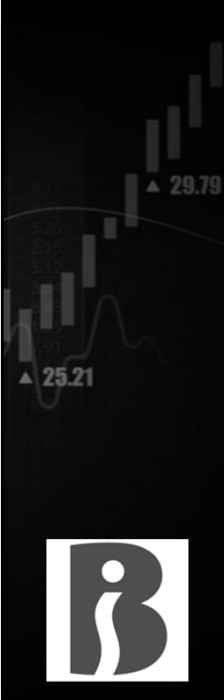


AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS & BETTERINVESTING

AAII + BETTERINVESTING: TOOLS & TACTICS FOR DIVIDEND INVESTORS



26 AUGUST 2025
DOUG GERLACH
VICE-PRESIDENT, BETTERINVESTING

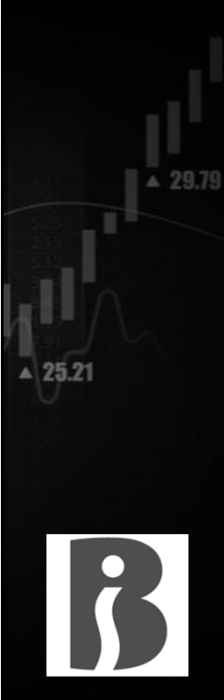


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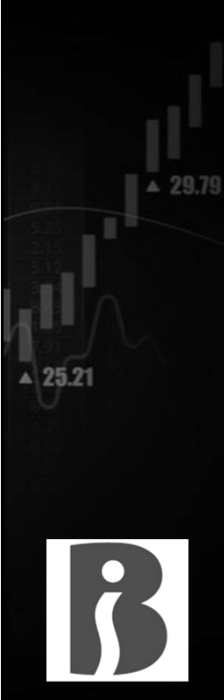
AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS & BETTERINVESTING

NEW RULES OF DIVIDEND INVESTING

IT'S NO LONGER ABOUT JUST YIELD



26 AUGUST 2025
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VICE-PRESIDENT, BETTERINVESTING



OUR 3 INVESTING NEWSLETTERS



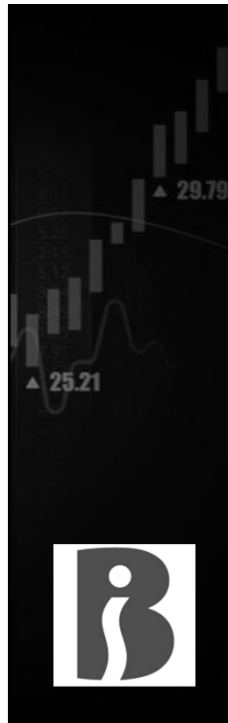
Investor Advisory Service: Founded 1973, uses BetterInvesting/SSG style GARP methodology.
§ Named to Hulbert Investment Newsletter Honor Roll for 15 years for consistent, long-term performance.



SmallCap Informer: Founded 2013, uses SSG approach to target smaller companies with long-term potential.
§ Has outperformed S&P SmallCap 600 since founding.

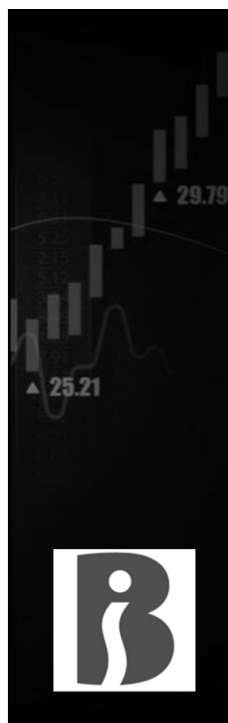


Dividend Informer: Founded 2023, uses new approach to long-term quality & dividend growth metrics with aim to reduce volatility & still deliver performance.



IS "DIVIDEND INVESTING" STILL VALID?

