

What Drives Dividend Stock Performance?

Though top stocks have been dominating headlines, the current market outlook could benefit dividend stocks.

Our View

The recent outperformance of the Magnificent Seven and 5% money-market rates has some investors overlooking one of history's most persistent sources of returns: dividend yields.

If equity performance broadens beyond the S&P 500 Index's top stocks due to above-trend inflation, or if market volatility increases, then history tells us that dividend equities may be poised for strong performance.

Observations

1. Since the 1940s, dividends have contributed 39% to returns on average (FIGURE 1).
2. Stocks with high dividend payouts have outperformed other dividend payers and have historically done so with less volatility (FIGURE 2).
3. Smaller companies with higher dividend payouts are significantly cheaper than their larger, lower-paying counterparts (FIGURE 3). In past periods of similar disparity, higher-yielding stocks outperformed in the following five years (FIGURE 4).
4. Increasing or decreasing interest rates haven't had a large or consistent impact on the returns of high-dividend-paying stocks (FIGURE 5).

Research

FIGURE 1: Dividends Contribute a Significant Portion of Total Equity Returns

Date	S&P 500 Price Index Return	S&P 500 Index Total Return	Dividend Contribution Total	Percentage of Dividend Contribution
1940s	3.03%	9.55%	6.52%	68.30%
1950s	13.56%	19.34%	5.78%	29.89%
1960s	4.39%	7.81%	3.42%	43.77%
1970s	1.60%	5.88%	4.27%	72.70%
1980s	12.59%	17.55%	4.96%	28.26%
1990s	15.31%	18.21%	2.90%	15.90%
2000s	-2.72%	-0.95%	1.77%	N/A
2010s	11.22%	13.56%	2.34%	17.23%
Average	7.37%	11.37%	3.99%	39.43%

Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. Returns are annualized returns for the full decade. See page 4 for index definitions. Data Sources: Hartford Equity Modeling Platform and Compustat, 4/24.

Insight from Hartford Funds



Bill Pauley, CFA
Head of Client Portfolio Management
Systematic ETFs



Lewis Ratti, MBA
Senior Client Portfolio Manager
Systematic ETFs



Adam Schreiber, CAIA
Client Portfolio Manager
Systematic ETFs



Kevin Bales, CFA
Client Portfolio Manager
Systematic ETFs

FIGURE 2
As Dividend Yields Rise, Returns Increase While Risk Falls
 Returns and Standard Deviation Since 1970

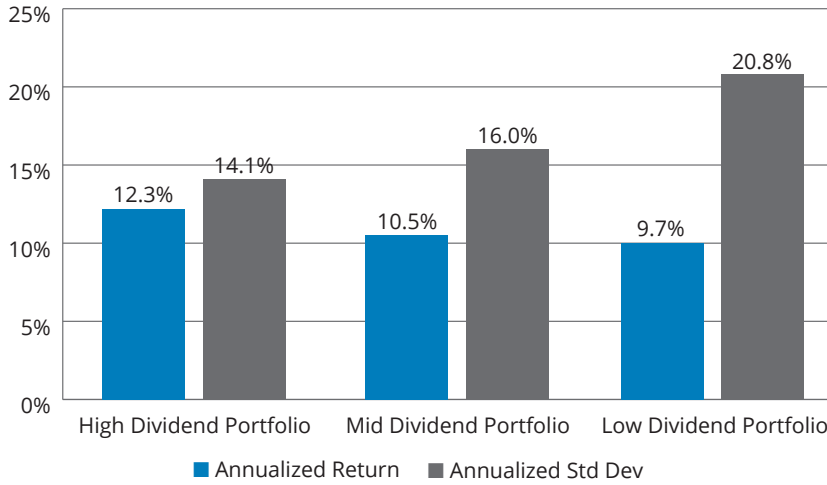


Chart data from 12/31/69–3/31/24. Based on the 500 largest US stocks by market cap. See page 4 for representative portfolio definitions. Standard deviation measures the portfolio’s total-return volatility. A higher standard deviation indicates greater historical volatility. Data Sources: Hartford Equity Modeling Platform and Compustat, 4/24.

FIGURE 3
Smaller, Higher-Yielding Stocks Are Cheaper Than Their Larger, Lower-Yielding Counterparts
 Current Price/Earnings (P/E) Ratio Percentiles

