



C A M B R I D G E A S S O C I A T E S L L C

GLOBAL MARKET COMMENTARY

DIVIDENDS: FEELING THE PRESSURE

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Dividends: Feeling the Pressure

“Dow is the only company in the Fortune 200 to have paid its regular quarterly cash dividend without reduction or interruption since 1912. That’s 388 consecutive quarters. I’ve said it before but I will say it again. We will not break that streak. Not Dow. Not on my watch.”—Andrew Liveris, Chairman and Chief Executive Officer, Dow Chemical, December 8, 2008

“The Dow Chemical Company (NYSE: DOW), has declared a dividend of 15 cents per share, payable April 30, 2009, to shareholders of record on March 31, 2009.

In its decision to reduce Dow’s quarterly dividend, the Company’s Board of Directors cited a confluence of factors, including uncertainty in the credit markets, unprecedented lower demand for chemical products, the ongoing global recession and pending business issues.”—Dow Chemical Company Press Release, February 12, 2009

The Importance of Dividends

In times of stress, the value of stable income cannot be underestimated. While investors seemingly discounted this value during the heady days of the 1980s and 1990s, appreciation for the stability and relative safety of high dividend yielding stocks has been resurfacing. Cash-strapped investors may prefer cash-in-hand rather than the prospect of capital gains—particularly now that the bear market has highlighted the potential for capital gains to be short lived. Bank of America/Merrill Lynch Securities has noted that “high dividend yield stocks often outperform during a downturn in the economy partly because of their earnings stability.” Moreover, dividends are less volatile than equity prices or earnings, which should provide some support in the current economic environment. In addition, dividend reinvestment in a bear market leads to an increase in shareholdings, thus cushioning the impact of falling stock prices.

Still, dividends have been hit hard during this cycle. The question of when and how fast they recover will therefore be of paramount importance to future returns. While our crystal ball remains murky on this point (as on many other things!), current dividend payout and earnings trends suggest there could be more pain ahead for dividends, although there are variations among geographic regions. The bottom line is that dividends have always been (and will always be) the main determinant of equity returns, as they are the primary method by which companies return profits to shareholders. As a result, our concern in this area makes us (on balance) less positive on prospective equity returns, particularly given that valuations are now pushing the high end of our fairly valued range.

Dividends for the Long Term

The long-term record for dividends has been quite impressive. Dividends have accounted for an average 39.1% of quarterly S&P 500 returns since 1900. From 1965 (when our U.K. data begin) through 2008 dividends accounted for 32.8% of quarterly FTSE All-Share returns and 32.2% of quarterly S&P 500

returns. The percentage in the 1980s and 1990s was significantly lower for both indices (especially the S&P 500) than the long-term average.

When dividends are reinvested their importance *over the long term* becomes paramount (e.g., 71.1% and 99.0% of total S&P returns since 1970 and 1900, respectively) (Table A). *Financial Times* commentator John Authers wrote earlier this year that “in the long term, the case for stocks, even after such a bad year [2008], remains intact. It depends almost totally on dividends.” Authers noted that *all* of the outperformance of U.S. and U.K. equities versus government bonds from 1900 to 2008 came from dividends that were reinvested; price returns actually lagged bond returns. Thus, the *Credit Suisse Global Investment Returns Yearbook* (Authers’ source) concluded, with respect to public equity markets generally: “The longer the investment horizon, the more important is dividend income. *For the seriously long-term investor, the value of a portfolio corresponds closely to the present value of dividends*” (our italics).

Investors’ conviction in the importance of dividends is reflected in the many strategies focused on firms with consistent, increasing, or high dividends. Indeed, *The Wall Street Journal* reported earlier this year that there are 325 dividend funds in the United States alone. The market generally views dividend *cuts* as a warning signal, making companies extremely reluctant to reduce them.¹ This helps explain why firms have in recent years been more inclined to boost payouts through share buybacks (even funding them through debt issuance), which are not seen as “permanent,” than to raise dividends to levels that may not be sustainable (Table B). Firms are also often prepared to fund dividends out of shareholders’ equity. However, given current market concerns, dividend cuts likely entail less price risk today than in recent years given investors’ greater focus on company balance sheets as opposed to the return of cash to shareholders.

Dividend cuts have important implications for investors in terms of both current income and long-term returns. Accordingly, it is an opportune time to examine their history, the pressures companies presently face with respect to paying them, and implications for investors.²

A Changed Landscape

Whereas firms in developed markets increased dividends in 2008 in the teeth of the worsening economy, the willingness to cut or even suspend dividends had become the story by early 2009. Indeed, there were 46 negative actions by S&P 500 constituents in just the first quarter of this year, far more than the *annual total* in each year from 2003 through 2007.³ From January 1 through July 31 S&P 500 constituents cut or suspended dividends 71 times versus 96 increases or initiations, a far cry from earlier periods when the number of positive dividend actions far outdistanced negative actions (Table C). Dividends paid by S&P 500 constituents in the first six months of 2009 fell 18.5% year-on-year; the \$42 billion in dividend cuts in the

¹ Indeed, dividend cutters may find that much of the money saved by reducing dividends is offset by a decline in market capitalization following the decision.

² We focus our attention on developed markets, which account for most dividends and for which there is a longer data history, while recognizing that dividends are also important in emerging markets.

³ There were 62 negative actions during the whole of 2008.

first quarter alone exceeded the total for all of 2008. The first half decline in S&P 500 dividends was greater than those of FTSE All-Share (-12.2%) or MSCI Australia (-13.2%) firms, but less than that experienced by Topix (-21.4%) or MSCI Europe ex U.K. (-33.5%) companies. Further, dividend declines accelerated in the second quarter for the S&P 500, Topix, and MSCI Australia constituents.

Recessions and Dividends

In order to understand the potential vulnerability of dividends today, we examine the historical record. In post-1970 recessions (including the present one) dividend yields in the major developed markets generally rose sharply at first due to falling equity prices, but then dropped dramatically (Tables D-1 through D-4). Given the sharp effect of prices on the dividend yield, it is also useful to look at changes in dividends per share (DPS) during downturns. However, dividend cycles do not correspond closely with recessions, meaning analysis of changes in dividends during such periods can be misleading.⁴ We instead analyzed trends in trailing 12-month DPS, earnings per share (EPS), and dividend payout ratios (POR)⁵ in real terms during *earnings cycles associated with recessions*.⁶

DPS have fallen during every earnings cycle in the four major markets we examined (Tables E-1 through E-4).⁷ The following table compares DPS and EPS percentage declines in the current and prior cycles in real terms:

	<u>Current Cycle</u>	<u>Average of Previous Post-1970 Cycles</u>
MSCI U.S.		
DPS	-25.8	-9.5
EPS	-47.2	-36.1
MSCI Japan		
DPS	-16.3	-16.7
EPS	-109.2	-107.4
MSCI U.K.		
DPS	-7.6	-10.8
EPS	-25.2	-45.6
MSCI Europe ex U.K.		
DPS	-21.6	-19.1
EPS	-46.9	-54.6

⁴ For example, one dividend cycle in Europe lasted from 1970–83 (!), a period that encompassed two recessions (and three earnings cycles). The United Kingdom and Japan also have experienced roughly six- and ten-year dividend cycles, respectively, since 1970.

⁵ The POR is calculated by dividing DPS by EPS.

⁶ Both EPS and DPS generally peak prior to U.S. recessions, but there is no clear pattern in other markets. Earnings cycles and, especially, dividend cycles tend to be longer than recessions in all markets.

⁷ The data cover the recessions the United States (5), Japan (4), United Kingdom (3), and Europe (4) have experienced since the end of 1970, not including the current one (which began in December 2007, February 2008, May 2008, and April 2008 in the United States, Japan, United Kingdom, and Germany, respectively). We use German recessions (which in each case corresponded with a recession in France and/or Italy) as a proxy for European recessions given the absence of any official data on “European” recessions. During the two Japanese recessions where earnings (and therefore EPS) turned negative we looked at the decline in earnings in absolute terms.

Given that DPS and EPS in some markets have fallen during the current cycle by their historical averages or less, there is still potential for further dividend declines. This is particularly the case in the United Kingdom, where EPS have fallen by substantially less than in the past and dividends have also fallen less than their historical average. EPS in continental Europe have also declined less than the post-1970 average, although DPS have declined more than in prior recessions. The declines in DPS and EPS in Japan have been nearly exactly equal to historic averages, with real EPS now a *negative* ¥5.0 per share⁸ versus a positive ¥54.6 in February 2007. By contrast, in the United States, DPS and EPS have already dropped more during the current earnings cycle than during any recession-associated cycle since 1970. In fact, Standard & Poor's projects that the decline in S&P 500 dividends for the full year (22.6%) will be the greatest experienced since 1938.⁹ Even if earnings are now bottoming (a distinct possibility) and abating, prospects for earnings growth going forward are highly uncertain. This suggests corporations will at least be cautious for some time about *raising* dividends.

Although some companies are unlikely to earn enough to maintain dividends at current levels, even firms that will not confront this problem will face considerable pressure to pay down debt and keep extra cash on hand given current uncertainties. Of course, even should dividends hold up at present levels or improve, investors must recognize that share repurchases (which boost DPS and EPS) are likely to be lower for some time (Table B).¹⁰ Moreover, swaps market pricing, according to Goldman Sachs, suggests substantial pressure on dividends for at least the next *ten* years. While Goldman Sachs' post-2009 (post-2011 in the case of the S&P 500) estimates for developed markets are much rosier than pricing implied by the swaps market, they still indicate dividends will not recover to 2008 levels until 2014 (S&P 500 and FTSE 100), 2017 (Euro Stoxx 50), or sometime after 2019 (Nikkei 225).¹¹

Dividend Sustainability—A Cross-Sectional Review

Dividend prospects vary across countries and regions. We view higher dividend yield and historical dividend growth rates as generally positive signs, while dividends may be more vulnerable in markets where they are concentrated in a small number of dividend payers or industries.

