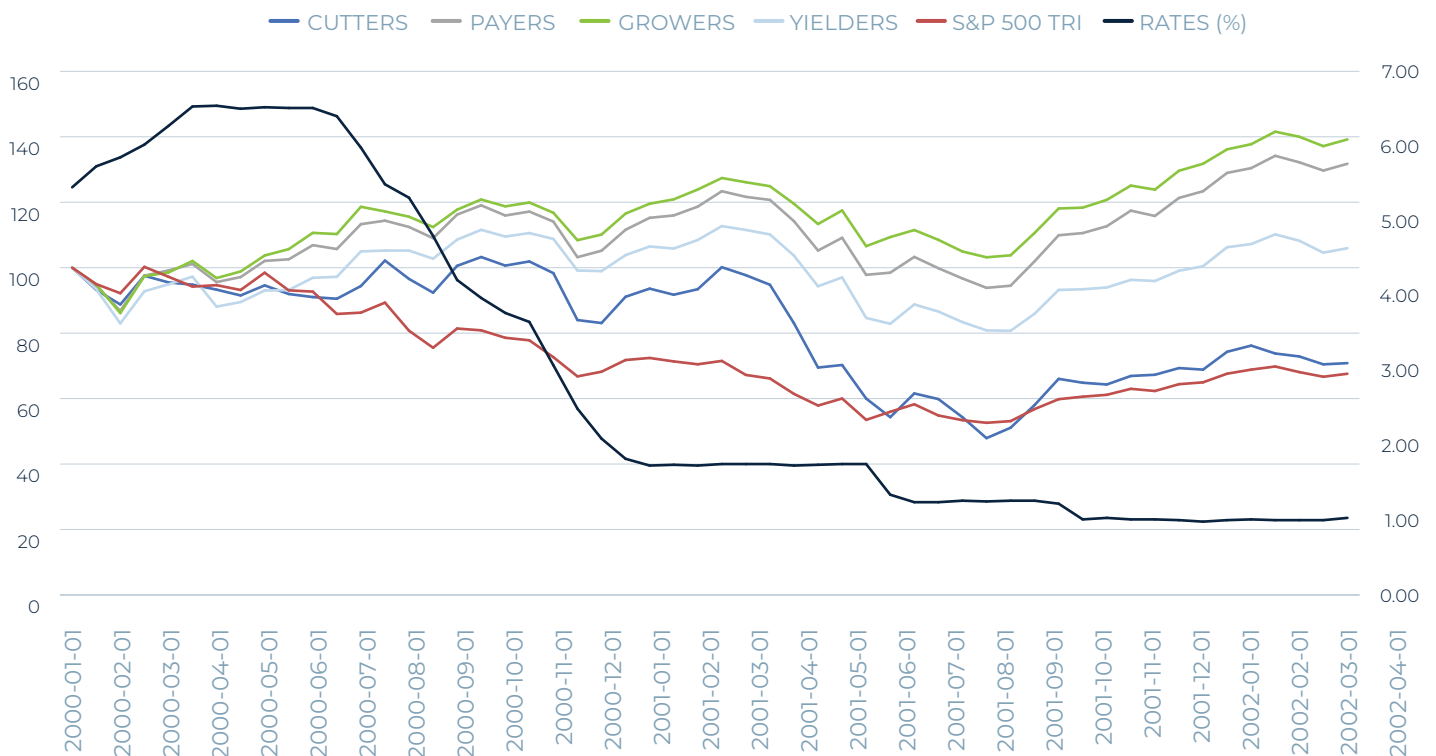
**Yielders:** Dividend-paying stocks whose 12-month yield during the calendar year will be higher than the S&P 500 market-cap-weighted average yield.