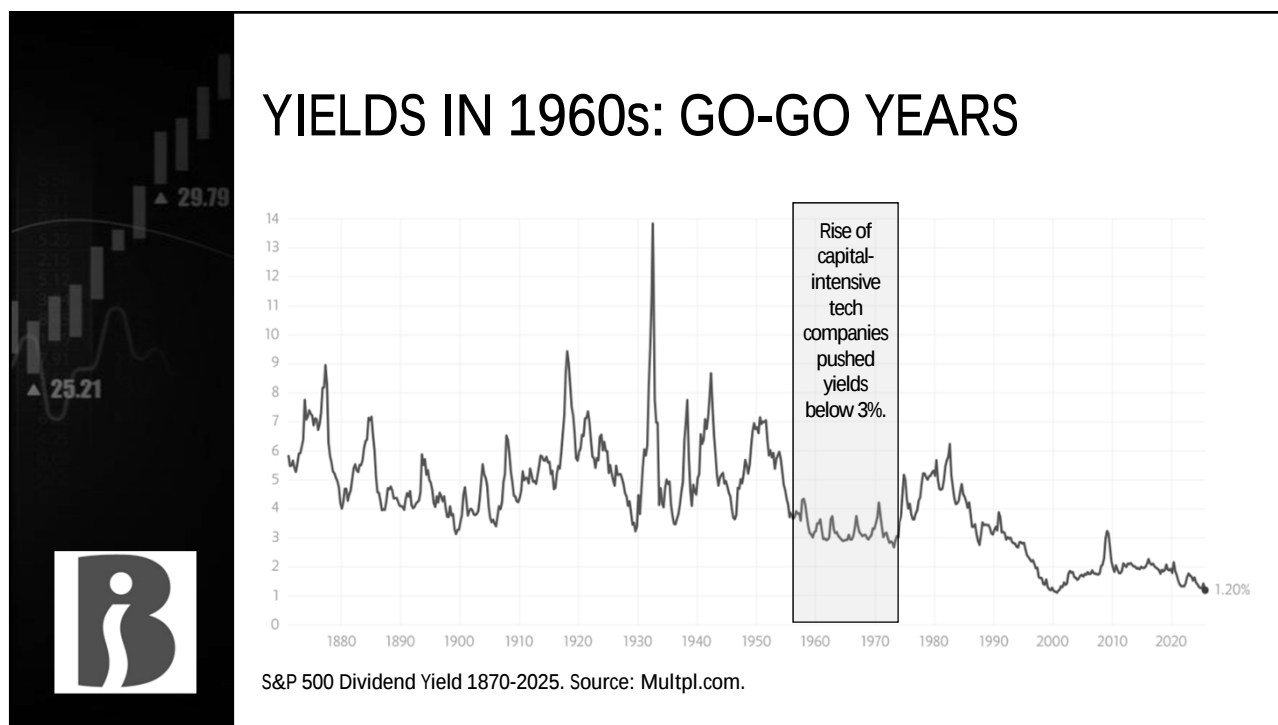
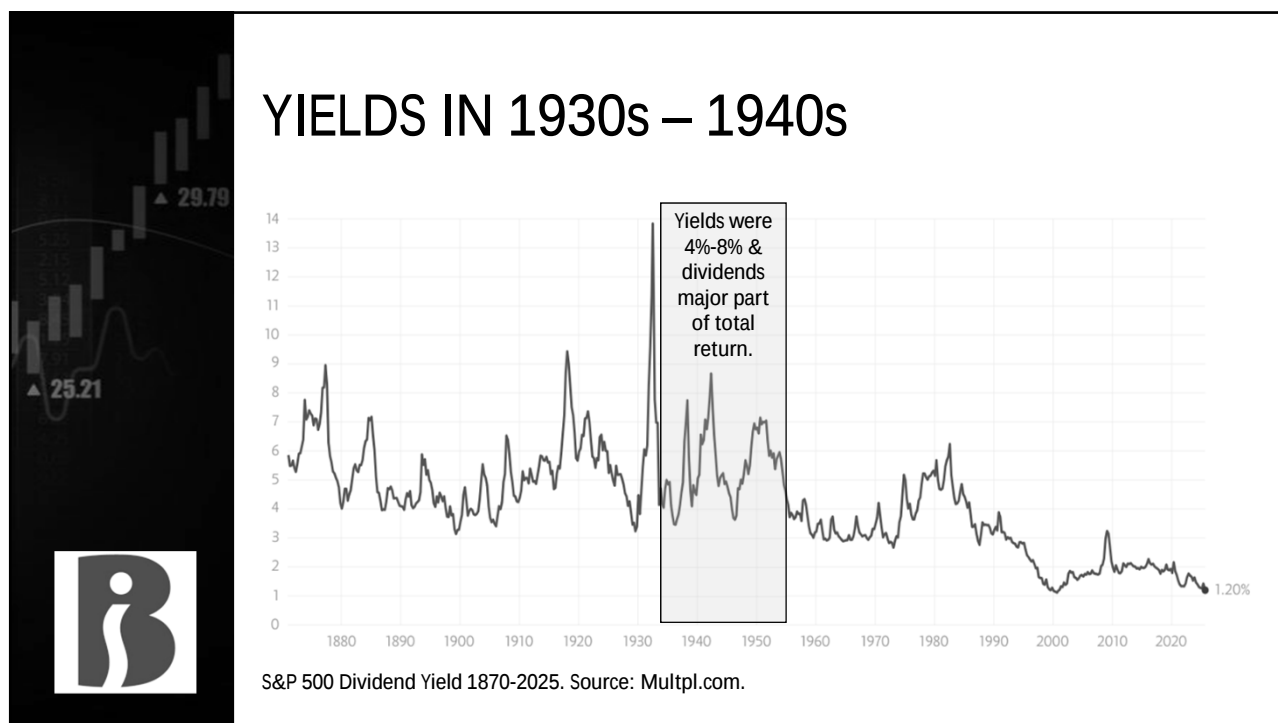
- Traditional approach focused on chasing high yields for near-term income.
- This strategy may be outdated due to shifts in markets & business practices.
- Modern, successful approach to dividend investing must include sturdy growth component.