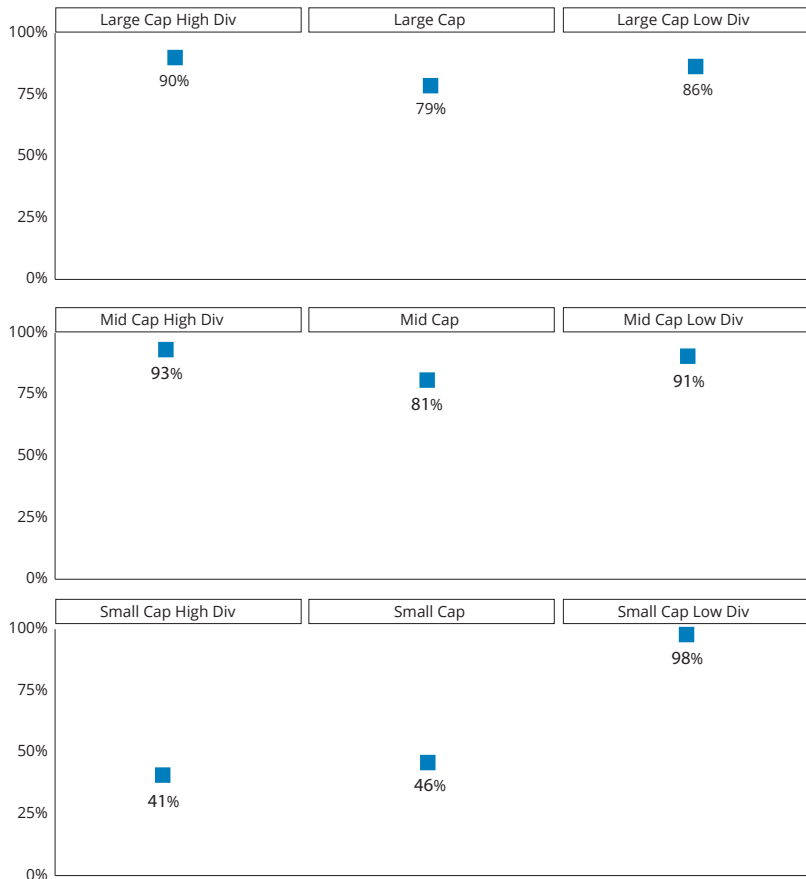


Chart data from 12/31/89–3/31/24. See page 4 for representative portfolio definitions. The price-to-earnings ratio measures a company’s share price relative to its earnings-per-share and helps assess the relative value of a company’s stock. Data Sources: Hartford Equity Modeling Platform and FactSet, 4/24.

FIGURE 4
Low Relative Valuations Have Preceded Outperformance for High Dividend Yielding Stocks

Subsequent 5-Year Performance of Large-Cap High-Dividend-Yielding Stocks vs. Low-Dividend-Yielding Stocks

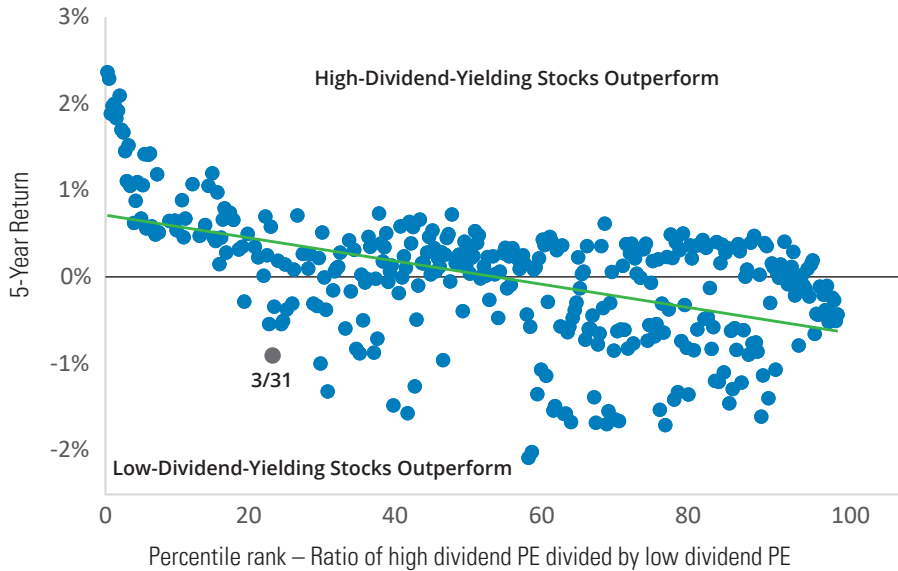


Chart data as of 12/31/89–3/31/24. Past performance does not guarantee future results. A lower ratio indicates that US large-cap high-dividend-yielding stocks are inexpensive relative to history. Data Sources: Hartford Equity Modeling Platform and FactSet, 4/24.