**Growers:** Dividend-paying stocks that will increase their dividend during the calendar year.

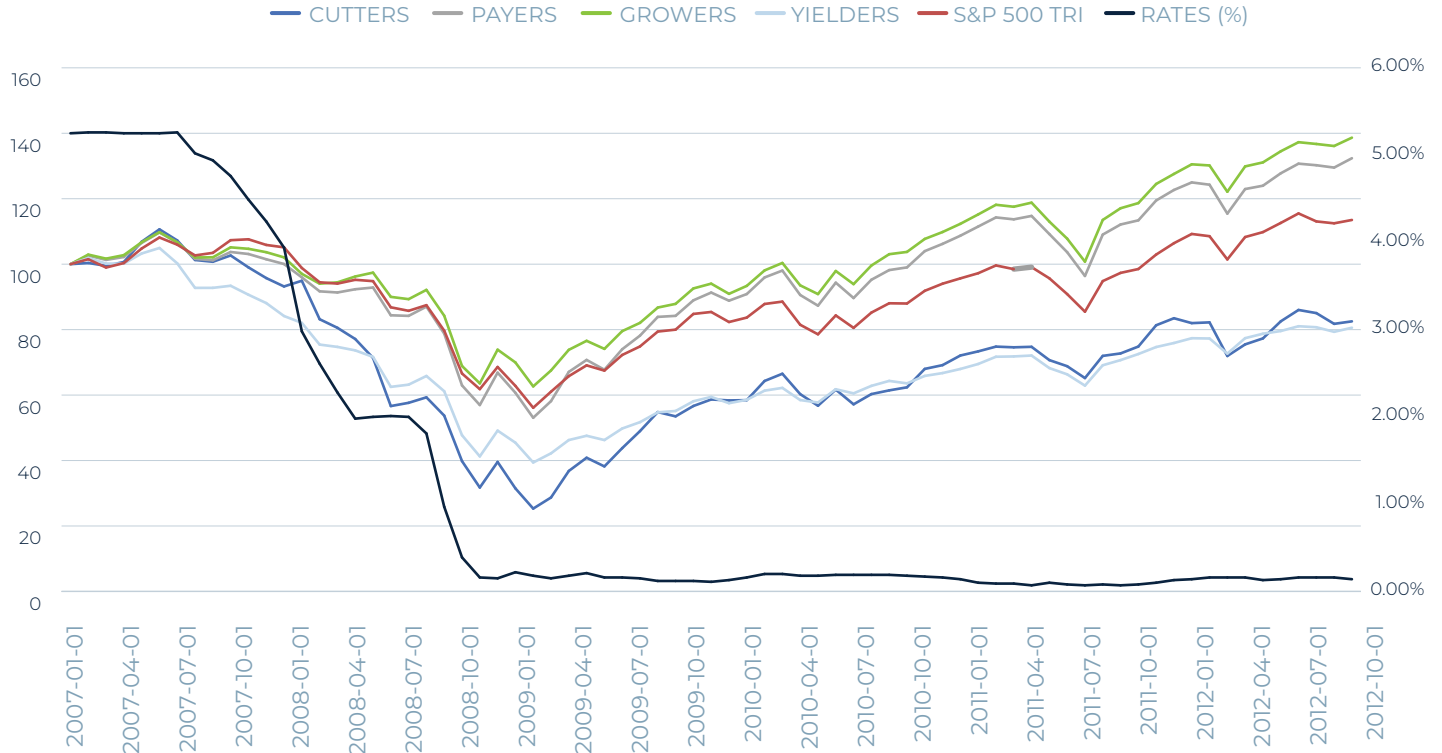
All portfolios are constructed on January 1st of each calendar year using perfect foresight of dividend actions that will occur during that year. This approach is employed to analytically isolate and understand the direct impact of dividend actions on stock performance. For reference, we are showing the Federal Funds Effective Rate as the relevant interest rate.