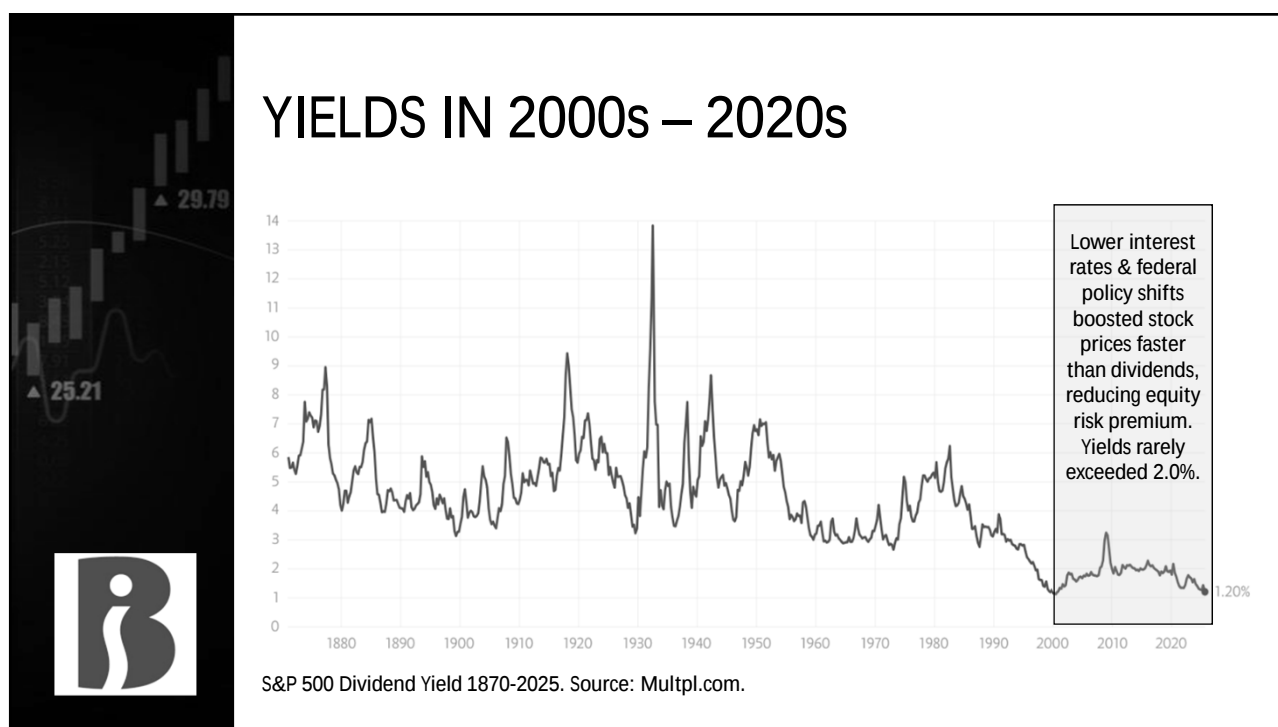
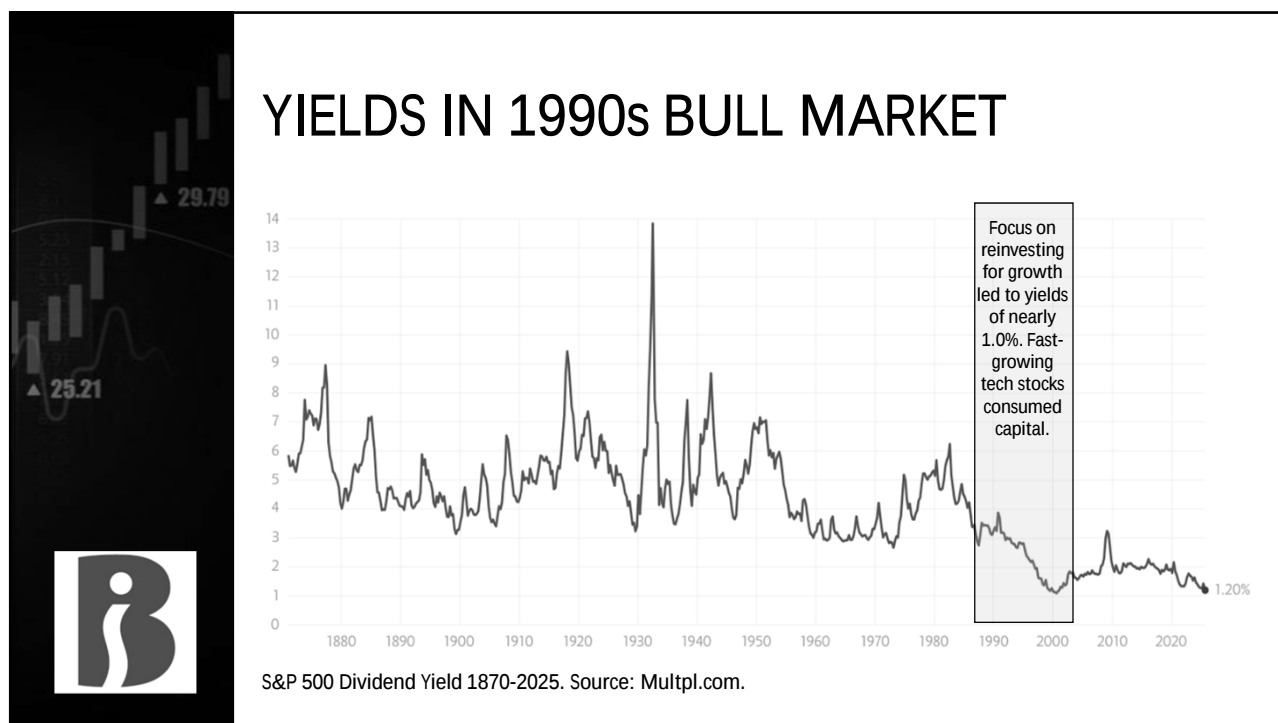


