The Rising Importance of Dividend Yield

CRAWFORD
INVESTMENT COUNSEL
Est. 1980

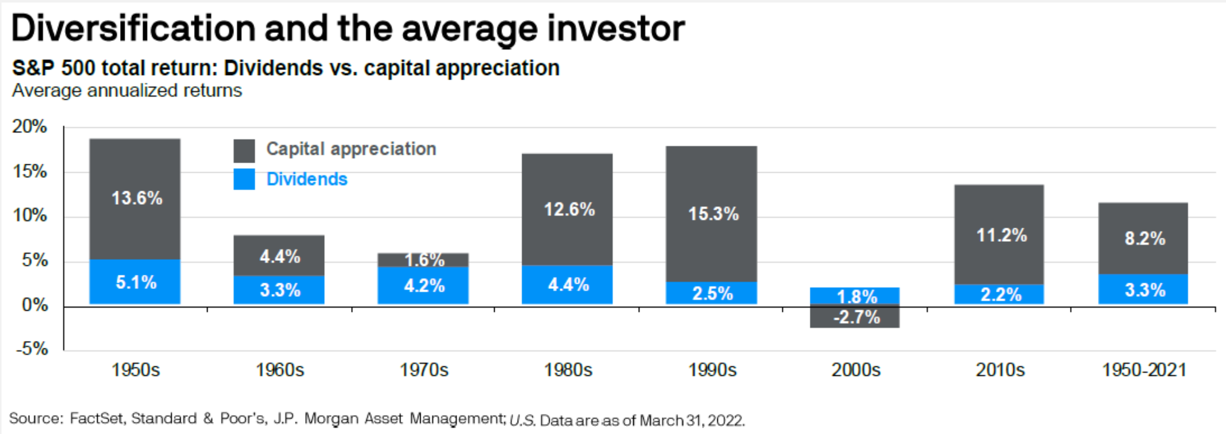
One of the pendulum shifts that we believe is occurring is that we are likely moving from a period of above-average investment returns from stocks and bonds to a more normalized or lower return environment. Over time, we see that investment returns tend to be somewhat cyclical, and more pedestrian results typically follow periods of robust stock market gains. When one compares returns over the past ten years to those over the long-term, it is not at all a heroic prediction that overall returns will be a bit lower for the foreseeable future.

S&P 500 Compound Annual Returns:
10 years ended 2021: +16.52%
Since 1927 through 2021: +9.74%

Source: Crawford, FactSet (Data through 12/31/21)

This is not to say that we do not expect to make money and produce positive portfolio results from stocks, but we do anticipate a more subdued outlook. Indeed, this has been the case thus far in 2022, and some of the factors leading to recent stock market weakness may remain headwinds for some time. To be clear, we see that this does not imply a negative return forecast and is certainly not a recommendation that investors sell stocks.

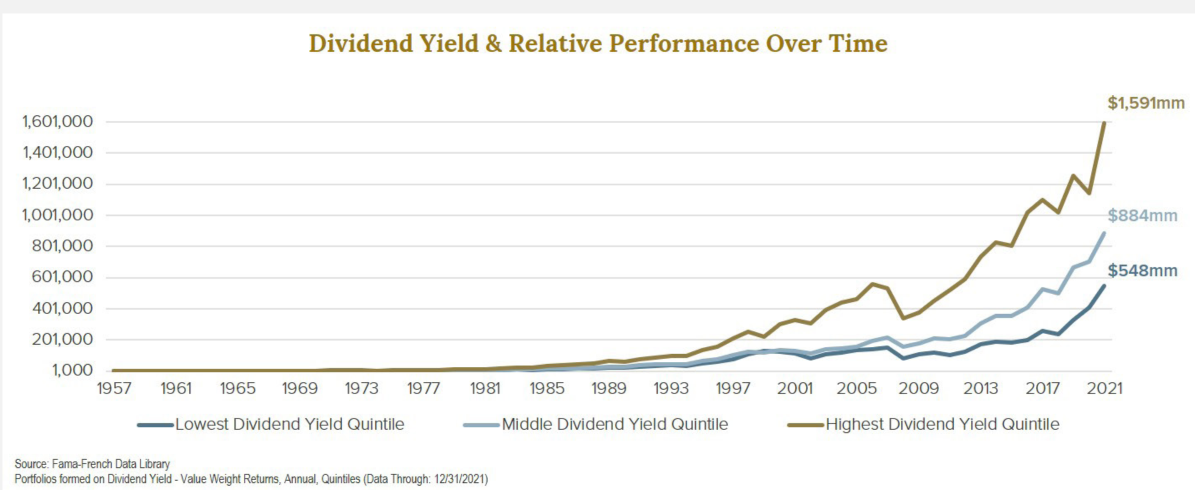
Because the market decline has caused the dividend yield to increase and to the extent that investor returns are lower, we believe the importance of income or dividend yield will be more meaningful in terms of its contribution to overall investment results. This means that higher-yielding strategies may become more favored by investors, and we have recently seen investor preferences shift towards companies that pay dividends. We believe this could be another pendulum shift within a period of lower returns overall, in part caused by the relatively modest level of income provided by the popular stock indices, in addition to potential profit headwinds and margin pressures on business.



