



Have Stocks Run Too Far, Too Fast? Consider an All-Weather Strategy

Key Observations

With major U.S. stock indexes trading at or near all-time highs, investors may be seeking ways to reposition their portfolios against potential downside risk, while still retaining equity exposure to drive long-term returns.

- Investing in stable, high-quality companies that have consistently grown their dividends is a timeless, all-weather strategy that has outperformed the broad market over time.
- The S&P 500® Dividend Aristocrats® Index has grown income at a faster rate than both the S&P 500 and high dividend yielding stocks.
- The equal-weighted Aristocrats are well positioned for the current environment, trading at attractive valuations.

Trends Come and Go—A Long-Term Perspective Is Key

Artificial intelligence is the latest disruption dominating the performance of the stock market, and it is an exciting one. But optimism for AI's continued rise should remind us of past investment trends like the Nifty 50, dot-com stocks, and the BRICs, to name a few. They all garnered investors' rapt attention and seemed to hold great promise... until they didn't.

Long-term investors understand something important. Chasing the latest investment trends may lead to disappointing results, but playing the long game can lead to success.

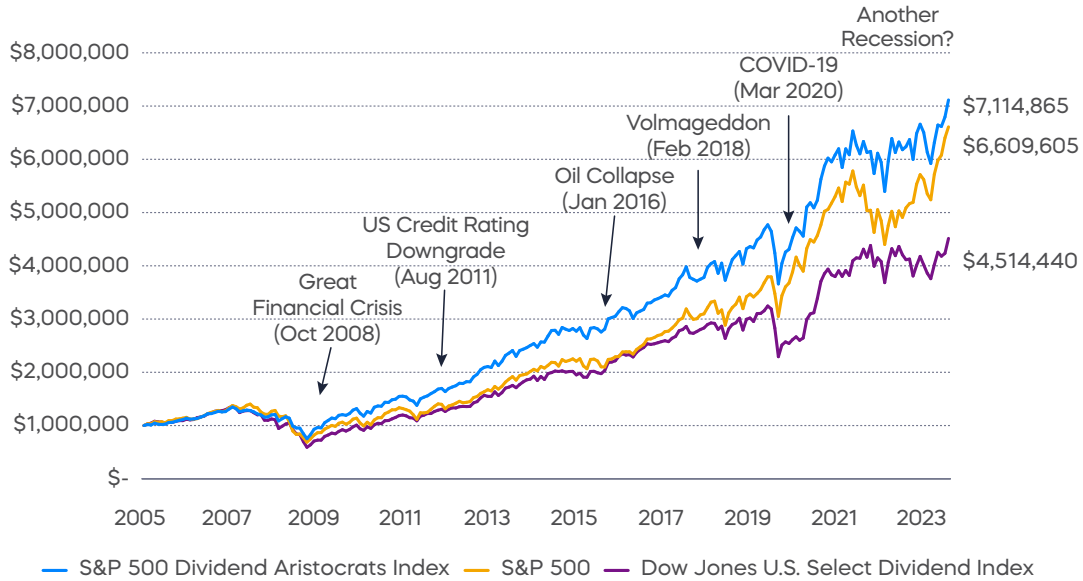
Overlooked Amid the AI Boom?

High-quality dividend growth stocks like the Aristocrats, which have raised their dividends for a minimum of 25 consecutive years, aren't receiving much fanfare these days. Like other dividend strategies, the Aristocrats have been lagging the S&P 500 recently. Should this trigger concerns?

A long-term perspective suggests staying the course. The performance of the Aristocrats has remained stellar over time. Since inception in May 2005, the S&P 500 Dividend Aristocrats Index has outperformed the S&P 500, with lower levels of volatility. The Aristocrats, with their decades-long dividend histories, have helped to grow and maintain wealth through the inevitable ups and downs of market cycles.

- Hypothetically, a \$1 million investment at the inception of the S&P 500 Dividend Aristocrats Index would have grown to \$7.1 million by March 31, 2024.
- That amount exceeds the long-term growth of the S&P 500 and significantly outpaced the growth of high-dividend yield stocks, represented by the Dow Jones U.S. Select Dividend Index on the following chart.

