

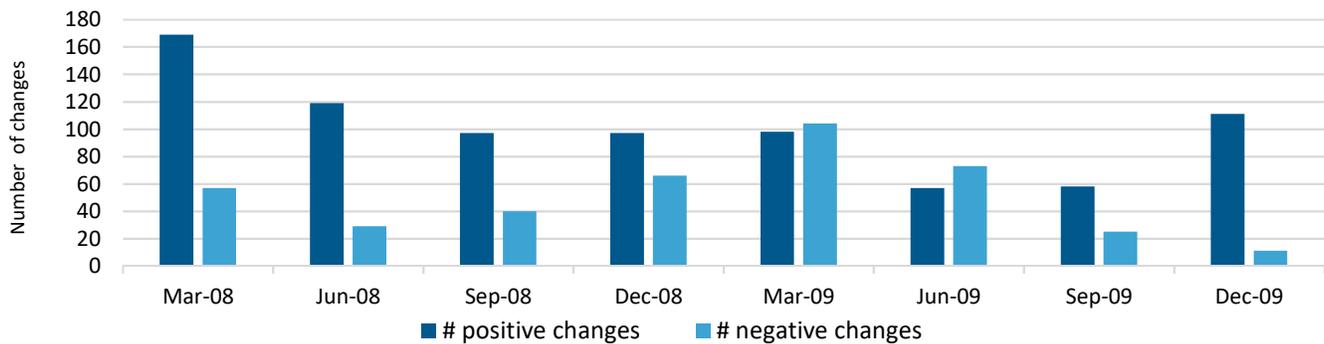
“Dividend Cutters”: Analysis from the Global Financial Crisis

By Ryan Thornton

As of 4/30/2020

We are in an unprecedented time. The only period over the last two decades that seems remotely comparable is the Global Financial Crisis (GFC), which we define as calendar years 2008 and 2009. Our investment team has done extensive research of the Russell 1000 Index, given this index is the starting point for our US Equity Income strategy. Our analysis of the data is from a company-level standpoint around the GFC in order to better understand the magnitude of dividend cuts during that tumultuous period. What we uncovered is that there were only 2 quarters (2Q09 and 3Q09) out of a total of 8 where the absolute number of "dividend cutters" (light blue) was greater than the absolute number of "dividend raisers" (dark blue):

Russell 1000 Total Company Dividend Changes Quarter to Quarter

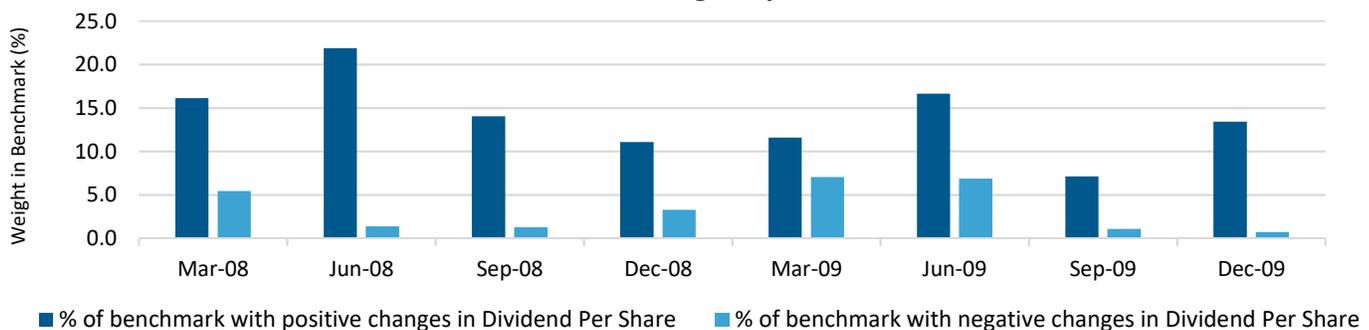


Source: Cadence; Fama, French: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

To quantify the data even more, our team looked at the total benchmark weights of the "dividend cutters" group (light blue) and the "dividend raisers" group (dark blue) for each quarter relative to the benchmark. For example (as evidenced in the chart below), in the quarter with the most companies cutting their dividend (2Q09), the total weight of that group only amounted to 7.05% of the entire weight of the index.

So, even in the darkest quarter of the GFC, the weight of the "dividend cutter" group amounted to less than 10% of the entire index:

Benchmark Weights by Quarter



Source: Cadence; Fama, French: http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

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