FIGURE 5
Returns Haven't Been Consistently Affected by Interest-Rate Movements

Dividend Portfolio Excess Returns During Periods of *Increasing* 10-Year Treasury Rates

1971-1975	1977-1981	1983-1984	1987	1993-1994	1998-2000	2003-2006	2008-2010	2012-2013	2016-2018	2020-2023	Median
High Dividend Portfolio 6.85%	High Dividend Portfolio 2.33%	High Dividend Portfolio 7.66%	High Dividend Portfolio 4.04%	Mid Dividend Portfolio 0.94%	Low Dividend Portfolio 47.87%	High Dividend Portfolio 0.41%	Low Dividend Portfolio 16.54%	Low Dividend Portfolio 10.94%	Mid Dividend Portfolio 3.62%	Mid Dividend Portfolio 2.72%	Low Dividend Portfolio 0.87%
Mid Dividend Portfolio 1.08%	Low Dividend Portfolio 1.70%	Mid Dividend Portfolio -0.88%	Low Dividend Portfolio 0.87%	High Dividend Portfolio -0.21%	Mid Dividend Portfolio -10.64%	Mid Dividend Portfolio -0.30%	Mid Dividend Portfolio -3.48%	Mid Dividend Portfolio -1.69%	Low Dividend Portfolio 3.28%	High Dividend Portfolio 0.49%	High Dividend Portfolio 0.41%
Low Dividend Portfolio -4.36%	Mid Dividend Portfolio -3.25%	Low Dividend Portfolio -11.45%	Mid Dividend Portfolio -5.67%	Low Dividend Portfolio -0.71%	High Dividend Portfolio -26.93%	Low Dividend Portfolio -1.21%	High Dividend Portfolio -5.09%	High Dividend Portfolio -4.24%	High Dividend Portfolio -5.15%	Low Dividend Portfolio -3.86%	Mid Dividend Portfolio -0.88%

Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. Excess returns over a US top-500 portfolio. Excess returns are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk. See page 4 for representative portfolio definitions. Data Sources: Hartford Equity Modeling Platform and Compustat, 4/24.

Systematic Investing

Dividend Portfolio Excess Returns During Periods of *Decreasing* 10-Year Treasury Rates

1970-1971	1975-1977	1981-1983	1984-1987	1987-1993	1994-1998	2000-2003	2006-2009	2010-2012	2014-2016	2018-2020	Median
Mid Dividend Portfolio 7.36%	High Dividend Portfolio 14.56%	Low Dividend Portfolio 0.89%	High Dividend Portfolio 3.39%	Low Dividend Portfolio 0.56%	Mid Dividend Portfolio 0.78%	High Dividend Portfolio 13.25%	Mid Dividend Portfolio 1.24%	High Dividend Portfolio 4.81%	High Dividend Portfolio 1.01%	Low Dividend Portfolio 11.48%	High Dividend Portfolio 0.65%
High Dividend Portfolio -3.14%	Mid Dividend Portfolio 3.23%	High Dividend Portfolio 0.51%	Mid Dividend Portfolio -0.89%	High Dividend Portfolio -0.02%	High Dividend Portfolio 0.47%	Mid Dividend Portfolio -0.55%	High Dividend Portfolio 0.65%	Low Dividend Portfolio -2.37%	Low Dividend Portfolio 0.40%	Mid Dividend Portfolio 2.74%	Mid Dividend Portfolio -0.55%
Low Dividend Portfolio -3.39%	Low Dividend Portfolio -14.05%	Mid Dividend Portfolio -1.00%	Low Dividend Portfolio -4.00%	Mid Dividend Portfolio -0.89%	Low Dividend Portfolio -1.75%	Low Dividend Portfolio -14.76%	Low Dividend Portfolio -3.88%	Mid Dividend Portfolio -5.42%	Mid Dividend Portfolio -1.60%	High Dividend Portfolio -12.98%	Low Dividend Portfolio -2.37%

Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. Excess returns over a top 500 largest stocks by market cap portfolio. See below for representative portfolio definitions. Data Sources: Hartford Equity Modeling Platform and Compustat 4/24.

Name	Description
Large Caps	Large caps are represented by the largest 70% of stocks by market cap.
Mid Caps	Mid caps are represented by the next 15% largest stocks by market cap.
Small Caps	Small caps are represented by the next 13% largest stocks by market cap.
High Dividend Portfolio	High-dividend portfolios consist of the top one-third highest-yielding stocks from the 500-largest stocks by market cap, which are then weighted by market capitalization.
Mid Dividend Portfolio	Mid-dividend portfolios consist of the middle one-third-yielding stocks from the 500-largest stocks by market cap, which are then weighted by market capitalization.
Small Dividend Portfolio	Low-dividend portfolios consist of the bottom one-third-yielding stocks from the 500-largest stocks by market cap, which are then weighted by market capitalization.

**For more information on systematic investing,
please talk to your Hartford Funds representative.**

S&P 500 Index is a market capitalization-weighted price index composed of 500 widely held common stocks.

S&P 500 Price Index is a market capitalization-weighted price index composed of 500 widely held common stocks, and does not include the reinvestment of dividend payments.

Important Risks: Investing involves risk, including the possible loss of principal. • Fixed income security risks include credit, liquidity, call, duration, and interest-rate risk. As interest rates rise, bond prices generally fall. • For dividend-paying stocks, dividends are not guaranteed and may decrease without notice. • Foreign investments may be more volatile and less liquid than U.S. investments and are subject to the risk of currency fluctuations and adverse political, economic and regulatory developments. • Different investment styles may go in and out of favor, which may cause a fund to underperform the broader stock market.

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