The Aristocrats Have Endured Disruptions and Outperformed with Less Volatility



Source: Bloomberg, 5/1/05–3/31/24. Volatility, as measured by standard deviation, is according to Morningstar as of 3/31/24. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

More Income—and Faster Growth, Too

Another, often underappreciated, feature of a dividend growth strategy is compounding income growth over time. Rather than narrowly focusing on high levels of current yield, investors may want to consider the durability and superior historical rate of income growth of the Aristocrats. The effect of this growth rate over time has been powerful. Let's look again at our hypothetical \$1 million investment.

- The yield of the annual dividends produced by the Aristocrats in 2023, expressed as a percentage of the original investment—the “yield on cost”—was nearly 10%. And we believe it is poised to continue growing.
- Moreover, the cumulative dividends earned would have exceeded not only those of the high-dividend yielders and the broader market—they would have exceeded the original investment.

The Aristocrats Have Outgrown and Outearned High Dividend Yielders

	Cumulative Dividends	Q1 2024 Yield on Cost
S&P 500 Dividend Aristocrats Index	\$1,108,577	9.6%
Dow Jones U.S. Select Dividend Index	\$1,084,580	8.9%
S&P 500	\$695,567	5.7%

Source: Bloomberg and S&P, 5/1/05–3/31/24. 2024 dividend is annualized. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

The Aristocrats Are “On Sale” and May Be Poised for a Comeback

The S&P 500 has rallied recently, rising 28% from lows in October 2023 to a new record high in May—a period marked by relative serenity. That may be changing, though. Volatility has seemingly returned and could be with us for a while as investors continue to grapple with sticky inflation and slowing economic growth.

- For investors seeking some all-weather stability, the S&P 500 Dividend Aristocrats Index has historically delivered 90% of the market’s upside performance, with only 82% of the downside. (Morningstar, as of 3/31/24)
- Currently, the Aristocrats are trading more than 10% below the price-to-earnings multiple of the S&P 500—a discount level that’s historically been followed by an extended period of outperformance. (Bloomberg, based on an analysis of data from 6/30/05–12/31/23)

Further, recent market trends have resulted in a growing concentration risk in the broad, cap-weighted S&P 500. The diversified, equal-weighted approach of the Dividend Aristocrats nearly eliminates this risk.

- The top 10 stocks in the S&P 500 delivered 67% of the index’s returns in 2023 and over 80% of returns so far in 2024. (FactSet, as of 4/30/24)
- All 66 stocks in the equally weighted S&P 500 Dividend Aristocrats Index, by contrast, have the potential to contribute their fair share to performance, improving diversification* and risk management.

The Takeaway

Trends come and go, but maximizing success often requires investors to maintain a long-term perspective. The S&P 500 Dividend Aristocrats Index has outperformed the S&P 500 and high dividend yield strategies over time, and delivered faster income growth. The Aristocrats’ strategy has delivered for investors, even through volatile markets, and is currently trading at discounted valuation levels. Its equal-weighted approach also provides a timely alternative to market-cap-based strategies, which have become highly concentrated over the past couple of years. The S&P 500 Dividend Aristocrats strategy could be a potentially compelling choice in the current market environment.

Is There an ETF That Tracks the S&P 500 Dividend Aristocrats?

You can invest in the Dividend Aristocrats through ProShares S&P 500 Dividend Aristocrats ETF (NOBL), the only ETF focused exclusively on the S&P 500 Dividend Aristocrats—high-quality companies that have not just paid dividends but grown them for at least 25 consecutive years, with most doing so for 40 years or more.

Often household names, NOBL’s holdings generally have had stable earnings, solid fundamentals, and strong histories of profit and growth. NOBL’s strategy has allowed investors to capture most of the gains of rising markets, and less of the loss in falling markets. (Source: Morningstar, 5/2/05–3/31/24)

Have Questions?

Financial professionals can contact ProShares at **866-776-5125** or email info@proshares.com for additional information about ProShares and other investment products.

NOBL
S&P 500 Dividend
Aristocrats ETF

*Diversification does not ensure a profit or guarantee against a loss.

Price-to-earnings (P/E) shows how much investors are paying for a dollar of a company's earnings. P/E helps to assess the relative value of a company's stock by measuring its share price relative to its earnings. A high P/E could mean that a stock is overvalued.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally determined for most funds) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. Standardized returns and performance data current to the most recent month end may be obtained by visiting ProShares.com.

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Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Obtain them from your financial professional or ProShares.com. Read them carefully before investing.

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