⁸ This is based on MSCI Japan data as of July 31, 2009. Information published in August 2009 by *Nikkei.com*, however, suggests second quarter 2009 earnings will be positive on a pretax basis.

⁹ For purposes of comparison, it is worth noting that during the current recessions DPS have dropped by the following amounts versus the average in prior recession-associated *dividend cycles*: United States, 27.0% compared with prior average of 15.4%; United Kingdom, 17.8% (20.6%); Japan, 32.9% (23.5%); and Europe, 27.3% (33.4%).

¹⁰ For example, stock repurchases by S&P 500 firms in 2008 were down 42.0% from the record buyback level of 2007, with fourth quarter 2008 marking the first time in five years that firms spent more on dividend payments than on buybacks. Preliminary data from S&P shows that buybacks by S&P 500 constituents in the first half of 2009 were down 72.8% year-on-year.

¹¹ While Goldman Sachs did not estimate dividends paid by MSCI index constituents, the indices it chose adequately represent the markets we examine in this paper.

Dividend Yields

As of December 31, 2007, the dividend yield for the MSCI World Index was 2.3%, well below its post-1969 average of 3.0%. By February 2009, the yield had risen to 4.3%, its highest level since 1983, as a result of the steep drop in share prices. As of August 31, however, the yield had retreated to 2.6%—mirroring the 36.0% increase in equity prices since February 28 (Table F)—with regional yields of 1.7% in Japan, 2.0% in the United States, 3.4% for Europe ex U.K., 4.0% in the United Kingdom, and 4.3% in Australia (Table G).

Dividend Growth

In addition to dividend yields, it is also useful to consider growth in actual dividends from 1997 through 2008. Thanks to high earnings, developed markets dividend payouts grew in real terms¹² by an average 12.1% (14.2% in nominal terms) annually over these 12 years (even as dividend yields remained relatively low during almost this entire period), far higher than real dividend growth of only 0.65% a year from 1900 through 2008 (as reported by Credit Suisse). As a result, companies in the MSCI World Index paid out dividends of \$872 billion in 2008, more than four times the amount paid out 11 years earlier (in nominal terms) (Table H).

While dividend payout growth has been substantial across all major developed markets and regions, it has been especially impressive in continental Europe and Australia, with average annual increases of 17.0% (in euros) and 16.6%, respectively, from 1997 through 2008. The United States and United Kingdom have lagged (particularly after 2002), with S&P 500 and FTSE All-Share firms boosting dividends by an average 7.4% each year (Table I). Thanks to their higher growth rate, MSCI Europe ex U.K. Index firms now pay more dividends than do MSCI U.S. Index constituents.

Dividend Concentration

Last but not least, breadth of dividend payers is an important determinant in the sustainability of dividends. All major developed markets depend disproportionately on the health of a relatively small number of listed firms—the top ten dividend payers accounted for at least 20% of the dividends paid last year by firms in the MSCI Europe ex U.K., Topix 500, S&P 500, and FTSE All-Share indices (Table J). This is especially true in the United Kingdom, as the FTSE All-Share's top ten dividend payers distribute more than half of all dividends paid by index constituents, with HSBC, BP, and Royal Dutch Shell alone accounting for more than 28% of all FTSE All-Share Index dividends in 2008. As this suggests, some industries contribute far more than others to total dividend payouts, which increases dividend vulnerability (Table K).¹³ The MSCI Europe ex U.K. and Topix indices are relatively less concentrated than their counterparts in terms of dividend paying firms, while the S&P 500 is less reliant (as of the end of the second quarter) in terms of sectors. Even so, given that *all* major developed markets relied heavily in recent years on dividends paid by

¹² We used the OECD's consumer price index for the G-7 countries to calculate real growth.

¹³ Sector contributions for developed markets as a whole, as represented by the MSCI World Index, are more balanced.

financial firms (Table L), the stunning reversal suffered by financials makes it difficult to envisage total dividend payments reaching past highs anytime soon.

Conclusion

The importance of dividends is unquestionable—reinvested dividends have accounted for the vast majority of long-term equity returns. Dividends are also more stable than equity prices, which may be particularly helpful during economic downturns and periods of high market volatility. However, earnings may face further pressure and crimp dividends more than in prior downturns. Dividend yields spiked across all developed markets as equity prices fell, but are now well below their post-1969 historical average for developed markets as a whole. Real DPS, meanwhile, have already fallen more from their peak in the United States than in *any* other post-1970 earnings cycles associated with recessions and by the historical average or more in Japan and continental Europe.¹⁴

From the vantage point of relative dividend yields and growth in dividends, we anticipate that as long as earnings remain pressured, Japanese and U.S. equities will continue to pay relatively low dividend yields when compared to other developed markets, but the higher growth in Japanese dividends in recent years suggests more potential for an increase when earnings experience sustainable recovery. While continental European, U.K., and Australian equities currently have higher dividend yields, investors should consider that further downward pressure is a distinct possibility as companies seek to shore up balance sheets (in all markets), which obviously is a higher priority than paying out dividends. However, should economic conditions remain challenging, even as economic growth signals improve, investor preference for the stability of earnings may drive dividend yields up globally as companies with the financial strength to pay dividends seek to attract investors by meeting this need.

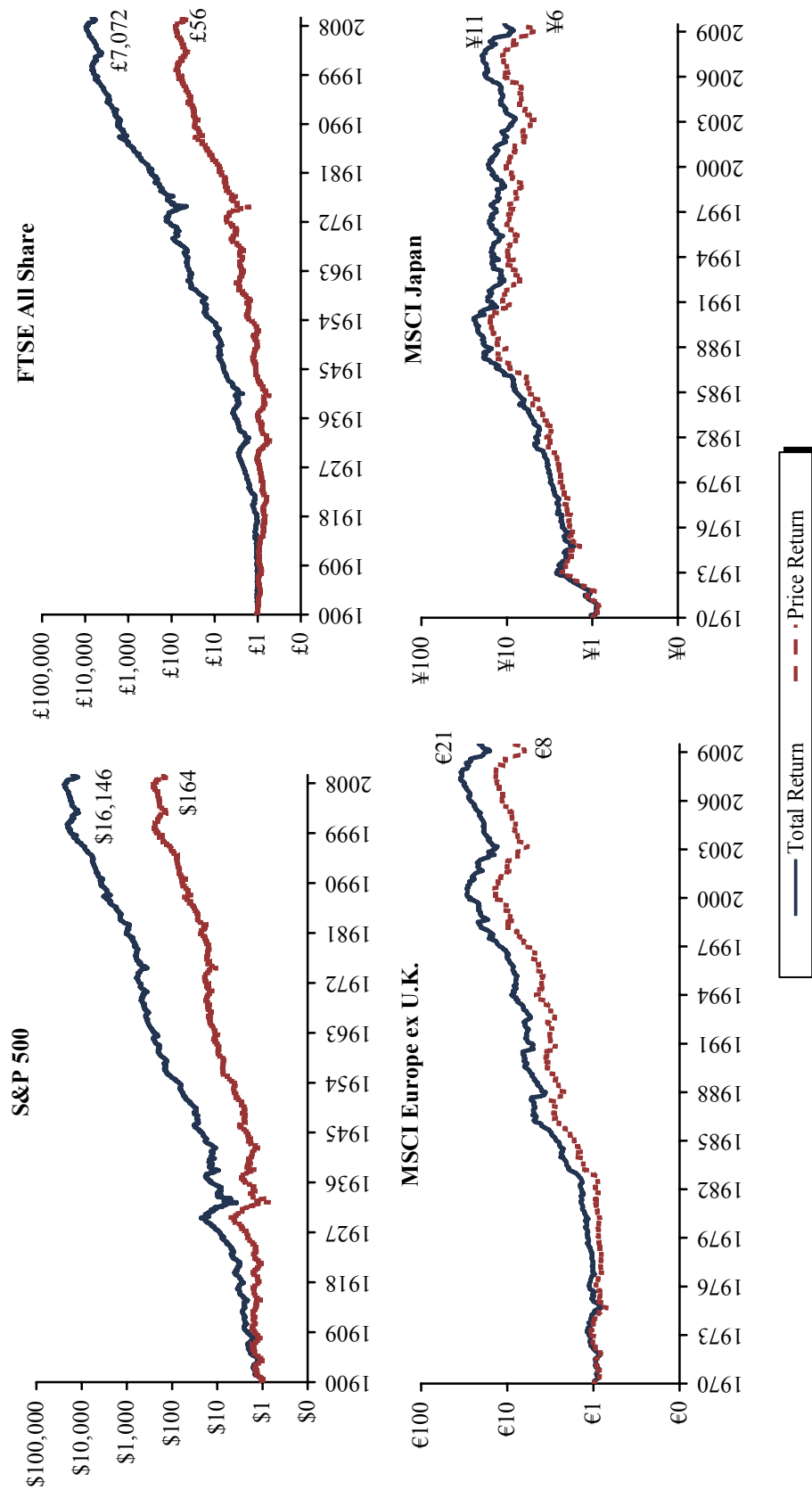
Given the limitations in our data (i.e., the small number of markets and recessions), its usefulness in the present case should not be overstated. Still, investors searching for the stability of high dividend yields should consider the vulnerability of dividends to further declines and the implications of such declines on potential returns from equities. We should gain a clearer picture of dividends as companies now focus on their 2010 budgets, but we expect payouts will continue to be pressured as companies adapt to a tougher earnings environment.

¹⁴ In addition, Japanese DPS have fallen during the current cycle by more than on any previous occasion other than the 43.8% drop experienced during the nearly six-year earnings cycle of 1970–76 associated with a 16-month recession in Japan that ended in February 1975.