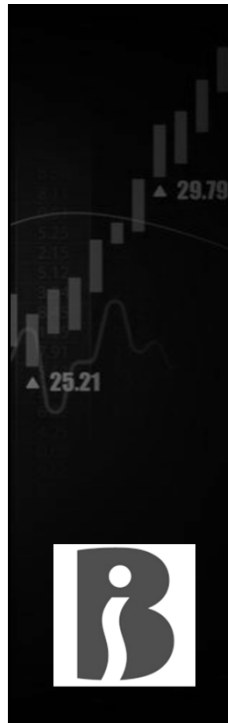
OLD DIVIDEND INVESTING PARADIGMS



S&P 500 Dividend Yield 1870-2025. Source: Multpl.com.

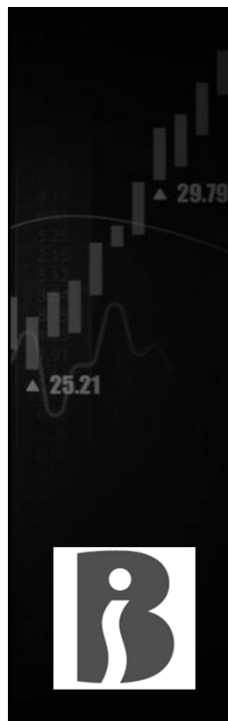






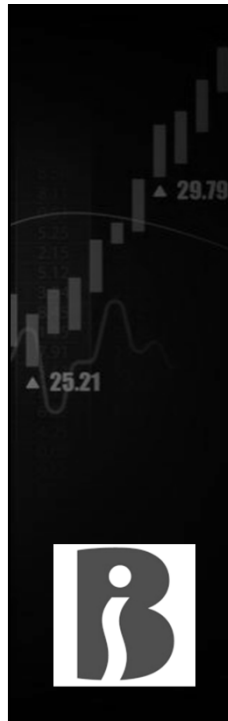
COMPANY SHIFTS FROM DIVIDENDS

- Boards & managers today are embracing more "conservative" dividend policies.
- Companies now prefer to use excess cash in ways that are easier to halt or increase than paying dividends, which investors view negatively if cut:
 - Share Buybacks: Increases earnings per share.
 - Debt Repayment: Reduces interest expenses.