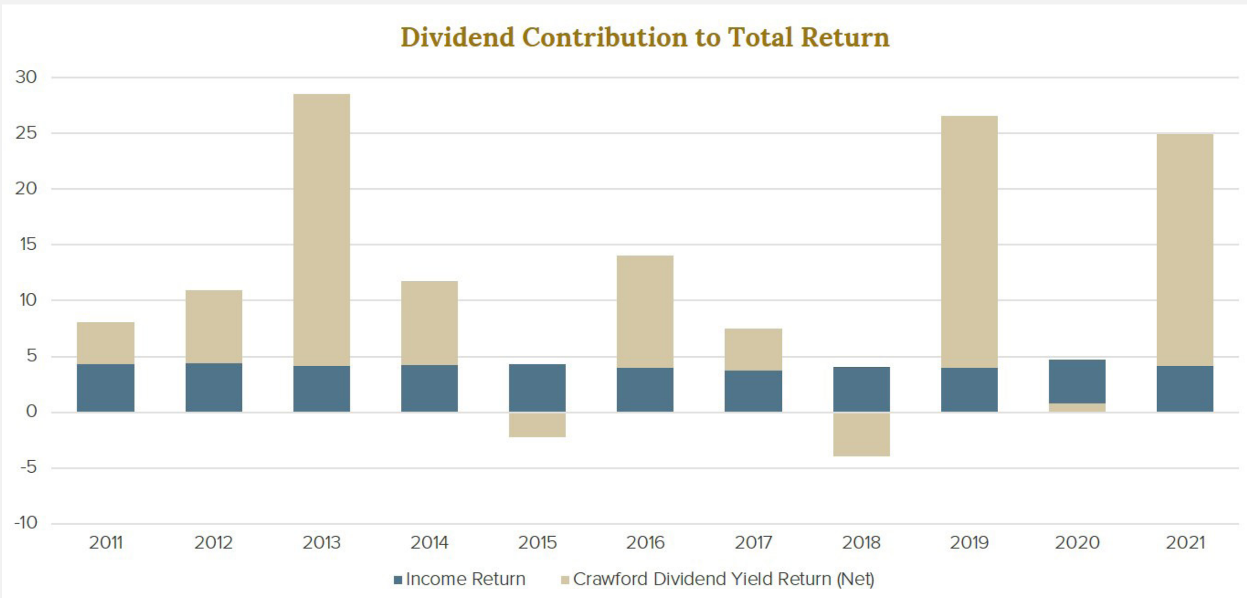
The Crawford Dividend Yield strategy offers a well-above-average dividend yield of approximately 4% today . The portfolio's objective is to generate a yield within the eighth or ninth decile of all dividend-paying companies, meaning that the strategy will aim to produce a very high income relative to what is available in the stock market. Much fundamental scrutiny is applied throughout the securities underwriting process to ensure that the dividend is safe and secure. Also, the portfolio diversification pattern is such that the portfolio's risk level is low compared to the broader market and higher-income strategies.

Below are some displays that illustrate the empirical evidence for this strategy, along with the yield history of the portfolio.

The first chart utilizes data from the Fama-French data library, which happens to be among the more robust historical data sets available for the stock market. As a result, we think the data contradicts a common misperception about higher-yielding stocks. Instead, it shows that over time, the highest dividend-yielding stocks have significantly outperformed those with lower dividend yields.



Since its inception, the Dividend Yield Strategy has achieved its primary objective of above-average income, with a dividend yield of approximately 4%. At the same time, it has provided a competitive return. And in years of market decline, the yield helped to cushion and protect on the downside.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Crawford Dividend Yield Return (Net)	8.05	10.92	28.57	11.78	-2.23	14.04	7.48	-3.94	26.57	0.80	24.98
Average Income Contribution to Total Return	4.31	4.36	4.11	4.21	4.34	3.99	3.77	4.10	3.96	4.69	4.12

Source: eVestment, FactSet
Average Income Contribution taken as an average of the reported quarterly dividend yields during a calendar year.
Past performance is not indicative of future results. The composite returns are shown as supplemental information to the Dividend Yield composite disclosures which are located at the end of this presentation. Please see the footnotes and disclosures section at the end of this presentation.

Our confidence in the Crawford Dividend Yield Strategy is further bolstered by its ability to provide what we see as competitive returns relative to higher-yielding subsets of the popular indices. The table below illustrates that the strategy has produced a strong return pattern versus the opportunity set. Additionally, the strategy has participated in up-markets and protected when higher-yielding stocks have been under pressure.