Table A

CUMULATIVE WEALTH OF PRICE AND TOTAL RETURNS IN FOUR DEVELOPED MARKETS

January 1, 1900 – July 31, 2009



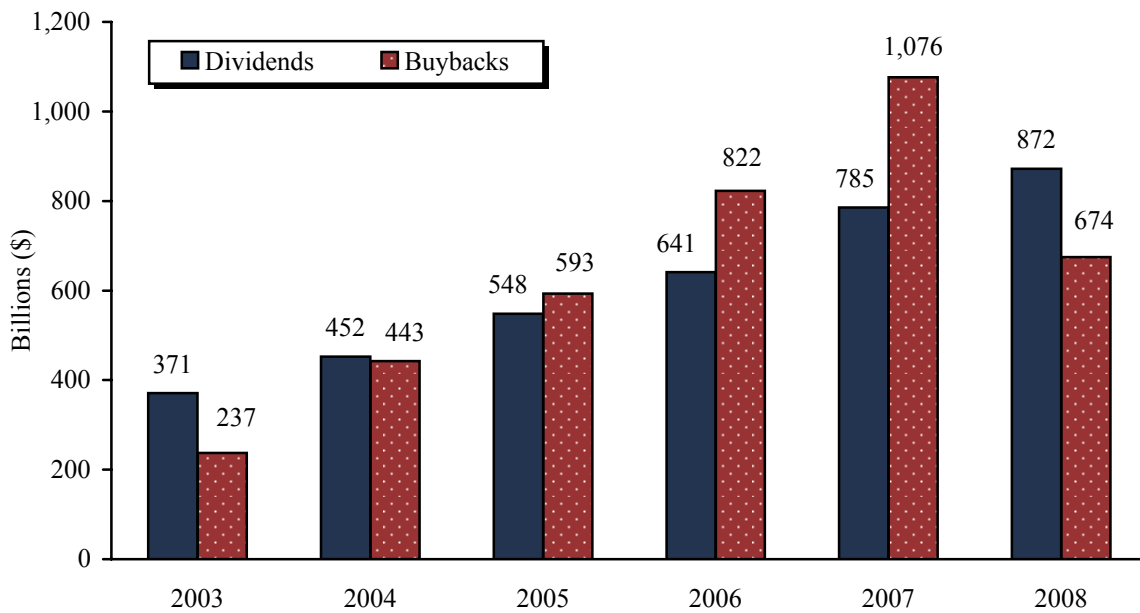
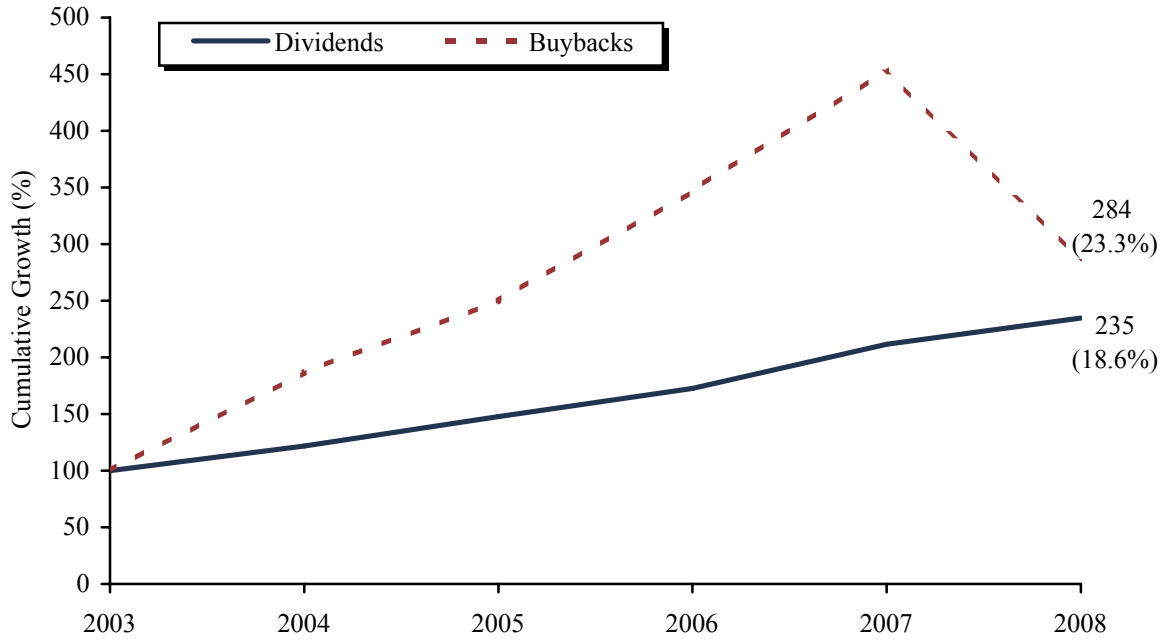
Sources: FTSE International Limited, MSCI Inc., Standard & Poor's, and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: All returns are in local currency and are shown on a logarithmic scale. Data for Europe ex U.K. and Japan begin January 1, 1970.

Table B

MSCI WORLD INDEX SHARE BUYBACK AND DIVIDEND PAYOUTS

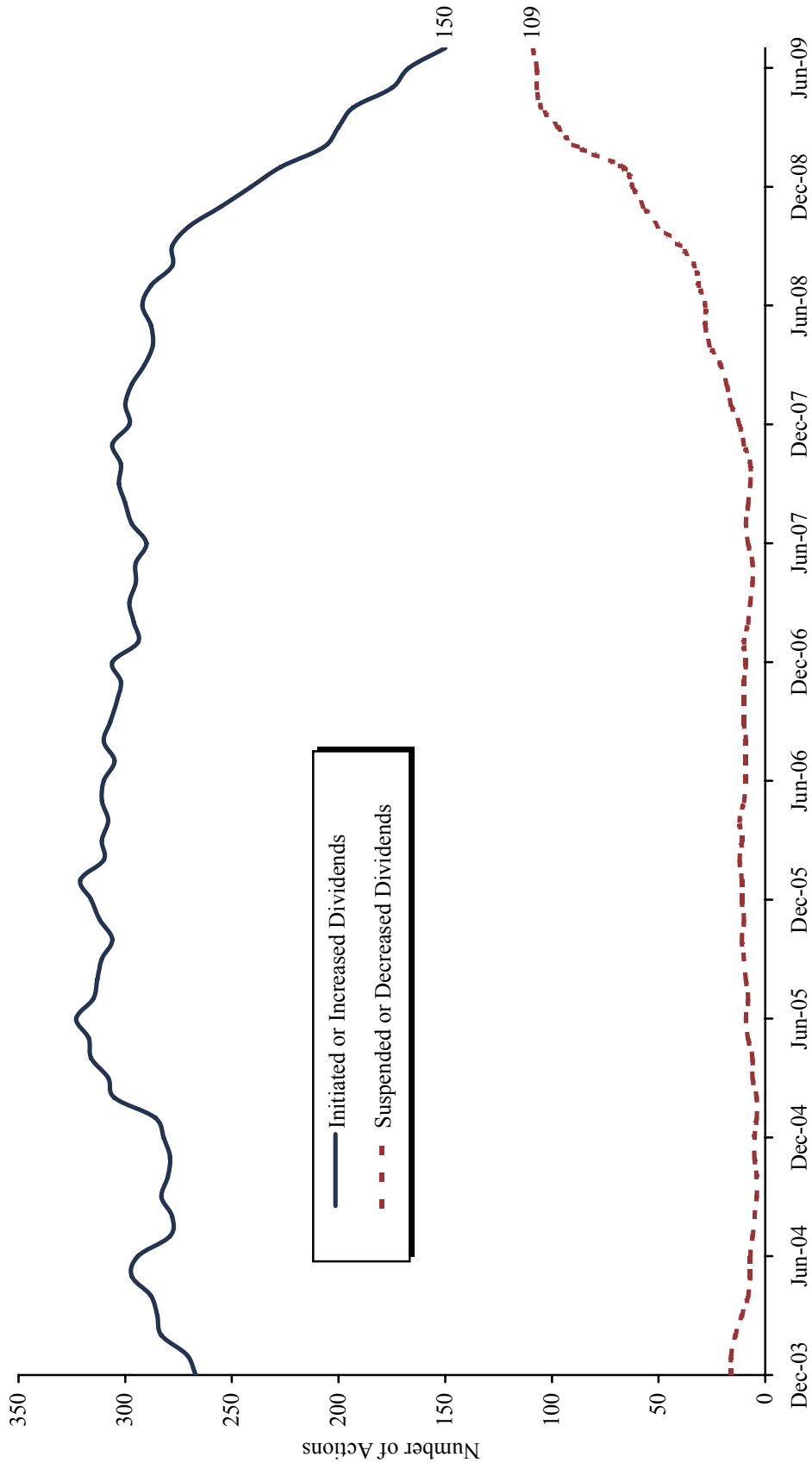
2003–08



Sources: Factset Research Systems, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