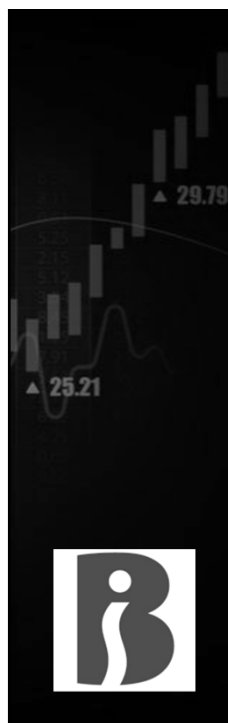
PAYOUT RATES DECLINING

- increased weighting of technology sectors has driven down overall average payout rates.
- The average payout ratio of S&P 500 has dropped from ~56% over last century to ~36% today.



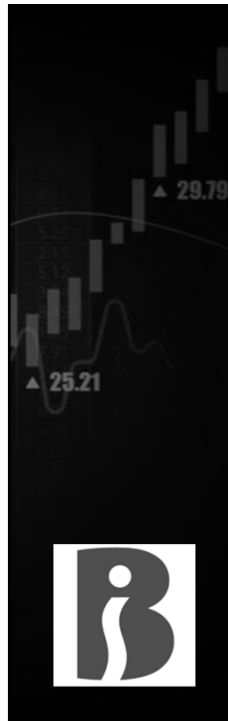
MODERN DIVIDEND INVESTING

- New math of dividend investing emphasizes focus on total return (dividends + capital appreciation), not just current income from yield.
- Sounder strategy requires a deep dive beyond yields into company fundamentals & capital use.
- Can't simply chase high yields – must identify companies that have potential to grow dividends.



4 KEY CRITERIA FOR MODERN DIVIDEND INVESTING





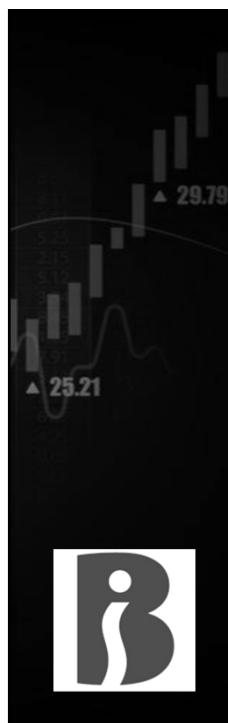
LEADING CONSIDERATIONS

§ *Dividend Informer* newsletter scores companies in 4 categories:

1. Capital Return.
2. Growth.
3. Stability.
4. Governance.

§ Here are example companies that demonstrate strengths in these areas.

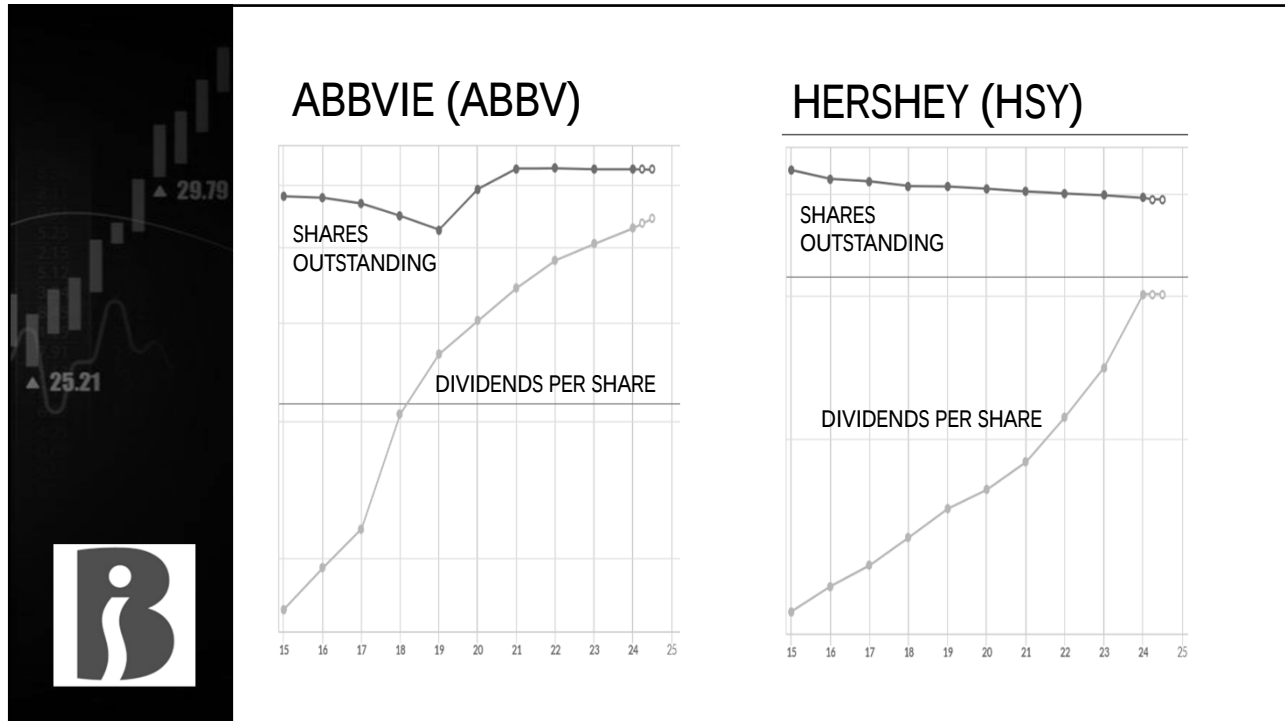
§ Graphs come from BetterInvesting's SSGPlus.