## FALLING RATE ENVIRONMENTS

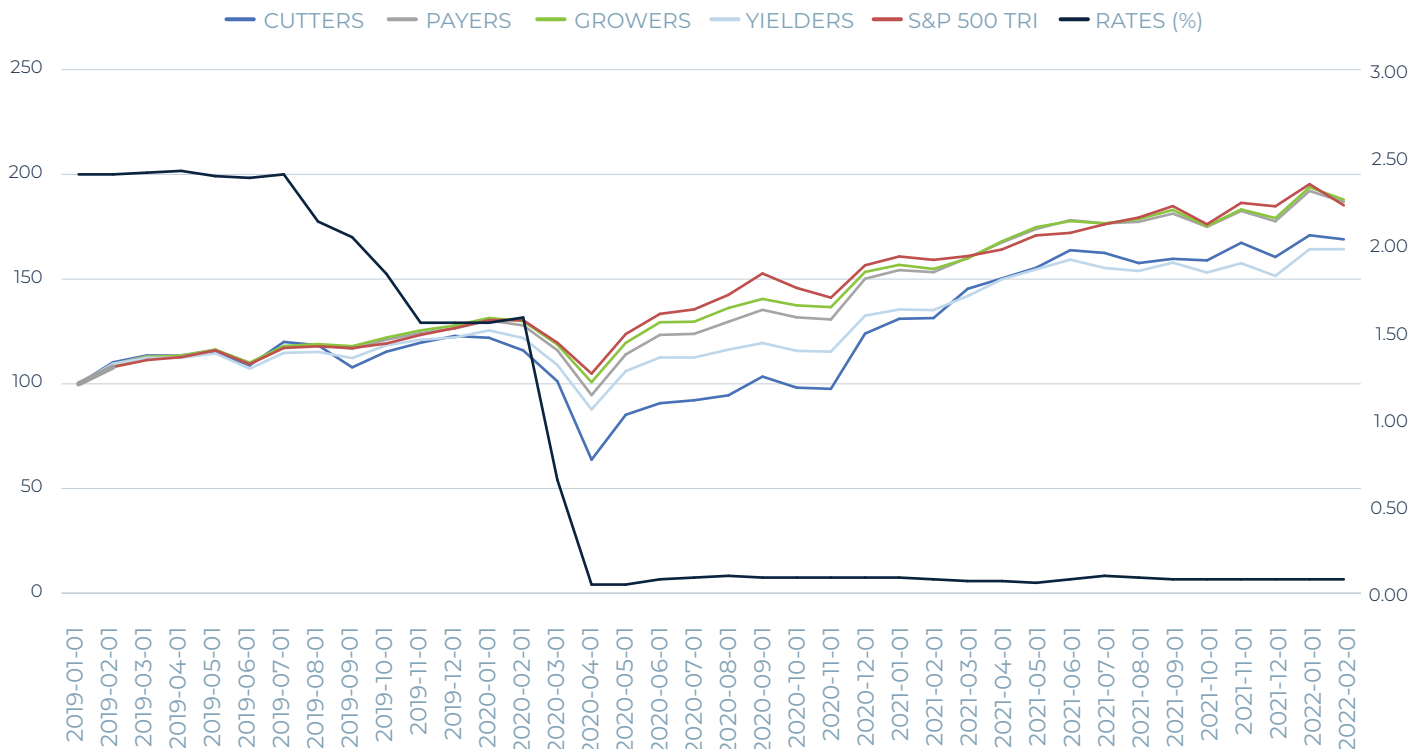
**TECH BUBBLE**



## GLOBAL FINANCIAL CRISIS

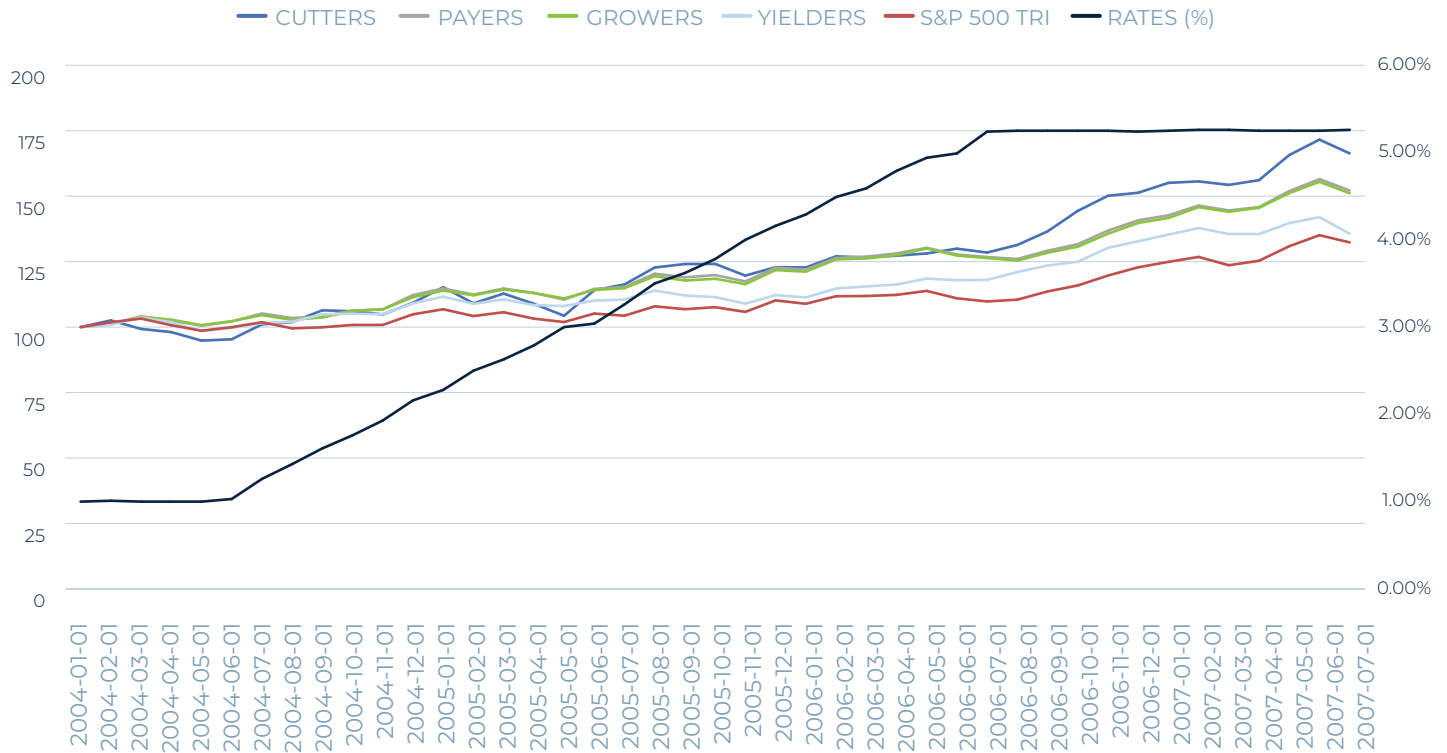