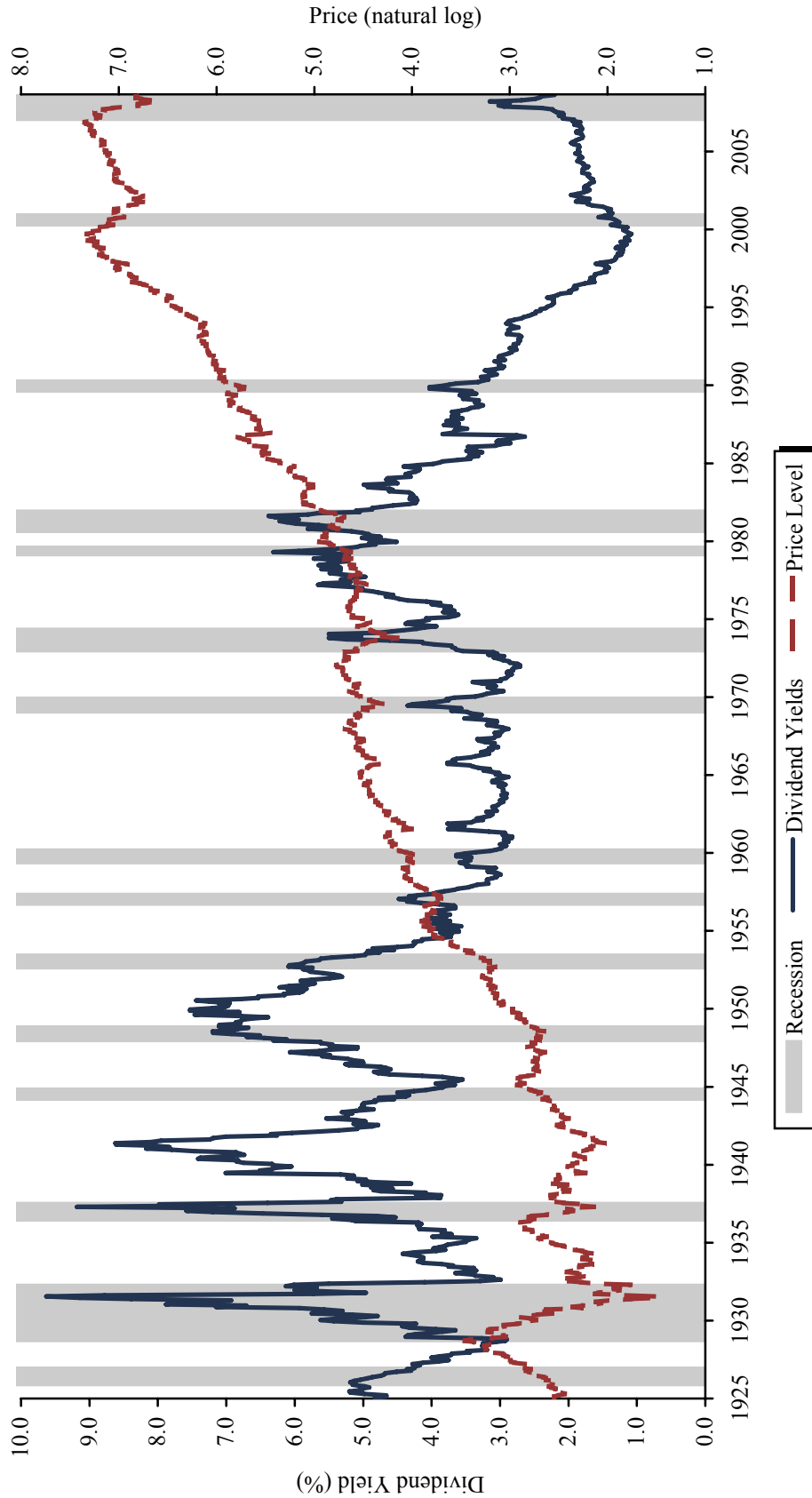
Note: Numbers in parentheses (top graph) represent average annual growth rates.

Table C
ROLLING 12-MONTH CHANGE IN DIVIDEND ISSUANCE BY S&P 500 CONSTITUENTS
December 31, 2003 – July 31, 2009



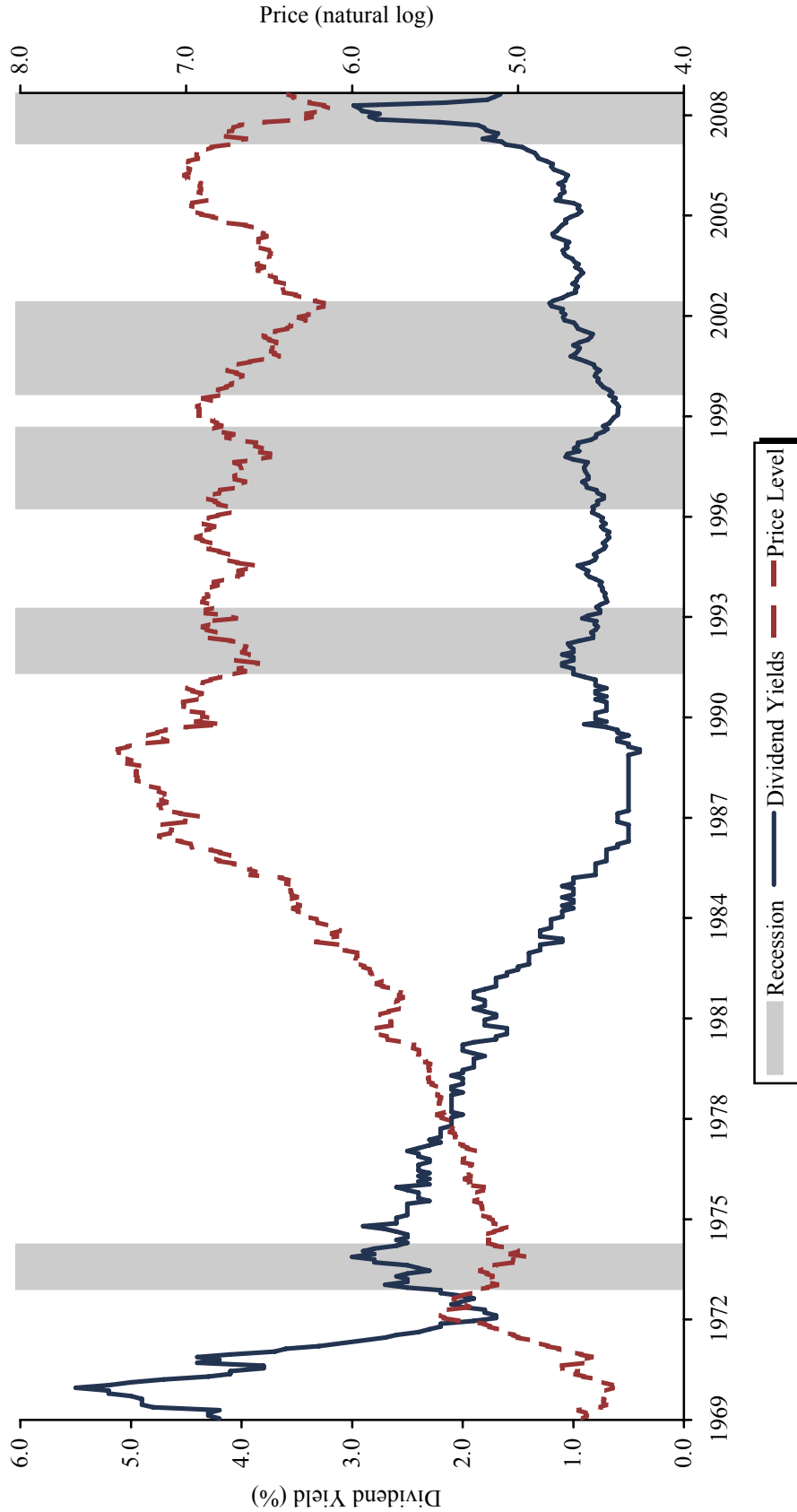
Source: Standard & Poor's.

Table D-1
S&P 500 DIVIDEND YIELDS AND PRICE LEVELS
December 31, 1925 – July 31, 2009



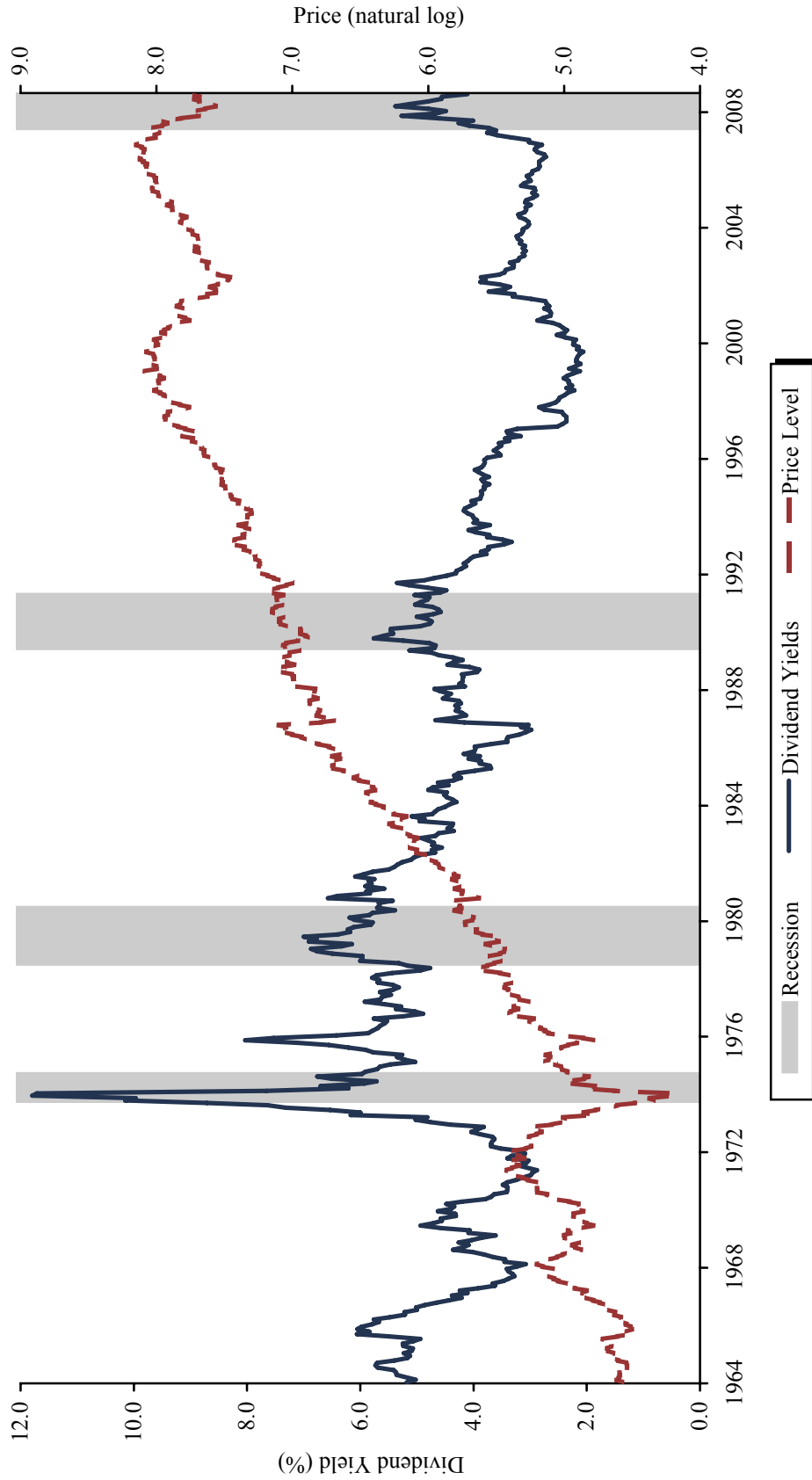
Sources: Global Financial Data, Inc., National Bureau of Economic Research, Inc., Standard & Poor's, and Thomson Datastream.