1. CAPITAL RETURN

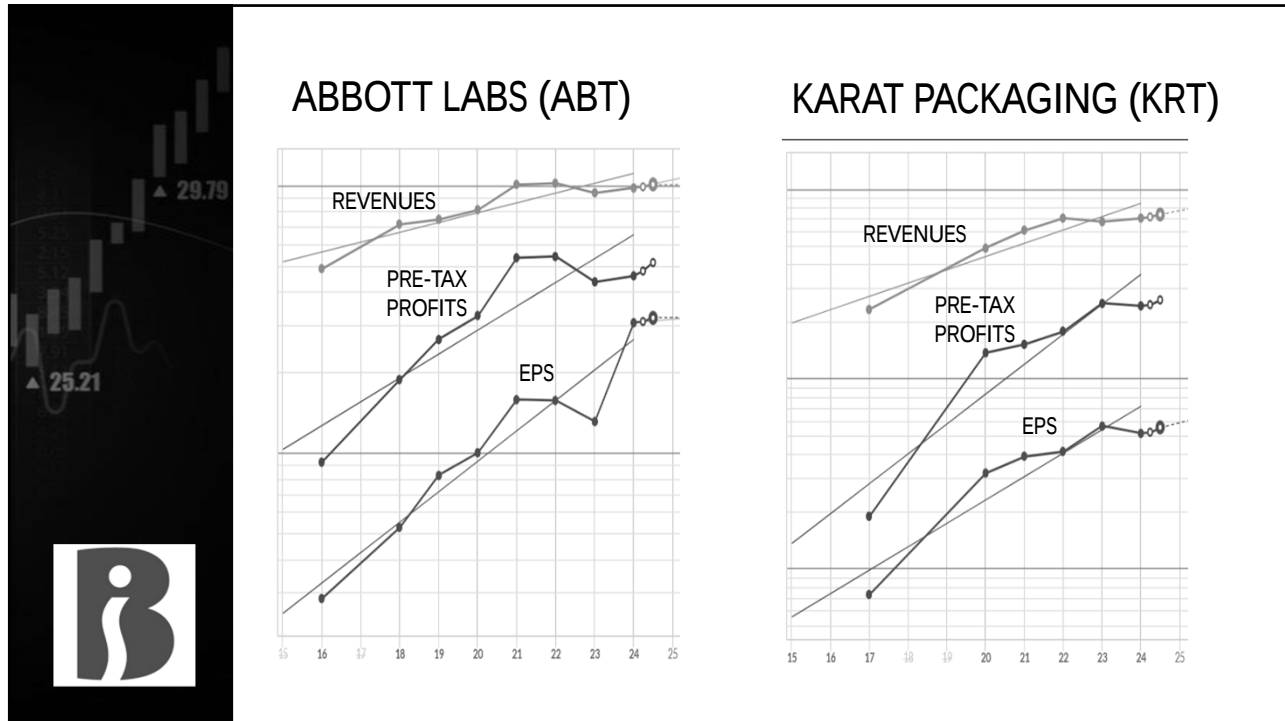
—Assess company's shareholder-friendliness through use of:

- Dividends.
- Share buybacks.
- Share offerings.