## COVID 19 PANDEMIC

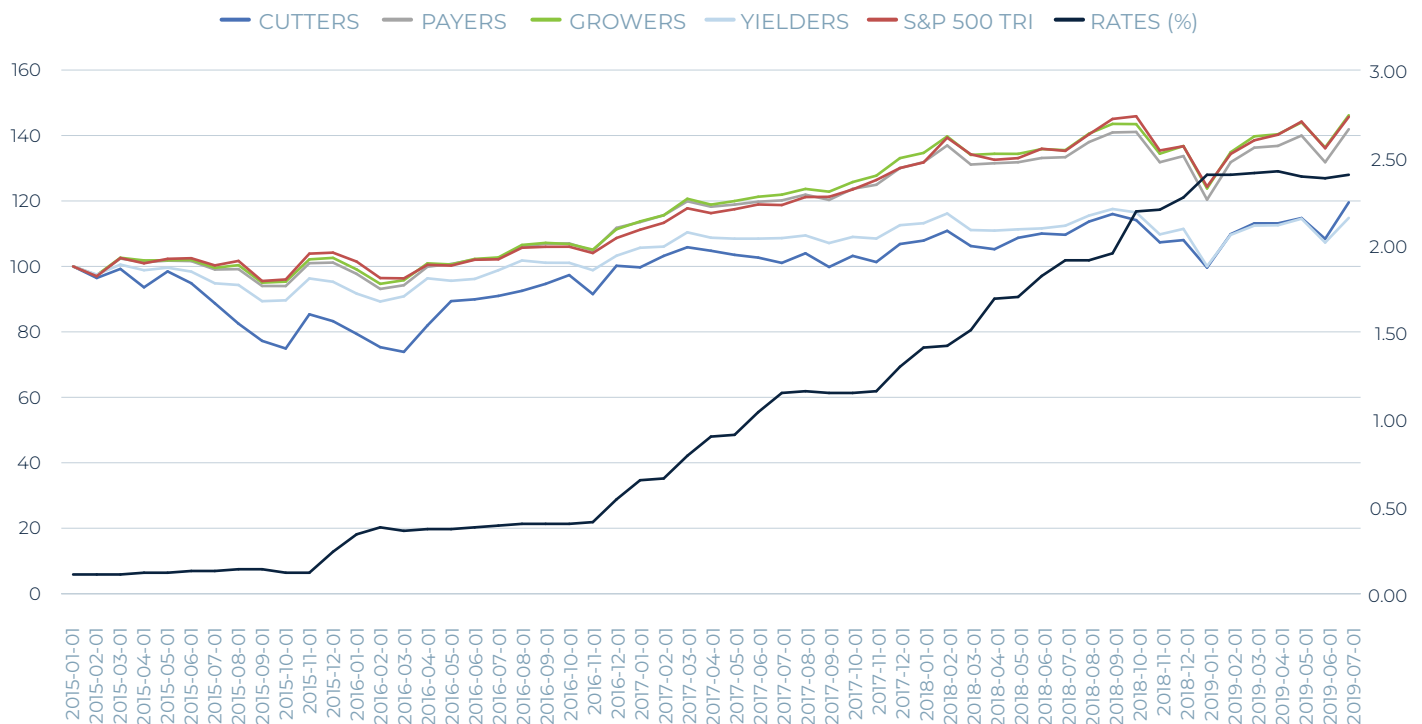


## RISING RATE ENVIRONMENT

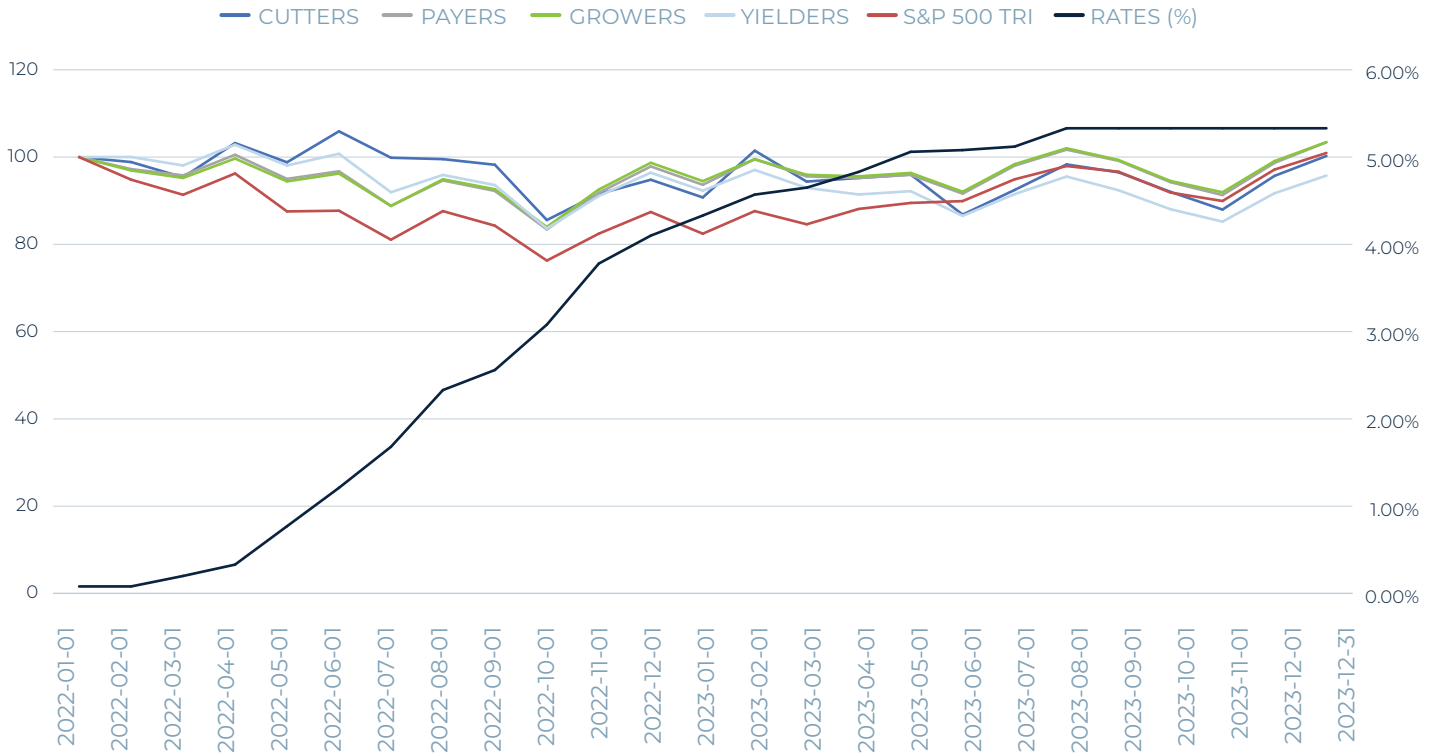