Table D-2
MSCI JAPAN DIVIDEND YIELDS AND PRICE LEVELS
December 31, 1969 – July 31, 2009



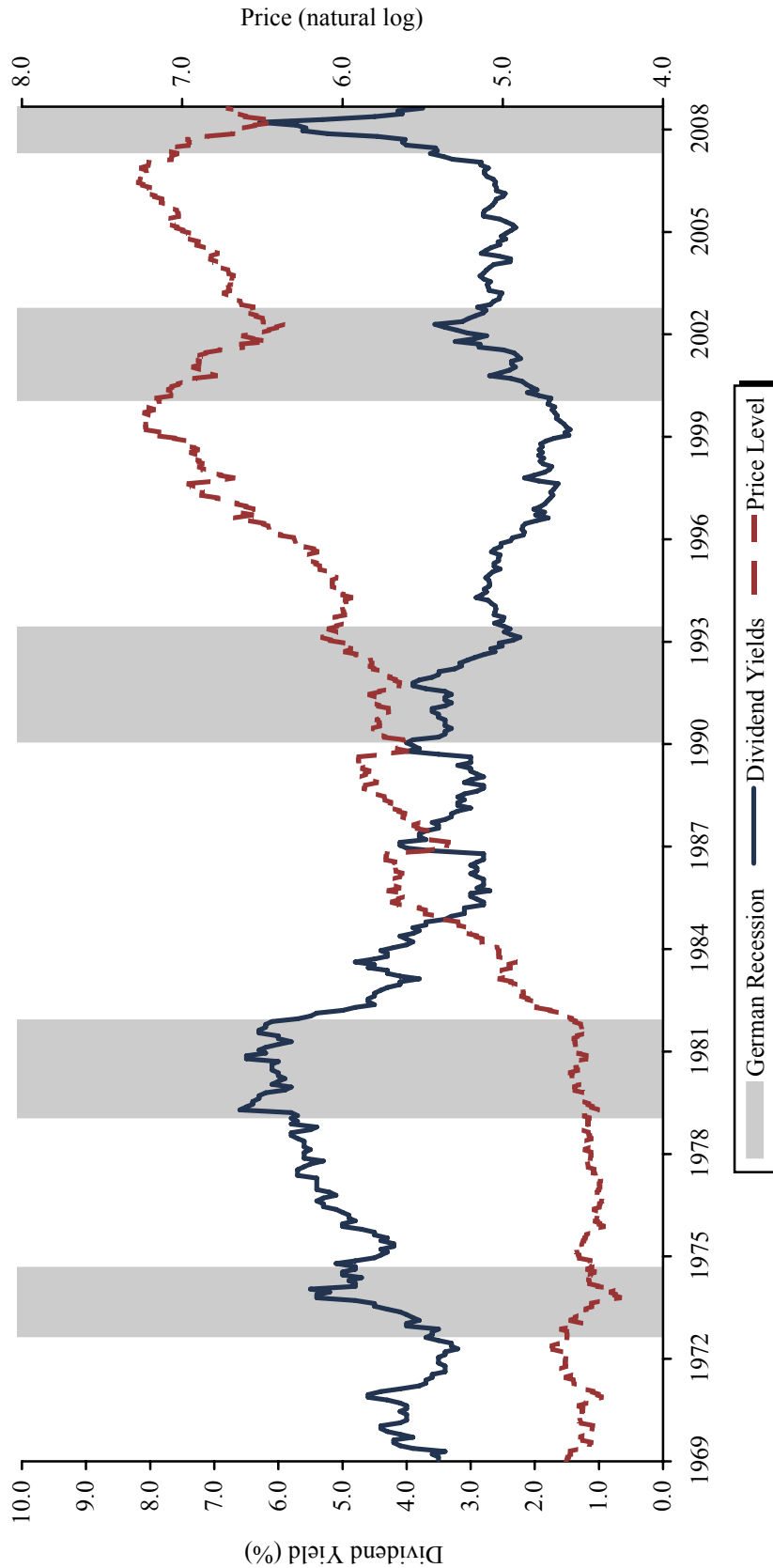
Sources: Economic Cycle Research Institute, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Table D-3
FTSE ALL-SHARE DIVIDEND YIELDS AND PRICE LEVELS
December 31, 1964 – July 31, 2009



Sources: Economic Cycle Research Institute, FTSE International Limited, and Thomson Datastream.

Table D-4
MSCI EUROPE EX U.K. DIVIDEND YIELDS AND PRICE LEVELS
December 31, 1969 – July 31, 2009



Sources: Economic Cycle Research Institute, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Shaded regions represent German recessions, all of which correspond with a recession in Italy and/or France. Prior to German reunification, Germany is represented by the Federal Republic of Germany.

Table E-1

**MSCI U.S. PEAK-TO-TROUGH CHANGES IN REAL EARNINGS PER SHARE,
DIVIDENDS PER SHARE AND PAYOUT RATIOS DURING EARNINGS CYCLES
ASSOCIATED WITH POST-1970 RECESSIONS**

January 31, 1971 – July 31, 2009

Date	Peak			Trough			Percent Change (%)			% Point Change in Payout Ratio
	Earnings Per Share (\$)	Dividends Per Share (\$)	Payout Ratio (%)	Earnings Per Share (\$)	Dividends Per Share (\$)	Payout Ratio (%)	Earnings Per Share	Dividends Per Share		
8/31/1974	39.19	16.19	41.31	29.24	13.91	47.58	-25.39	-14.07		6.27
10/31/1979	40.15	16.82	41.89	26.08	14.80	56.76	-35.04	-11.99		14.87
7/31/1989	41.51	18.22	43.89	24.06	18.12	75.33	-42.05	-0.54		31.44
5/31/2000	63.58	20.31	31.94	37.00	17.96	48.55	-41.80	-11.54		16.61
9/30/2007	85.33	26.72	31.32	45.04	19.82	44.01	-47.22	-25.82		12.69
							Average:	-38.30	-12.79	16.38
							Median:	-41.80	-11.99	14.87
							Average ex Current:	-36.07	-9.53	17.30
							Median ex Current:	-38.42	-11.76	15.74

Sources: MSCI Inc., National Bureau of Economic Research, Thomson Datastream, and U.S. Department of Labor - Bureau of Labor Statistics. MSCI data provided "as is" without any express or implied warranties.

Notes: The earnings cycle of December 1984 – September 1987 has been left out since it does not correspond with a recession. The earnings downturn of October 1979 – June 1983 coincides with the 1980 and 1981–82 recessions. Earnings per share and dividends per share data use trailing 12-month earnings and dividends, respectively. The payout ratio is calculated by dividing the trailing 12-month dividends per share by the trailing 12-month earnings per share.

Table E-2

**MSCI JAPAN PEAK-TO-TROUGH CHANGES IN REAL EARNINGS PER SHARE,
DIVIDENDS PER SHARE AND PAYOUT RATIOS DURING EARNINGS CYCLES
ASSOCIATED WITH POST-1970 RECESSIONS**

January 31, 1971 – July 31, 2009

Date	Peak			Date	Trough			Percent Change (%)			% Point Change in Payout Ratio
	Earnings Per Share (¥)	Dividends Per Share (¥)	Payout Ratio (%)		Earnings Per Share (¥)	Dividends Per Share (¥)	Payout Ratio (%)	Earnings Per Share	Dividends Per Share		
8/31/1970	30.85	13.58	44.00	4/30/1976	12.02	7.63	63.50	-61.04	-43.77	19.50	
11/30/1989	34.82	7.16	20.56	9/30/1995	7.00	6.84	97.76	-79.90	-4.41	77.20	
2/28/1998	18.15	6.88	37.93	8/31/1999	-8.03	6.30	NM	-144.22	-8.54	NM	
9/30/2001	22.83	6.34	27.77	7/31/2002	-10.14	5.70	NM	-144.39	-10.08	NM	
2/28/2007	54.63	11.69	21.40	7/31/2009	-5.00	9.78	NM	-109.16	-16.31	NM	
								Average:	-107.74	-16.62	---
								Median:	-109.16	-10.08	---
								Average ex Current:	-107.39	-16.70	---
								Median ex Current:	-112.06	-9.31	48.35

Sources: Economic Cycle Research Institute, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The earnings cycles of June 1981 – May 1983 and January 1986 – October 1987 have been left out since they do not correspond with a recession. Earnings per share and dividends per share data use trailing 12-month earnings and dividends, respectively. The payout ratio is calculated by dividing the trailing 12-month dividends per share by the trailing 12-month earnings per share. NM represents not meaningful data because the payout ratio turned negative as a result of negative earnings per share.

