Study in Dividend Investment Strategies  
High Yield vs. High Dividend Growth  
2008-2014  
Joe Riazzi  
Advisors: Dr. Bob Dean & Dr. Trevor Collier

Study Objectives
Determine which dividend strategy – high yield or high growth outperforms over the period 2008 – 2014

Research Approach
- Sample Universe: S&P 500
- Sort stocks into yield and growth cohorts
- Calculate returns for yield and growth intervals on yearly basis
- Time Frequency: Annually
- Data Sets:
  (1) S&P 500 by Dividend Yield
  (2) S&P 500 Stocks by Dividend Growth

Model Specification
- $R_{it} = A + B \times (DYLD_{it})$
- $R_{it} = A + B \times (DGR_{it})$
- Nomenclature
  - $R_{it}$ = Return to ith Cohort at time t
  - $DYLD_{it}$ = Dividend Yield
  - $DGR_{it}$ = 1 Year Dividened Growth Rate

Table 1: Yearly Returns by Yield

<table>
<thead>
<tr>
<th>Year/Yield</th>
<th>0.01 - 0.99</th>
<th>1.00 - 1.99</th>
<th>2.00 - 2.99</th>
<th>3.00 - 3.99</th>
<th>4.00 - 4.99</th>
<th>5.00 - 5.99</th>
<th>6.00 - 6.99</th>
<th>S&amp;P 500 Total Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-37.51%</td>
<td>-29.78%</td>
<td>-31.49%</td>
<td>-29.67%</td>
<td>-34.40%</td>
<td>-36.32%</td>
<td>-32.14%</td>
<td>-36.99%</td>
</tr>
<tr>
<td>2009</td>
<td>53.13%</td>
<td>41.44%</td>
<td>34.17%</td>
<td>23.57%</td>
<td>20.70%</td>
<td>6.78%</td>
<td>20.75%</td>
<td>26.45%</td>
</tr>
<tr>
<td>2010</td>
<td>27.59%</td>
<td>24.05%</td>
<td>19.40%</td>
<td>12.75%</td>
<td>13.94%</td>
<td>11.06%</td>
<td>24.08%</td>
<td>15.08%</td>
</tr>
<tr>
<td>2011</td>
<td>4.00%</td>
<td>0.79%</td>
<td>1.45%</td>
<td>5.43%</td>
<td>9.19%</td>
<td>11.25%</td>
<td>-21.34%</td>
<td>2.09%</td>
</tr>
<tr>
<td>2012</td>
<td>27.44%</td>
<td>22.96%</td>
<td>15.07%</td>
<td>11.89%</td>
<td>10.32%</td>
<td>-0.76%</td>
<td>22.07%</td>
<td>15.88%</td>
</tr>
<tr>
<td>2013</td>
<td>42.93%</td>
<td>43.10%</td>
<td>32.48%</td>
<td>22.19%</td>
<td>17.59%</td>
<td>6.25%</td>
<td>10.43%</td>
<td>32.36%</td>
</tr>
<tr>
<td>2014</td>
<td>16.55%</td>
<td>14.10%</td>
<td>14.04%</td>
<td>12.45%</td>
<td>9.75%</td>
<td>13.10%</td>
<td>-17.93%</td>
<td>13.66%</td>
</tr>
</tbody>
</table>

Average Return: 19.16% 16.67% 12.16% 8.37% 6.73% 1.62% 0.85%

Table 2: Returns by Growth Rate

<table>
<thead>
<tr>
<th>Year/Growth Rate (%)</th>
<th>0 - 5</th>
<th>5 - 10</th>
<th>10 - 15</th>
<th>15 - 20</th>
<th>20 - 40</th>
<th>40 - 60</th>
<th>60 - 100</th>
<th>S&amp;P 500 Total Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-33.71%</td>
<td>-25.79%</td>
<td>-30.77%</td>
<td>-30.02%</td>
<td>-32.53%</td>
<td>-31.41%</td>
<td>-43.33%</td>
<td>-36.99%</td>
</tr>
<tr>
<td>2009</td>
<td>27.62%</td>
<td>26.00%</td>
<td>32.94%</td>
<td>28.21%</td>
<td>30.22%</td>
<td>21.65%</td>
<td>90.00%</td>
<td>26.45%</td>
</tr>
<tr>
<td>2010</td>
<td>17.45%</td>
<td>20.05%</td>
<td>19.12%</td>
<td>23.84%</td>
<td>30.26%</td>
<td>45.35%</td>
<td>37.63%</td>
<td>15.08%</td>
</tr>
<tr>
<td>2011</td>
<td>5.38%</td>
<td>7.85%</td>
<td>2.84%</td>
<td>10.36%</td>
<td>3.98%</td>
<td>4.39%</td>
<td>-11.79%</td>
<td>2.09%</td>
</tr>
<tr>
<td>2012</td>
<td>12.50%</td>
<td>14.48%</td>
<td>15.19%</td>
<td>9.65%</td>
<td>17.96%</td>
<td>28.99%</td>
<td>29.31%</td>
<td>15.88%</td>
</tr>
<tr>
<td>2013</td>
<td>27.59%</td>
<td>36.35%</td>
<td>34.90%</td>
<td>39.83%</td>
<td>41.76%</td>
<td>37.71%</td>
<td>38.14%</td>
<td>32.36%</td>
</tr>
<tr>
<td>2014</td>
<td>17.47%</td>
<td>14.45%</td>
<td>7.82%</td>
<td>7.99%</td>
<td>7.42%</td>
<td>16.62%</td>
<td>6.90%</td>
<td>13.66%</td>
</tr>
</tbody>
</table>

Average Return: 10.61% 13.34% 11.72% 12.84% 14.15% 17.61% 20.98%

Table 3: Regression Results: 2008 - 2014

<table>
<thead>
<tr>
<th>X Variable</th>
<th>b</th>
<th>t Stat</th>
<th>R2</th>
</tr>
</thead>
<tbody>
<tr>
<td>DYLD</td>
<td>-0.03</td>
<td>-16.67</td>
<td>0.98</td>
</tr>
<tr>
<td>DGR</td>
<td>0.001</td>
<td>10.11</td>
<td>0.95</td>
</tr>
</tbody>
</table>

Findings:
- Returns Decline as Yields Increase
- Returns Increase as Dividend Growth Increases

Conclusion:
Combination of low yield and high dividend growth stocks provided optimal dividend strategy.