### PRE GLOBAL FINANCIAL CRISIS



### PRE COVID 19 PANDEMIC



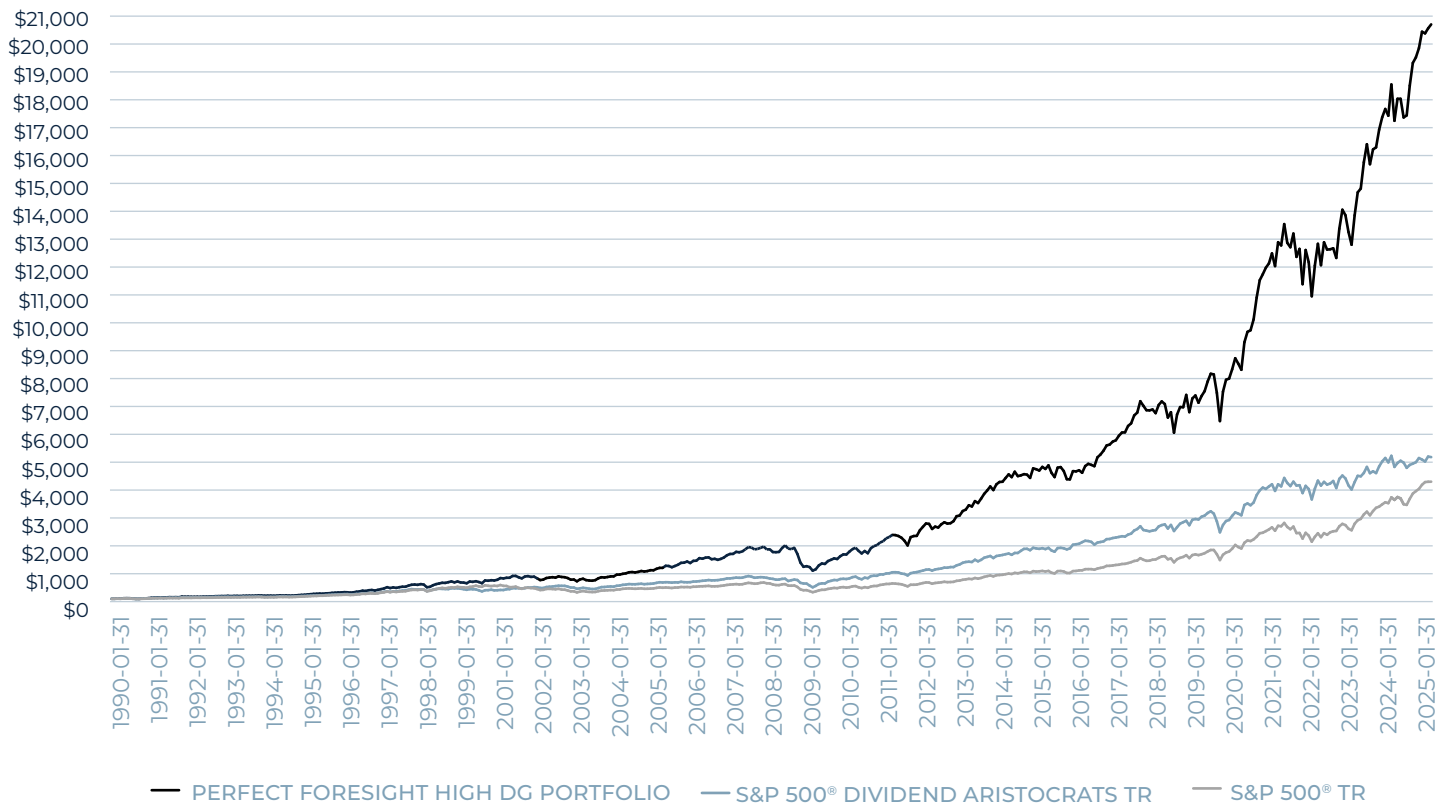
## POST COVID 19 PANDEMIC



## 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