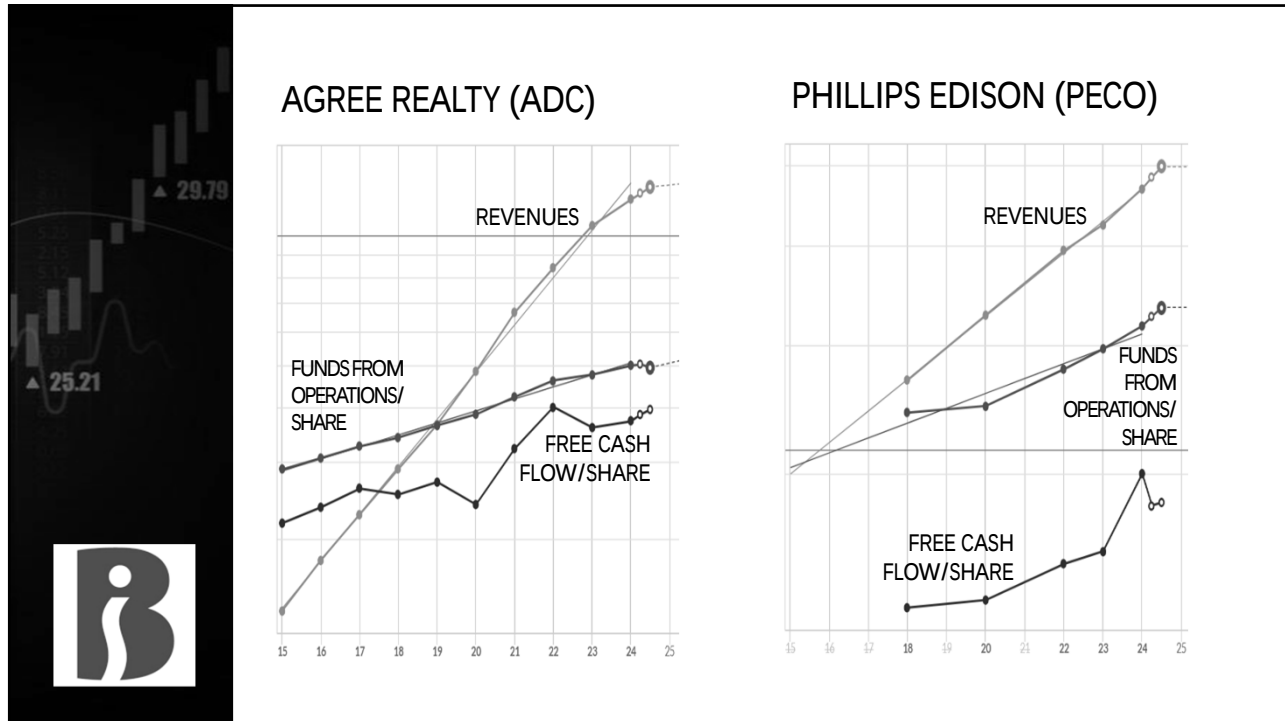
2. GROWTH

- Underlying growth in sales & earnings ensure company can increase dividends.
- Dividends cannot be significantly increased over time without underlying growth of:
 - Sales.
 - Pre-tax profits.
 - Earnings per share.