Table E-3

**MSCI U.K. PEAK-TO-TROUGH CHANGES IN REAL EARNINGS PER SHARE,
DIVIDENDS PER SHARE AND PAYOUT RATIOS DURING EARNINGS CYCLES
ASSOCIATED WITH POST-1970 RECESSIONS**

January 31, 1971 – July 31, 2009

Date	Peak			Date	Trough			Percent Change (%)			% Point Change in Payout Ratio
	Earnings Per Share (£)	Dividends Per Share (£)	Payout Ratio (%)		Earnings Per Share (£)	Dividends Per Share (£)	Payout Ratio (%)	Earnings Per Share	Dividends Per Share		
5/31/1974	101.74	35.96	35.34	1/31/1976	50.42	30.14	59.78	-50.45	-16.18	24.44	
7/31/1980	96.98	34.56	35.64	11/30/1982	57.55	31.02	53.90	-40.66	-10.26	18.26	
9/30/1989	110.17	56.76	51.52	5/31/1993	59.73	53.44	89.47	-45.79	-5.85	37.95	
12/31/2008	192.28	67.34	35.02	7/31/2009	143.86	62.25	43.27	-25.18	-7.55	8.25	
								Average:	-40.52	-9.96	22.23
								Median:	-43.22	-8.90	21.35
								Average ex Current:	-45.63	-10.76	26.88
								Median ex Current:	-45.79	-10.26	24.44

Sources: Economic Cycle Research Institute, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The earnings cycle of November 1997 – May 2003 has been left out since it does not correspond with a recession. Earnings per share and dividends per share data use trailing 12-month earnings and dividends, respectively. The payout ratio is calculated by dividing the trailing 12-month dividends per share by the trailing 12-month earnings per share.

Table E-4

**MSCI EUROPE EX U.K. PEAK-TO-TROUGH CHANGES IN REAL EARNINGS PER SHARE,
DIVIDENDS PER SHARE AND PAYOUT RATIOS DURING EARNINGS CYCLES
ASSOCIATED WITH POST-1970 RECESSIONS**

January 31, 1971 – July 31, 2009

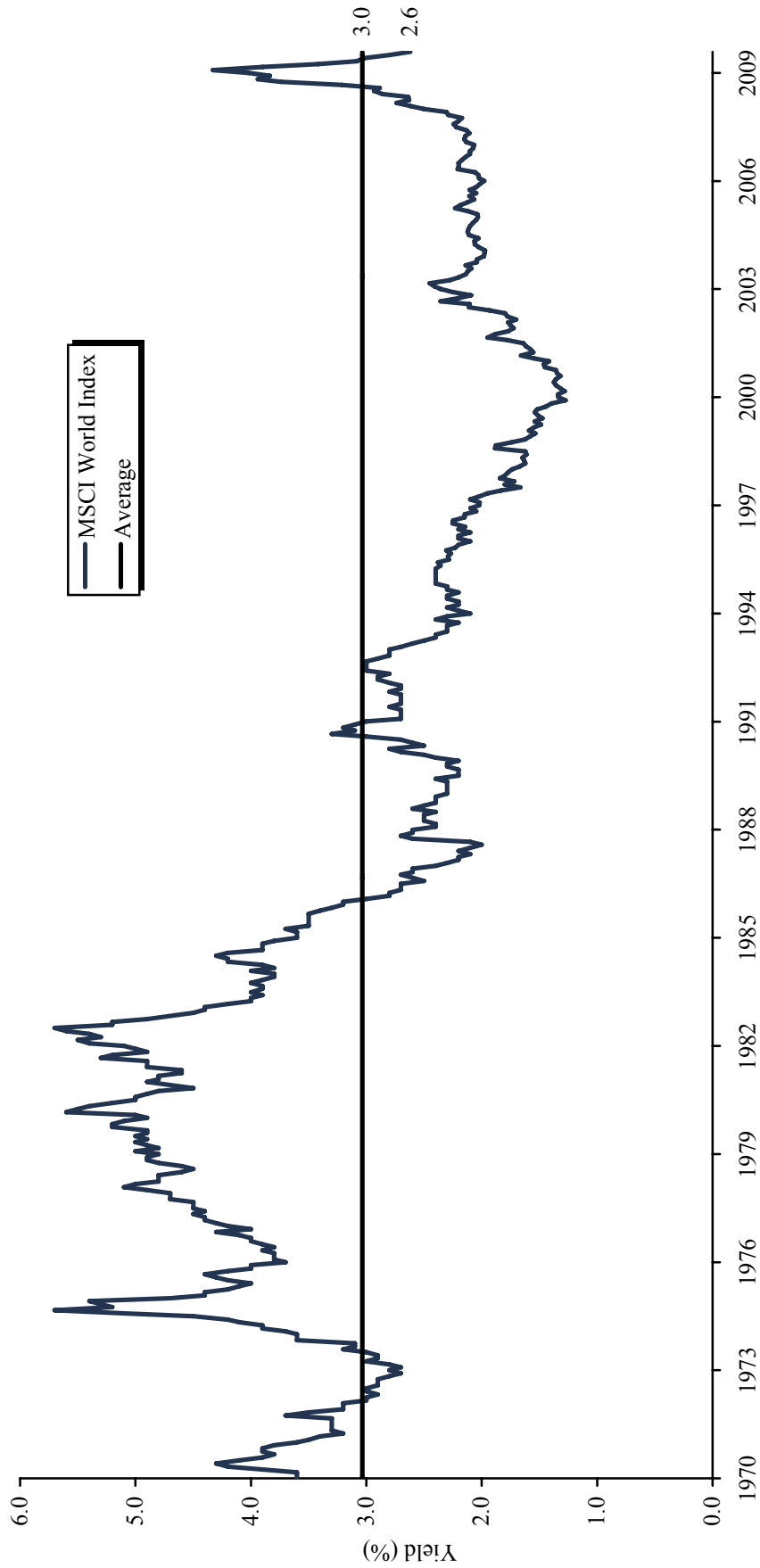
Date	Peak			Trough			Percent Change (%)			% Point Change in
	Earnings Per Share (€)	Dividends Per Share (€)	Payout Ratio (%)	Earnings Per Share (€)	Dividends Per Share (€)	Payout Ratio (%)	Earnings Per Share	Dividends Per Share	Payout Ratio	
3/29/1974	56.74	21.56	38.00	26.73	17.06	63.84	-52.89	-20.86	25.84	
8/29/1980	34.50	15.86	45.99	18.50	12.29	66.42	-46.37	-22.54	20.43	
7/31/1990	41.33	16.74	40.50	17.95	14.01	78.03	-56.56	-16.32	37.53	
6/29/2001	71.79	28.00	39.01	26.97	23.28	86.31	-62.43	-16.86	47.31	
1/31/2008	100.51	39.29	39.09	53.39	30.81	57.70	-46.88	-21.59	18.61	
							Average:	-53.03	-19.63	29.94
							Median:	-52.89	-20.86	25.84
							Average ex Current:	-54.56	-19.14	32.78
							Median ex Current:	-54.73	-18.86	31.68

Sources: Economic Cycle Research Institute, MSCI Inc., and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Each recessionary period corresponds with a recession in Germany and Italy and/or France. Earnings per share and dividends per share data use trailing 12-month earnings and dividends, respectively. The payout ratio is calculated by dividing the trailing 12-month dividends per share by the trailing 12-month earnings per share.

