

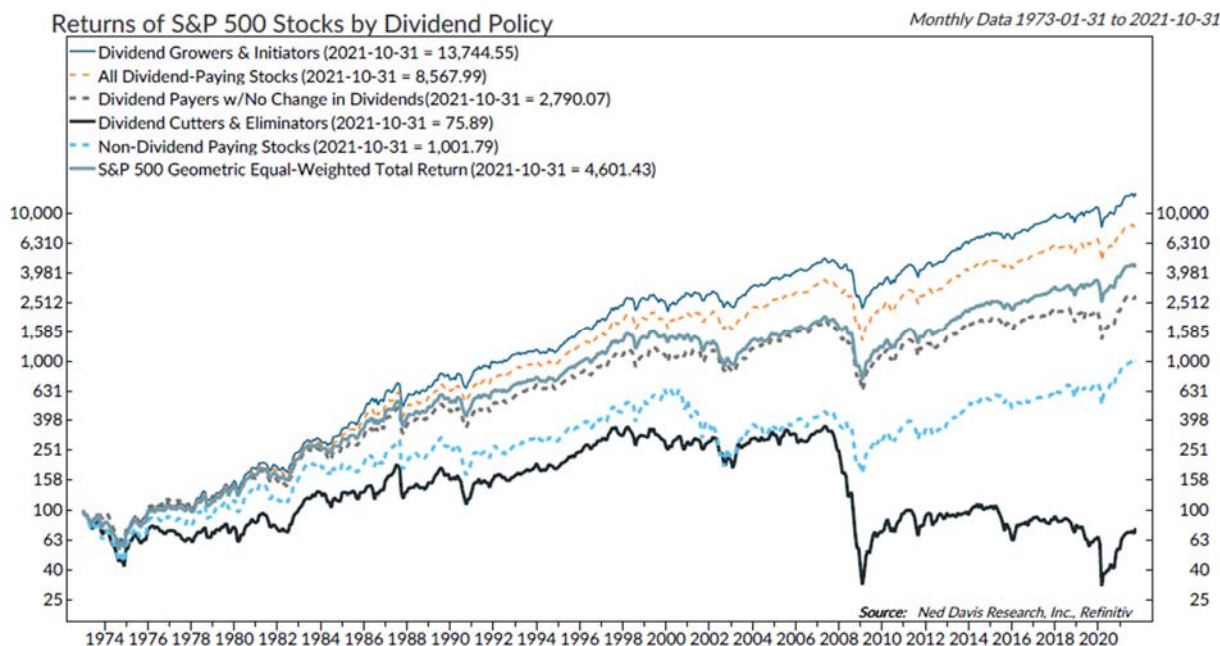
Investing in Dividend Growth: Timeless and Timely

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Dividend paying stocks have a long legacy of benefits to investors seeking long term growth of capital with less volatility than typical stocks. In fact, we think of dividends as the unsung heroes of investment returns. They may not appear exciting, but without them, investor returns would be lower and more volatile over time. In fact, dividends have represented more than half of the total return of the S&P 500 going back to 1970. Along the way, dividends provide more downside protection for your investment portfolio when markets get bumpy.

Consider the chart below and you can see how dividend growing stocks can really provide terrific wealth generation over the long haul.



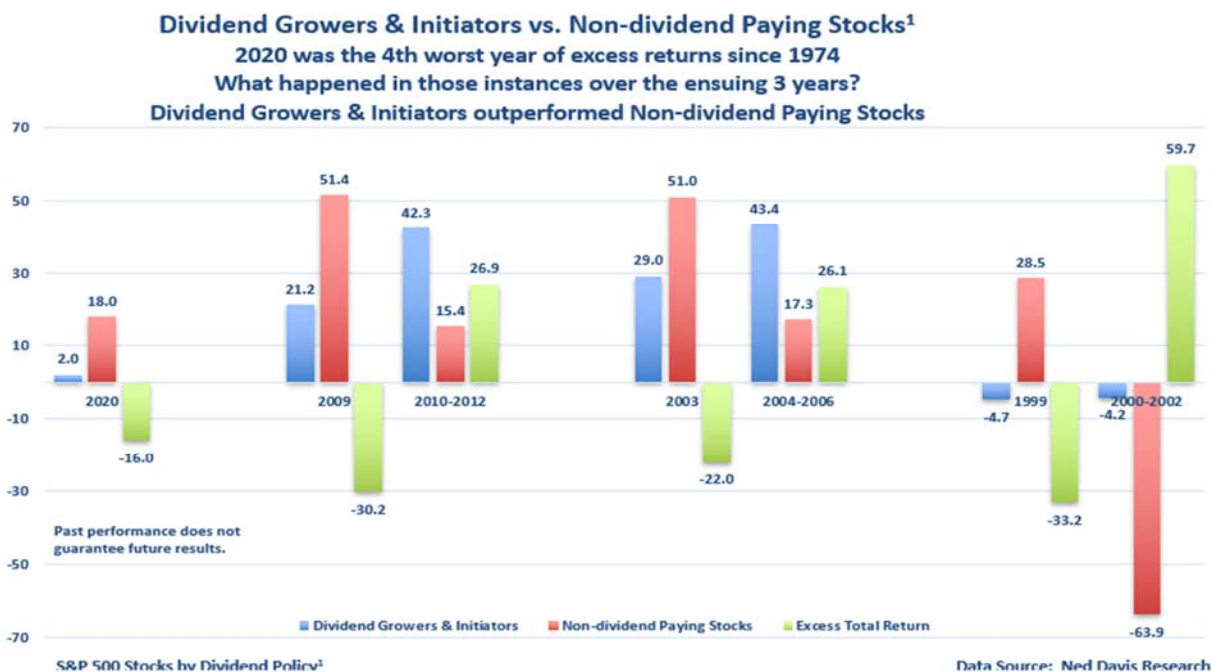
- Companies that pay and grow dividends tend to outperform companies that don't over time.
- Dividends tend to provide downside protection during times of market volatility.

However, today there are a few reasons why we think dividend growth stocks are particularly timely. **Growing dividends can be an inflation hedge. Dividend stocks have a built-in advantage over other yield-paying instruments—notably their ability to put through dividend increases that exceed the rate of inflation.** In this period of high inflation, we think investors will find this aspect of dividend stocks attractive.

...Investing in Dividend Growth Today is Timely

During the easy money days of the pandemic and up until recently, investors sought out higher growth, higher risk stocks. Profitability was of less concern and in fact lower quality stocks outperformed high quality during this period. Due to this, dividend growth stocks lagged and now are particularly attractive from a valuation perspective when measured against the broad stock indexes. However, we think this is changing as pandemic stimulus is reduced or eliminated and now investors are concerned about the negative impacts of inflation, rising interest rates and geopolitical stress.

Its during these times that quality, dividend growth shines. Consider the chart below which shows that historically dividend growers and initiators outperform in the years when economic growth returns to normal.



In Summary...

- Dividend growth stocks have attractive attributes for investors seeking steady wealth generation. Dividends provide a source of downside protection.
- With lower market returns expected, dividend income can provide a larger source of total return over time.
- Dividend growth stocks today are historically attractive vs. the S&P 500.
- Dividend stocks also tend to perform better after an economic recovery.
- An inflation hedge: Dividend stocks have a built-in advantage over other yield-paying instruments—notably their ability to put through dividend increases that exceed the rate of inflation.

Indices are unmanaged and investors cannot invest directly in an index. Unless otherwise noted, performance of indices do not account for any fees, commissions or other expenses that would be incurred. Returns do not include reinvested dividends. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.