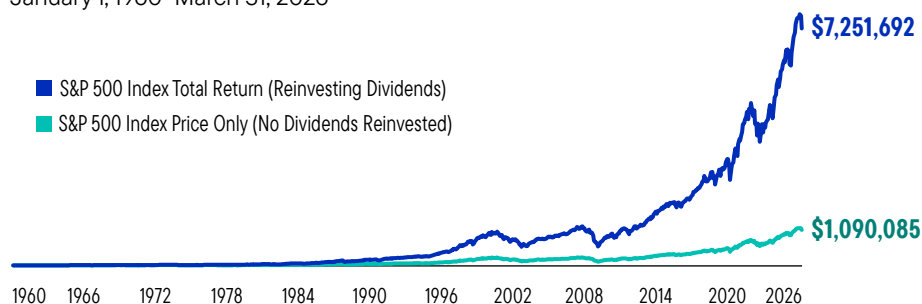


The recent market turbulence, sparked by geopolitical tensions, has served as a timely reminder of the importance of portfolio diversification. Investors who include dividend-paying stocks in their portfolio allocation may benefit from the regular income they generate, which can potentially compound portfolio growth over time, dampen volatility and provide a hedge during periods of elevated inflation.

1 | The power of compounded dividends

Growth of \$10,000¹

January 1, 1960–March 31, 2026

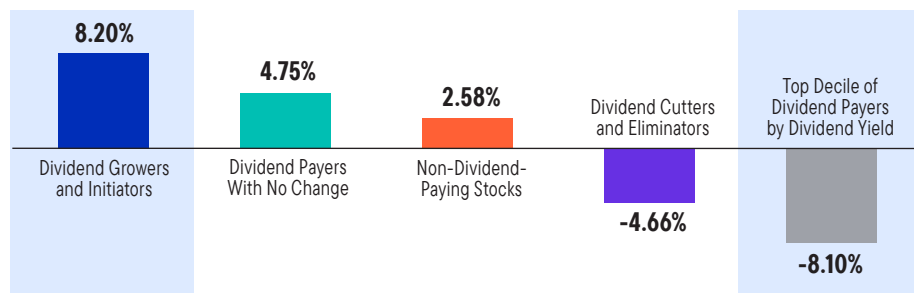


- Dividends have played a substantial role in investor returns over the past several decades. Since 1960, roughly 85% of the S&P 500 Index's cumulative total return can be attributed to dividends.¹
- By reinvesting dividends, investors accumulate more shares, which in turn may generate more dividends. This can help turn periods of volatility into periods of opportunity.

2 | Not all dividend-payers are created equal

Annualized Returns of S&P 500 Index Stocks by Dividend Policy²

30-Year Period Ended March 31, 2026



- Not all dividend-paying stocks result in high returns. Often stocks with the highest dividend yields come from companies whose prices have fallen, which may be an indicator of stress.
- Companies that initiate dividends or have a history of growing their dividends may have a stronger financial footing to enable such policies. They have substantially outperformed companies with stagnant, declining or no dividends at all.

3 | Dividends have dampened volatility

Risk Measures of S&P 500 Stocks by Dividend Policy^{2,3}

30-Year Period Ended March 31, 2026

	Standard Deviation	Beta	Sharpe Ratio	Sortino Ratio
Dividend Growers and Initiators	15.25%	0.85	0.37	0.63
Dividend Payers with No Change	18.74%	1.04	0.12	0.30
Non-Dividend-Paying Stocks	22.26%	1.18	0.01	0.17
Dividend Cutters & Eliminators	27.35%	1.31	-0.25	-0.15
Top Decile of Dividend Payers	21.68%	1.03	-0.47	-0.45
Equal-Weighted S&P 500 Index	17.39%	1.00	0.18	0.37

- Most investors don't worry about volatility until the market declines. Dividend-paying companies, especially growers and initiators, have exhibited lower risk characteristics relative to other companies.
- Historically, companies that initiated or increased their dividend have significantly outperformed and have done so with less risk.

All charts are for illustrative purposes only and do not reflect the performance of any Franklin Templeton affiliated fund. Past performance does not guarantee future results. Dividends are not guaranteed, and can increase, decrease or be eliminated without notice.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Dividends may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **Equity securities** are subject to price fluctuation and possible loss of principal. An **investment style** may become out of favor, which may have a negative impact on performance.

This material has been provided for informational purposes and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement. Prospective investors should consult a legal, tax or financial professional in order to determine whether an investment product or service is appropriate for a particular situation. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events.

1. Sources: S&P Dow Jones Indices, Morningstar. Measures the performance of the S&P 500 Index assuming the reinvestment of all historical dividends compared to the S&P 500 Index without dividends reinvested. Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

2. Sources: © 2026 Ned Davis Research Group, Inc. S&P 500 Index stocks were segregated using the following methodology: Top Decile of Dividend Payers by Dividend Yield represents the top 10% of dividend-paying companies (ranked by dividend yield); Dividend Cutters and Eliminators represents dividend-paying companies that have lowered or eliminated their dividend; Non-Dividend-Paying Stocks represents companies that do not pay a dividend; Dividend Payers With No Change represents dividend-paying companies that maintained their existing dividend rate; and Dividend Growers and Initiators represents all dividend-paying companies that raised their existing dividend or initiated a new dividend. Returns based on the monthly equal-weighted geometric average of the S&P 500 component stocks in each grouping, reconstituted monthly.

3. Source: © 2026 Ned Davis Research Group, Inc., S&P Dow Jones Indices. **Standard deviation** is a measure to the degree which an investment's return varies from the average of its previous returns. The larger the standard deviation, the greater likelihood (and risk) that an investment's performance will fluctuate from the average return. **Beta** is a measure of an investment's volatility relative to the market, as represented by the S&P 500 Index. A beta greater than 1.0 indicates volatility greater than the market. **Sharpe ratio** is a measure of an investment's risk-adjusted return compared to a risk-free asset. The higher the Sharpe ratio, the better an investment's historical risk-adjusted performance. **Sortino ratio** is a measure of an investment's risk-adjusted return that focuses only on downside risk. The higher the Sortino Ratio, the better an investment's historical performance for the given amount of downside risk.

The **S&P 500 Index** features 500 leading US publicly traded companies, with a primary emphasis on market capitalization.

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