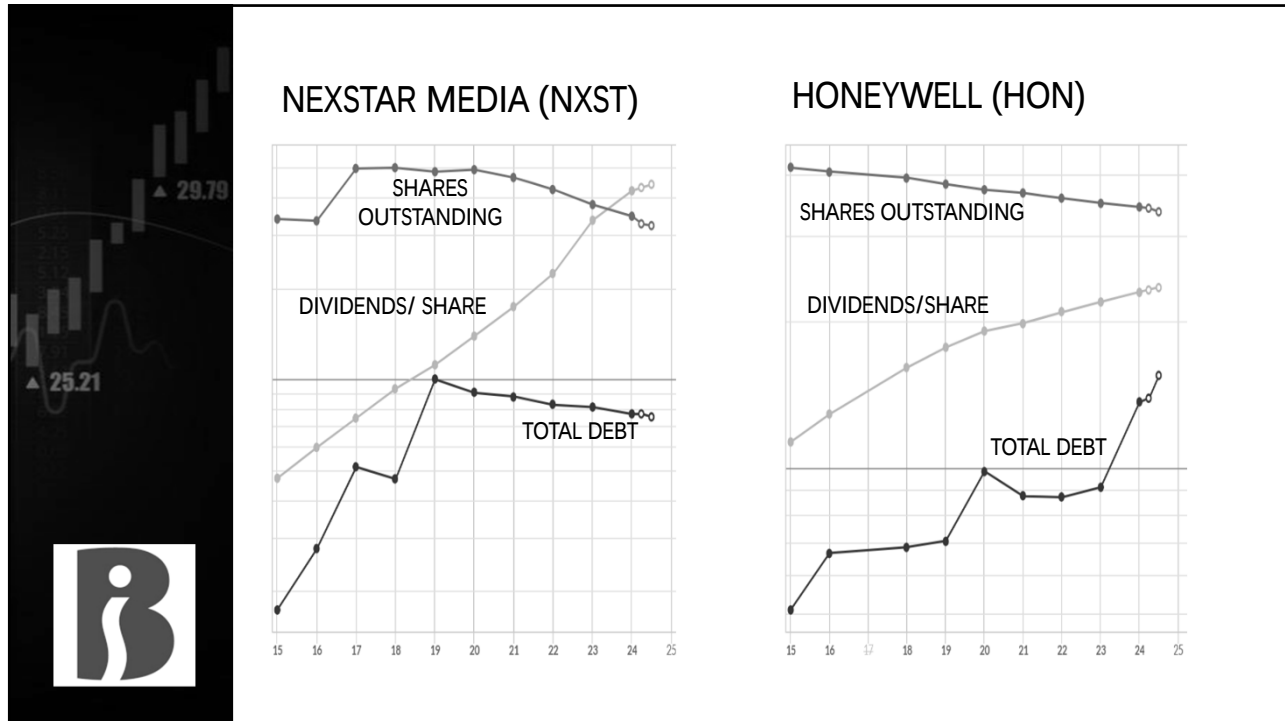
3. STABILITY

- To reduce portfolio volatility, seek companies with consistent growth in:
 - Sales.
 - Earnings per Share (or Funds from Operations per Share).
 - Free cash flow.



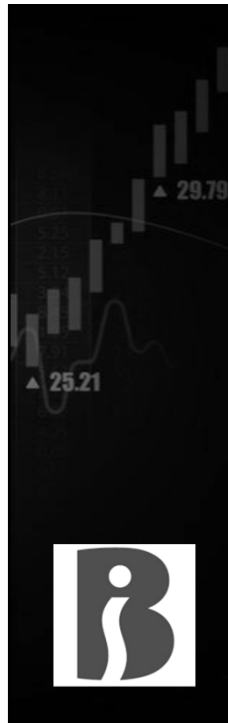
4. GOVERNANCE:

- Evaluate management & board's:
 - Alignment with shareholders.
 - Capital allocation practices.



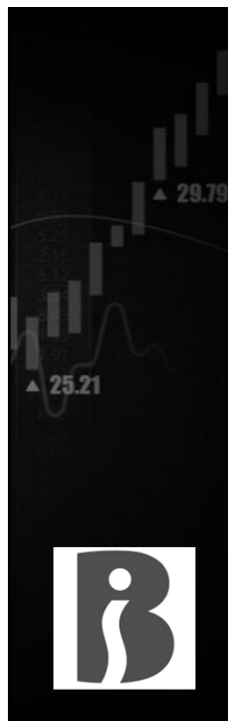
READY TO EASE UP ON THE THROTTLE?

- After lifetime of focusing on capital appreciation, investors may seek to “ease up on throttle” in later investing stages.
- However, may not be desirable to fully transition to pure income generation or capital preservation.
- Dividend/growth investing approach may be appropriate.



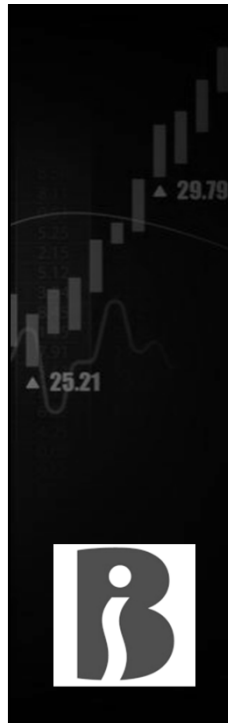
THE TRADEOFF: LOWER VOLATILITY

- This style of dividend investing may not outperform broad market averages.
- But can provide lower volatility than many other equity strategies.
- Average beta of securities covered in *Dividend Informer* is 1.1.



CONCLUSION & TAKEAWAYS

- Chasing high yields is a flawed strategy.
- Successful dividend strategy focuses on total return, driven by companies' abilities to grow their businesses & dividends.
- Look for companies with strong Capital Return, Growth, Stability, & Governance metrics.
- While returns may be lower than broad market, benefit is reduced volatility.



YOU ARE INVITED

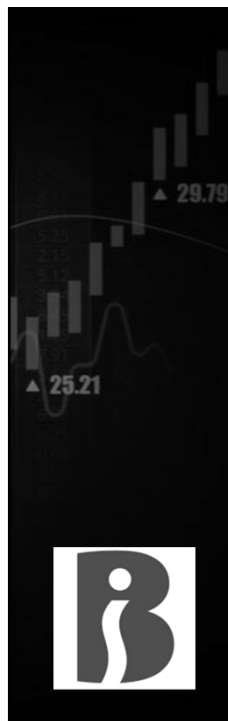
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