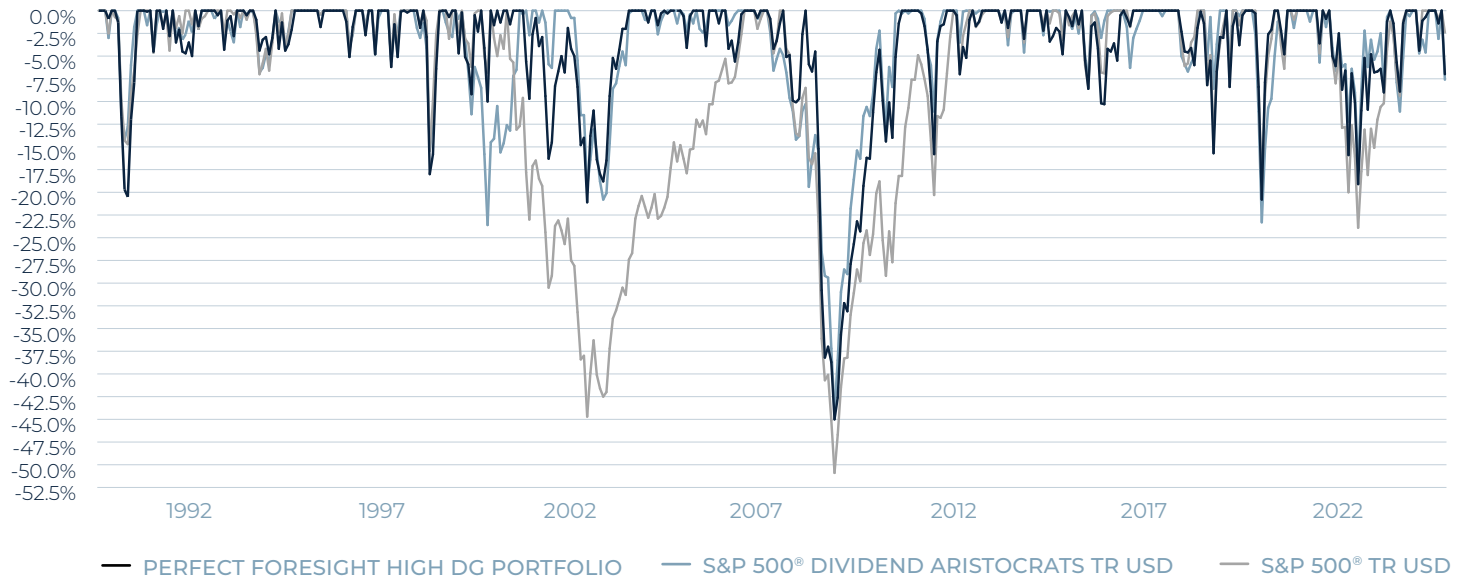


Source: Bristol Gate, Bloomberg, January 31, 1990-December 31, 2025, in USD