Table F
DIVIDEND YIELD OF MSCI WORLD INDEX

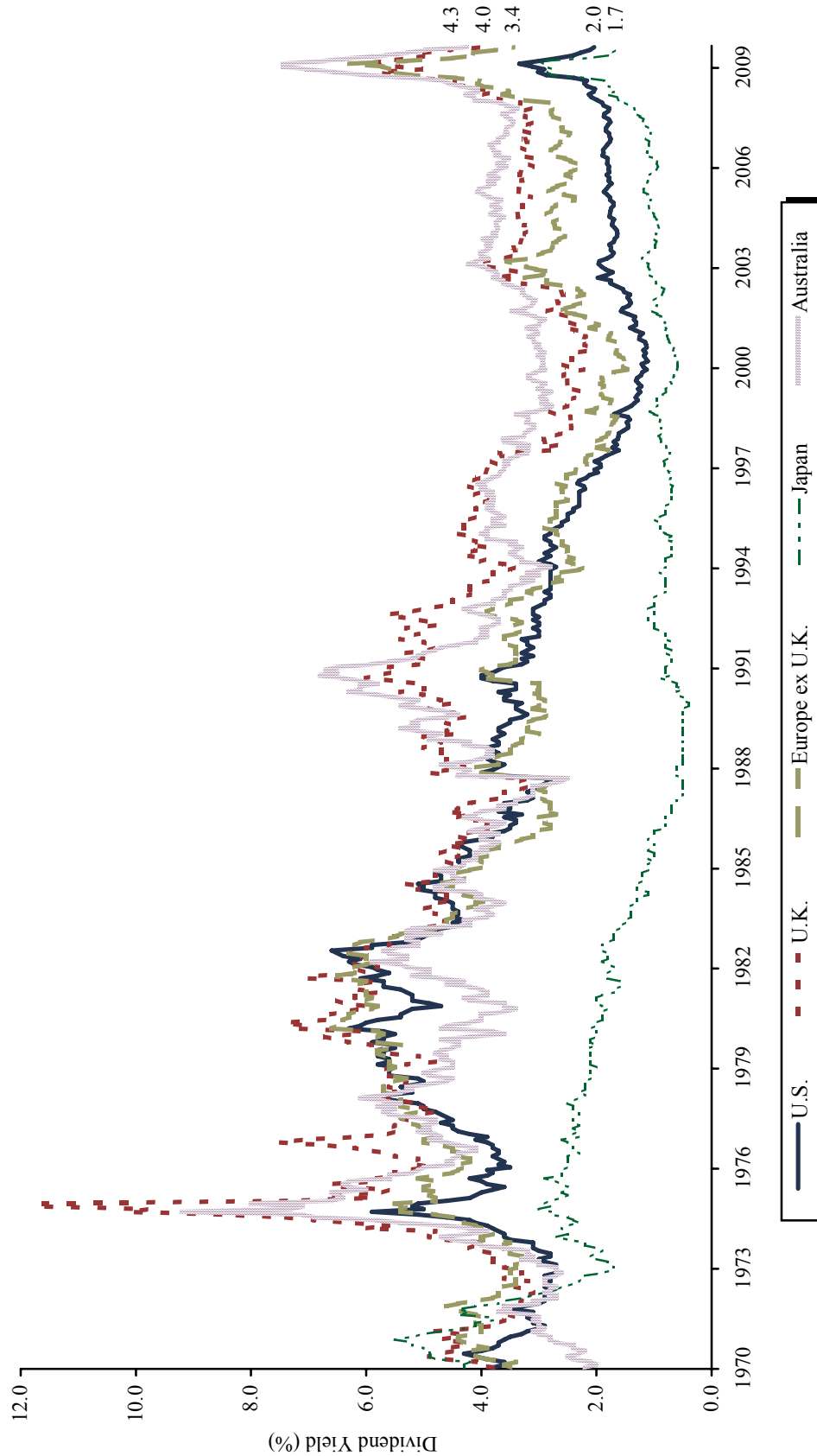
January 31, 1970 – August 31, 2009



Sources: MSCI Inc. and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

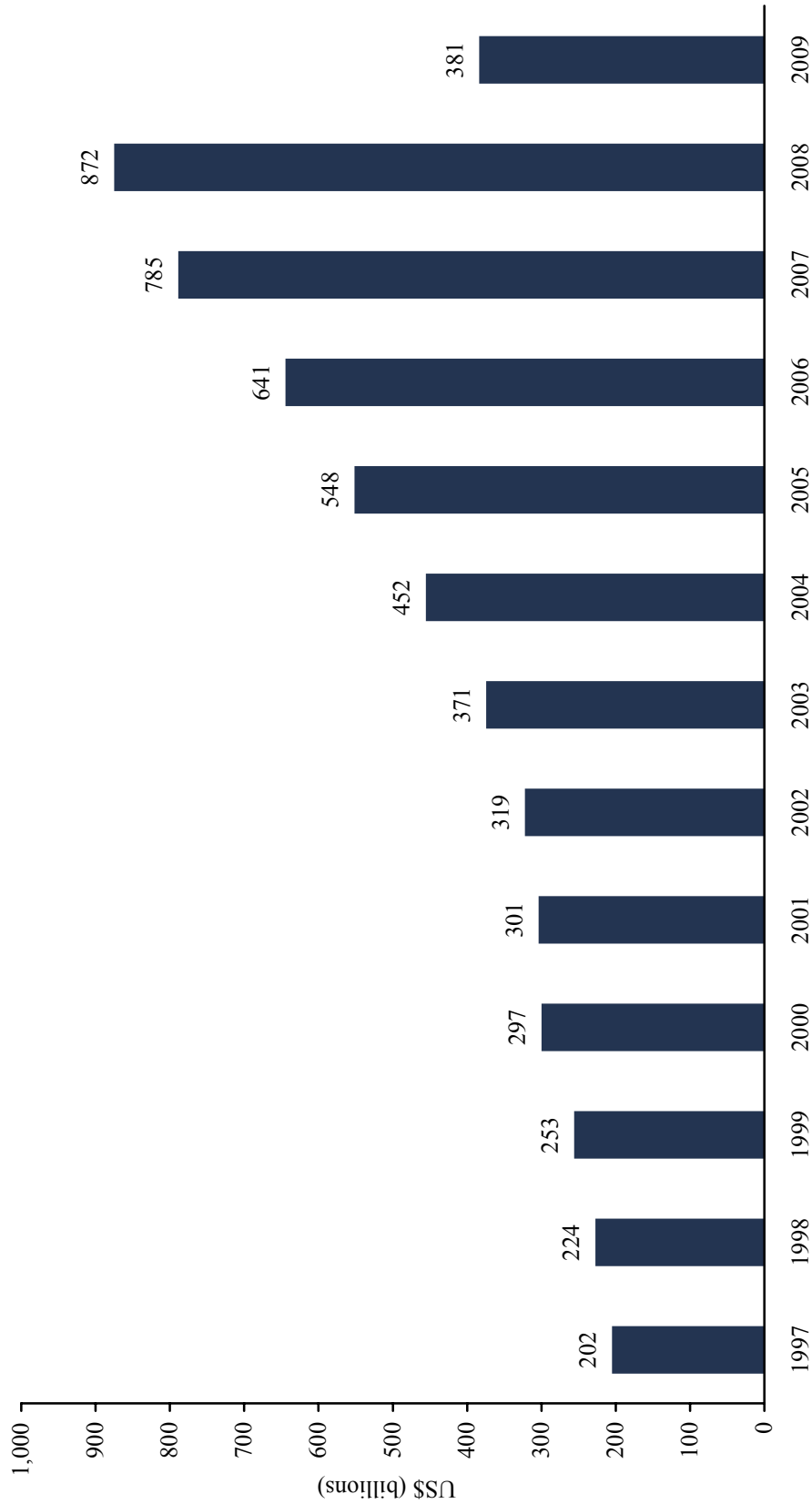
Table G
DIVIDEND YIELDS OF SELECTED MSCI DEVELOPED MARKETS

January 31, 1970 – August 31, 2009



Sources: MSCI Inc. and Thomson Datastream. MSCI data provided "as is" without any express or implied warranties.

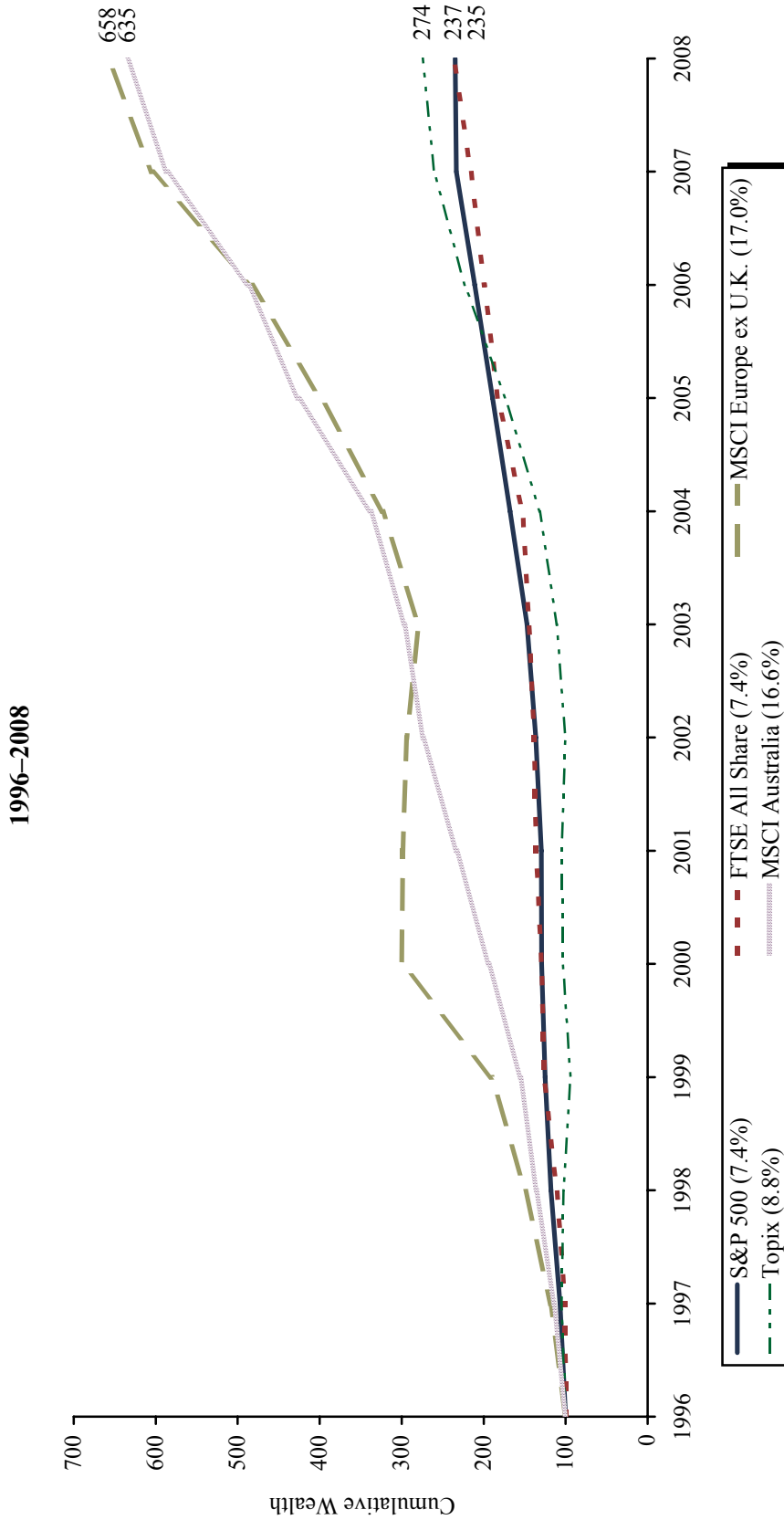
Table H
MSCI WORLD INDEX DIVIDEND PAYOUTS
1997-2009



Sources: Factset Research Systems and MSCI Inc. MSCI data are provided "as is" without any express or implied warranties.