The Rising Importance of Dividend Yield

Crawford Dividend Yield Strategy Performance vs. High Yielding Stocks

	Crawford Dividend Yield Strategy (Net)	Russell 1000 Value Index 3%+ Yield	S&P 500 Index 3%+ Yield
2013	28.57%	24.14%	26.92%
2014	11.78%	7.29%	5.71%
2015	-2.23%	-10.83%	-7.79%
2016	14.04%	15.27%	13.11%
2017	7.48%	5.20%	5.63%
2018	-3.94%	-10.67%	-9.99%
2019	26.57%	17.17%	16.17%
2020	0.80%	-12.05%	-7.62%
2021	24.98%	30.08%	31.34%
Compound Annual Return	**11.38%**	**6.24%**	**7.24%**

Source: Crawford, FactSet
Past performance is not indicative of future results. The composite returns are shown as supplemental information to the Dividend Yield composite disclosures which are located at the end of this presentation. Please see the footnotes and disclosures section at the end of this presentation. The Russell 1000 Value and S&P 500 Index 3%+ yield figures represents the performance of respective index constituents with yield of 3% or greater. The S&P 500 Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

We believe the investment environment is favorable for higher-yielding stocks. As a result, the Crawford Dividend Yield strategy is well positioned to build on positive results as we move forward and look to the future.

Dividend Yield Equity Composite
GIPS Composite Report

Year	Firm Assets ($ Millions)	Composite Assets ($ Millions)	% Of Non-fee paying accounts	% Of Bundled Fee Paying Accounts	# Of Accounts	Composite Pure Gross Return	Net Return	3-Year Standard Deviation	Internal Dispersion	Russell 1000 Value Index Return	3-Year Standard Deviation
2020	$7,111	$286	0%	0.2%	104	1.28%	0.80%	16.95%	1.2%	2.80%	19.90%
2019	$6,779	$310	0%	0.3%	113	27.12%	26.57%	10.34%	1.1%	26.54%	12.02%
2018	$5,655	$273	0%	0.3%	102	-3.52%	-3.94%	9.53%	0.5%	-8.27%	10.98%
2017	$5,901	$357	4%	1.8%	144	8.00%	7.48%	8.85%	0.4%	13.66%	10.34%
2016	$5,044	$291	4%	7.7%	195	14.60%	14.04%	9.75%	0.7%	17.34%	10.93%
2015	$4,149	$166	4%	7.8%	69	-1.82%	-2.23%	10.13%	0.4%	-3.83%	10.83%
2014	$4,610	$136	2%	0%	35	12.51%	11.78%	8.38%	0.7%	13.45%	9.33%
2013	$4,388	$24	9%	5.0%	24	29.43%	28.57%	9.61%	1.0%	32.53%	12.88%
2012	$3,812	$13	4%	4.7%	13	11.69%	10.92%	N.A.	N/A	17.51%	N.A.
2011	$3,369	$8	14%	0%	9	8.78%	8.05%	N.A.	N/A	0.39%	N.A.

N/A - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
N.A. - 3-year standard deviation is not shown because 36 monthly returns are not available.
* Only 3 months worth of performance in 2010

Crawford Investment Counsel claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Crawford Investment Counsel has been independently verified for the periods January 1, 1981 through December 31, 2020. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Crawford Investment Counsel, Inc. is an independent registered investment adviser with the Securities and Exchange Commission.

The Dividend Yield Equity Composite contains all discretionary, taxable and tax-exempt, dividend yield accounts with a minimum account size of $100 thousand. An account managed in the dividend yield equity style focuses on high quality companies that have a high dividend yield and have consistently paid and increased their dividend.

For comparison purposes the composite is measured against the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

Results are based on discretionary accounts under management, including those accounts no longer with the firm. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of fees and include the reinvestment of all income. Gross returns for bundled fee accounts have not been reduced by transaction costs. Composite gross returns for periods that include bundled fee accounts are presented as supplemental information to the net returns. In addition to a management fee, bundled fee accounts pay an all-inclusive fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes portfolio monitoring, consulting services, and in some cases, custodial services. The maximum bundled fee does not exceed 2.50%. Net of fee performance is calculated based on the actual fees experienced by the client. Certain accounts may not be charged commissions by their broker. The 3-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The annual composite dispersion presented is an asset weighted standard deviation calculated for the accounts in the composite the entire year. Gross returns are used to calculate the internal dispersion and 3-yr annualized standard deviation. Past performance is not necessarily indicative of future results.

The investment management fee schedule for the composite is 1.00% on the first $3 million; and 0.50% on the balance. Actual investment advisory fees incurred by clients may vary.

The inception date of the Dividend Yield Equity Composite is October 1, 2010. The Dividend Yield Equity Composite was created in November of 2010. A complete list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.