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



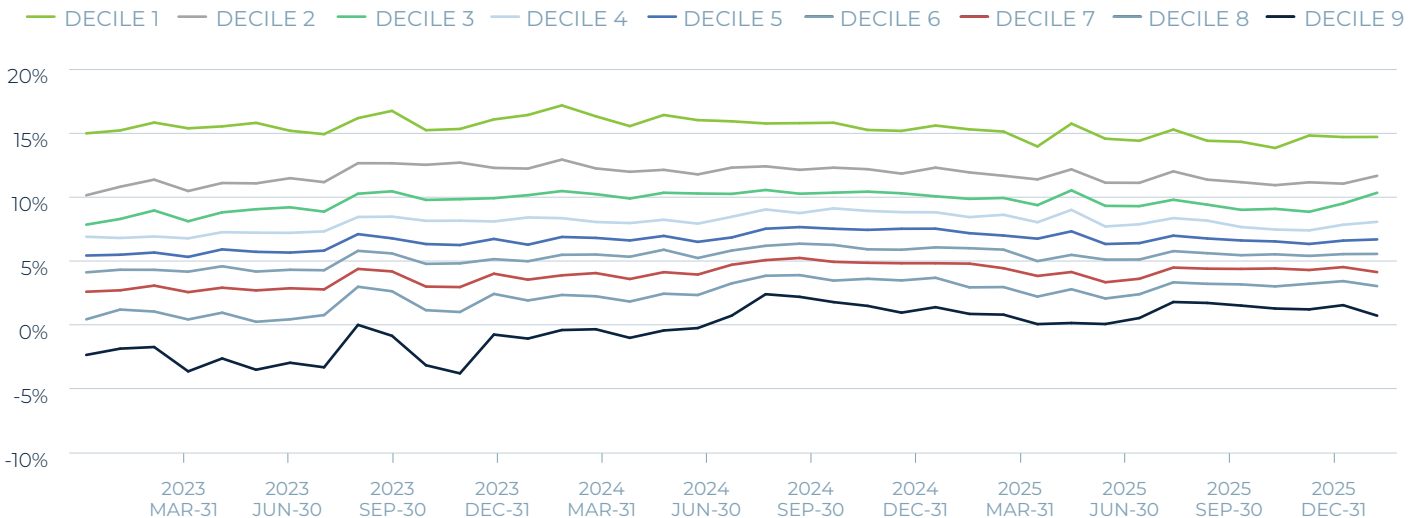
Source: Bristol Gate, Bloomberg, February 2, 1990 – December 31, 2025 in USD.