Note: All data are annual except for 2009, which is through June 30, 2009.

Table I
CUMULATIVE WEALTH OF DIVIDENDS PAID BY CONSTITUENTS OF VARIOUS INDICES

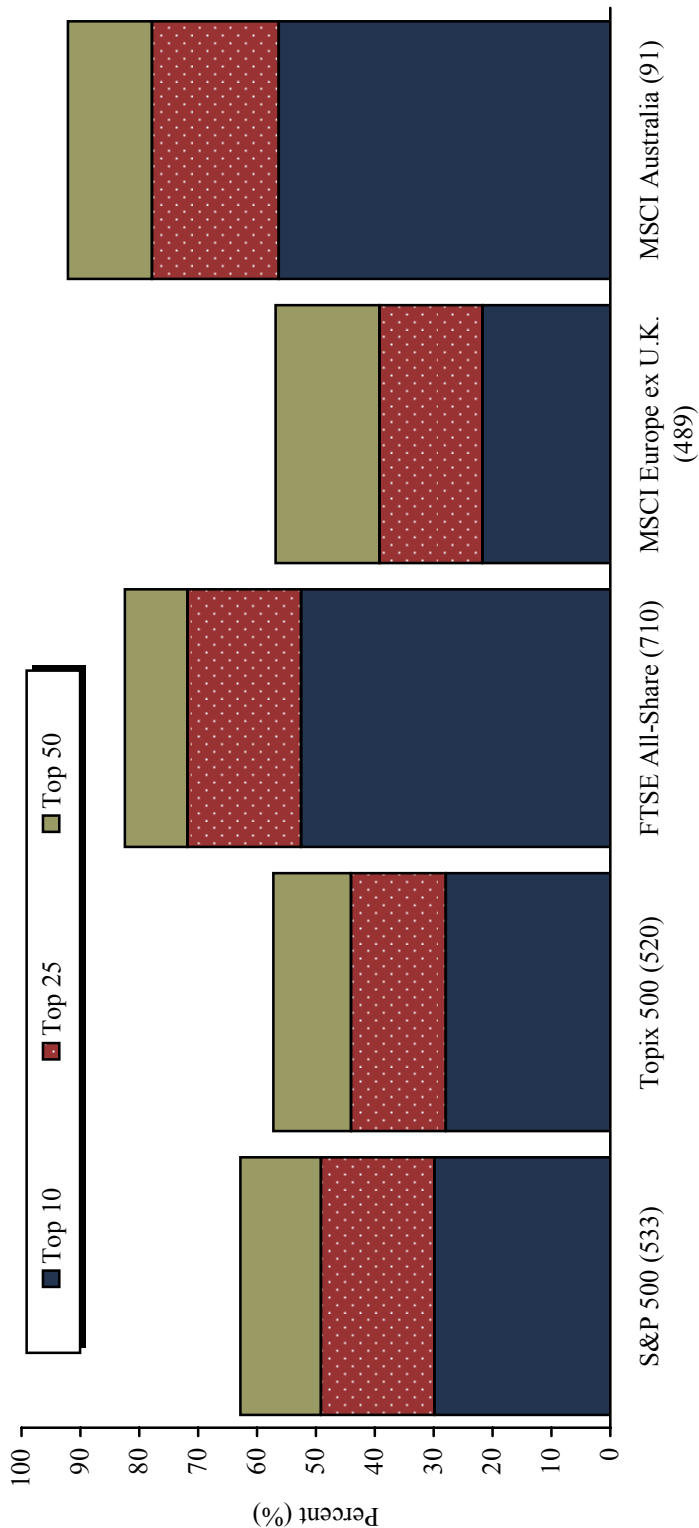


Sources: Factset Research Systems, FTSE International Limited, MSCI Inc., Standard & Poor's, and Tokyo Stock Exchange Group, Inc. MSCI data provided "as is" without any express or implied warranties.

Notes: Underlying dividends are in local currency (apart from those for the Europe ex U.K. Index, which are in euros) and rebased to 100. Numbers in parentheses are average annual percentage increases from 1997 through 2008.

Table J
PERCENTAGE OF DIVIDENDS PAID BY TOP INDEX CONSTITUENTS

As of December 31, 2008



Sources: FTSE International Limited, MSCI Inc., Standard & Poor's, and Tokyo Stock Exchange Group, Inc. MSCI data provided "as is" without any express or implied warranties.

Notes: Numbers in parentheses represent number of index constituents. Some companies appear to be listed more than once in their respective indices. For example, within the FTSE All-Share Index, Royal Dutch Shell A and B class shares are listed separately. For the purposes of calculating the top ten dividend payers only, we have consolidated companies in the FTSE All-Share, MSCI Europe ex U.K., and the MSCI Australia indices that appear to be listed dually (i.e., their names appear twice within the top 11 listings). A separate issue is raised by the possible separate listings of subsidiaries within indices; however, we have not attempted to consolidate companies in such cases.

Table K

DIVIDENDS PAID BY SECTOR IN SELECTED DEVELOPED MARKETS

As of June 30, 2009

	S&P 500		FTSE All-Share		MSCI Europe ex U.K.		Topix		MSCI Australia		MSCI World	
	Index Weight	% Total Dividend	Index Weight	% Total Dividend	Index Weight	% Total Dividend	Index Weight*	% Total Dividend	Index Weight	% Total Dividend	Index Weight	% Total Dividend
Cons Disc	12.4	6.7	9.9	5.4	8.6	8.8	19.4	20.0	2.4	2.4	9.3	8.1
Cons Staples	3.2	15.4	11.8	12.2	10.6	7.9	5.4	5.5	10.9	12.1	10.5	10.6
Energy	9.9	10.2	19.4	28.2	7.2	10.2	1.4	1.9	7.7	3.8	11.4	12.6
Financials	9.0	17.5	22.1	17.7	24.3	18.5	18.5	13.3	41.6	43.8	19.7	21.7
Health Care	12.0	12.2	8.6	8.5	10.7	8.3	5.7	7.3	3.6	1.2	10.7	8.6
Industrials	14.0	13.3	6.9	4.0	11.4	11.4	18.7	16.8	4.0	5.6	10.3	10.6
Info Tech	13.6	7.5	1.4	0.7	4.4	2.1	12.9	12.5	0.5	0.2	11.7	4.4
Materials	18.3	3.5	9.8	7.7	7.2	5.8	8.4	8.3	26.3	22.7	6.8	6.0
Telecom Svcs	3.5	7.3	6.1	8.3	7.5	12.1	3.7	6.2	2.0	7.6	4.6	8.9
Utilities	4.1	6.5	3.9	4.2	8.2	14.5	6.0	5.5	0.9	0.8	5.0	8.2
Unassigned	0.0	0.0	0.0	3.0	0.0	0.4	0.0	2.8	0.0	0.0	0.0	0.3

Sources: FTSE International Limited, MSCI Inc., Standard & Poor's, Thomson Datastream, and Tokyo Stock Exchange Group, Inc. MSCI data provided "as is" without any express or implied warranties.

Note: Percentage of total dividends represents trailing 12 months of dividends for which particular sectors have accounted.

* Index weights for Topix are represented by MSCI Japan.

Table L

DIVIDENDS PAID BY SECTOR IN SELECTED DEVELOPED MARKETS

2003-08

	S&P 500		FTSE All-Share		MSCI Europe ex U.K.		Topix		MSCI Australia		MSCI World	
	Index Weight	% Total Dividend	Index Weight	% Total Dividend	Index Weight	% Total Dividend	Index Weight*	% Total Dividend	Index Weight	% Total Dividend	Index Weight	% Total Dividend
Cons Disc	10.3	6.5	5.6	7.5	9.6	8.2	20.3	20.2	4.8	3.6	11.0	8.0
Cons Staples	10.5	12.8	12.5	10.2	8.6	6.2	5.7	4.9	2.0	7.4	9.0	8.9
Energy	9.7	8.3	17.9	19.1	7.6	8.1	1.0	1.6	4.1	2.9	9.3	9.5
Financials	19.3	28.2	26.9	25.6	28.0	28.7	19.2	13.1	47.3	45.8	23.5	29.9
Health Care	13.0	11.1	12.6	6.7	9.3	4.7	5.8	5.4	2.6	0.9	10.3	7.0
Industrials	11.2	11.7	4.8	4.2	10.2	8.9	16.7	15.9	7.2	5.3	10.6	9.4
Info Tech	16.0	5.0	1.0	0.7	5.5	2.1	14.1	11.1	0.4	0.2	11.2	3.3
Materials	3.1	3.6	5.7	4.2	6.8	5.2	8.6	8.4	22.5	16.1	5.8	4.9
Telecom Svcs	3.5	6.4	8.8	6.8	7.8	9.1	3.4	5.2	1.7	9.9	4.8	7.6
Utilities	3.4	5.9	4.3	3.7	6.7	8.2	5.1	7.1	1.1	0.6	4.4	6.2
Unassigned	0.0	0.6	0.0	11.2	0.0	10.8	0.0	7.0	6.3	7.3	0.0	5.3

Sources: FTSE International Limited, MSCI Inc., Standard & Poor's, Thomson Datastream, and Tokyo Stock Exchange Group, Inc. MSCI data provided "as is" without any express or implied warranties.

Notes: Index weight represents average annual sector weightings from 2003 to 2008 for different indices. Percentage of total dividend is the average percentage that each industry sector accounted for of total annual dividends paid out by all sectors during each of the years from 2003 through 2008.

* Index weights for Topix are represented by MSCI Japan.