## 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 01/01/2025 represents the prediction for 01/01/2026

## TOP 15 DIVIDEND PAYERS HISTORICALLY BY DOLLAR AMOUNT

2025 12 31 (LTM)	DIVIDENDS PAID (\$B)	2025 06 30 (LTM)	DIVIDENDS PAID (\$B)	2024 12 31 (LTM)	DIVIDENDS PAID (\$B)	2024 09 30 (LTM)	DIVIDENDS PAID (\$B)	2023	DIVIDENDS PAID (\$B)	2022	DIVIDENDS PAID (\$B)	2021	DIVIDENDS PAID (\$B)	2020	DIVIDENDS PAID (\$B)
Microsoft Corp	24.7	Microsoft Corp	23.5	Microsoft Corp	22.29	Microsoft Corp	21.8	Microsoft Corp	20.2	Microsoft Corp	18.6	Microsoft Corp	16.9	Microsoft Corp	15.5
Exxon Mobil Corp	17.2	Exxon Mobil Corp	17.2	Exxon Mobil Corp	16.17	Exxon Mobil Corp	15.6	Apple Inc	15.0	Exxon Mobil Corp	14.9	At&T Inc	15.1	At&T Inc	14.9
Apple Inc	16.1	Apple Inc	15.3	Apple Inc	15.23	Apple Inc	15.2	Exxon Mobil Corp	14.9	Apple Inc	14.8	Exxon Mobil Corp	14.9	Exxon Mobil Corp	14.9
JP Morgan Chase	15.4	JP Morgan Chase	15.1	JP Morgan Chase	14.35	JP Morgan Chase	14.1	JP Morgan Chase	13.4	JP Morgan Chase	13.6	Apple Inc	14.5	Apple Inc	14.1
Johnson & Johnson	12.2	Johnson & Johnson	11.9	Chevron Corp	11.72	Chevron Corp	11.6	Johnson & Johnson	11.9	At&T Inc	11.6	JP Morgan Chase	12.6	JP Morgan Chase	12.8
Chevron Corp	12.2	Chevron Corp	11.8	Johnson & Johnson	11.70	Johnson & Johnson	11.6	Chevron Corp	11.2	Johnson & Johnson	11.5	Johnson & Johnson	10.9	Johnson & Johnson	10.3
Verizon Comm Inc	11.5	Verizon Comm Inc	11.3	Verizon Comm	11.19	Verizon Comm	11.1	Verizon Comm	11.0	Chevron Corp	10.8	Verizon Comm	10.4	Verizon Comm	10.2
Abbvie Inc	11.419	Abbvie Inc	11.2	Abbvie Inc	0.90	Abbvie Inc	10.8	Abbvie Inc	10.4	Verizon Comm	10.7	Chevron Corp	10.1	Chevron Corp	9.4
Broadcom Inc	11.1	Broadcom Inc	10.5	Broadcom Inc	9.81	Pfizer Inc	9.4	Pfizer Inc	9.2	Abbvie Inc	9.9	Abbvie Inc	9.1	Pfizer Inc	8.3
Alphabet Inc-CI C	10.0	Alphabet Inc-CI C	9.8	Procter & Gamble Co	9.47	Bank Of America	9.4	Procter & Gamble	9.0	Pfizer Inc	8.9	Coca-Cola Co/The	9.0	Procter & Gamble	7.9
Procter & Gamble	9.956	Procter & Gamble	9.8	Bank Of America	9.46	Procter & Gamble	9.3	Bank Of America	9.0	Procter & Gamble	8.8	Pfizer Inc	8.7	Wells Fargo & Co	7.8
Pfizer Inc	9.7	Pfizer Inc	9.6	Pfizer Inc	9.45	Broadcom Inc	9.2	Home Depot Inc	8.2	Bank Of America	8.4	Procter & Gamble	8.4	Bank Of America	7.8
Bank Of America Corp	9.5	Bank Of America Corp	9.5	Home Depot Inc	8.77	Costco	9.0	At&T Inc	8.1	Philip Morris In	7.8	Bank Of America	7.9	Gen Digital Inc	7.6
Home Depot Inc	9.1	Home Depot Inc	9.0	Costco Wholesale Corp	8.65	Home Depot Inc	8.6	Philip Morris In	7.9	Home Depot Inc	7.6	Philip Morris In	7.5	Philip Morris In	7.3
Coca-Cola Co/The	8.5	Coca-Cola Co/The	8.4	At&T Inc	8.19	At&T Inc	8.2	Coca-Cola Co/The	7.8	Broadcom Inc	7.0	Home Depot Inc	6.9	Abbvie Inc	7.2

Source: Bristol Gate Capital Partners, Bloomberg. Data as of December 31, 2025. 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.

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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.