

From Yield to Cash Flow: Integrating Dividend and Quality Factors in Index Strategies

An aerial photograph of a multi-lane highway bridge spanning a wide river. The water is a deep, clear blue-green. The surrounding landscape is rocky and hilly with sparse green vegetation. A single dark-colored car is visible on the bridge, moving from left to right. The sky is a clear, deep blue.

Jason Ye, CFA

Senior Director, Factors and Dividends Indices

June 2nd, 2026

**S&P Dow Jones
Indices**

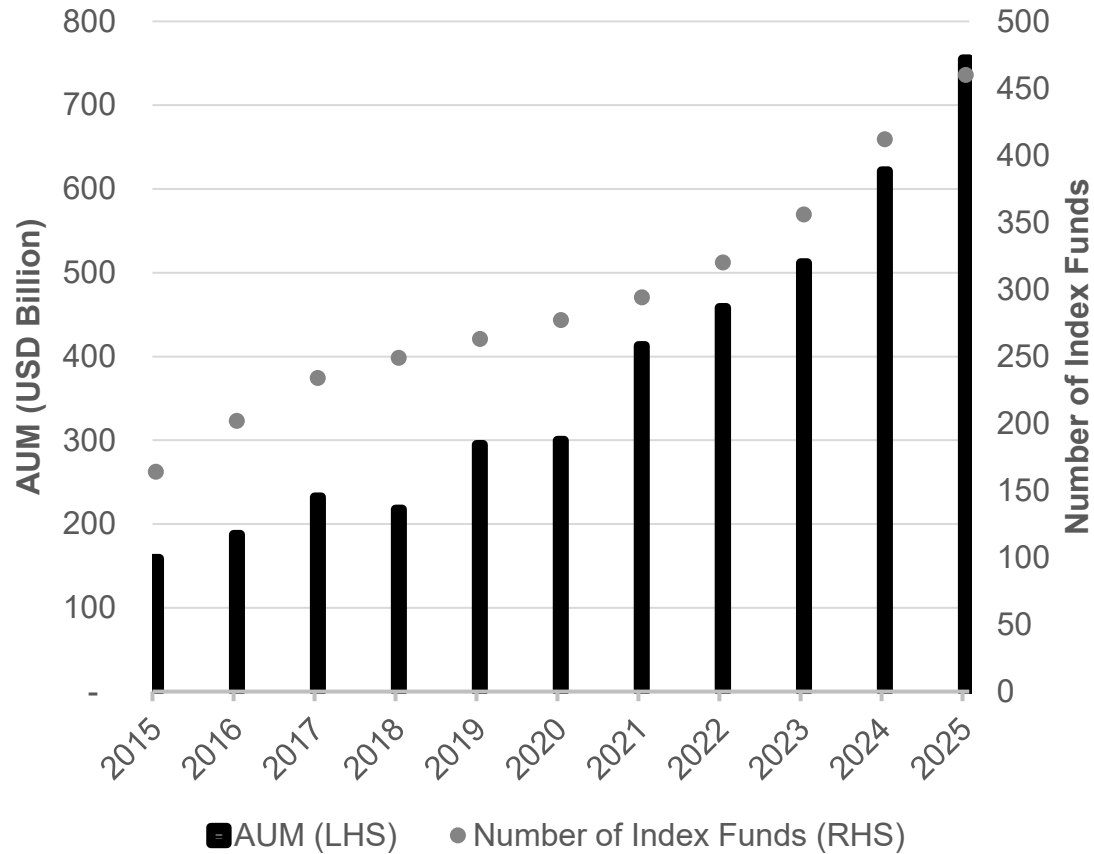
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S&P Dow Jones Indices – For Financial Professionals Only

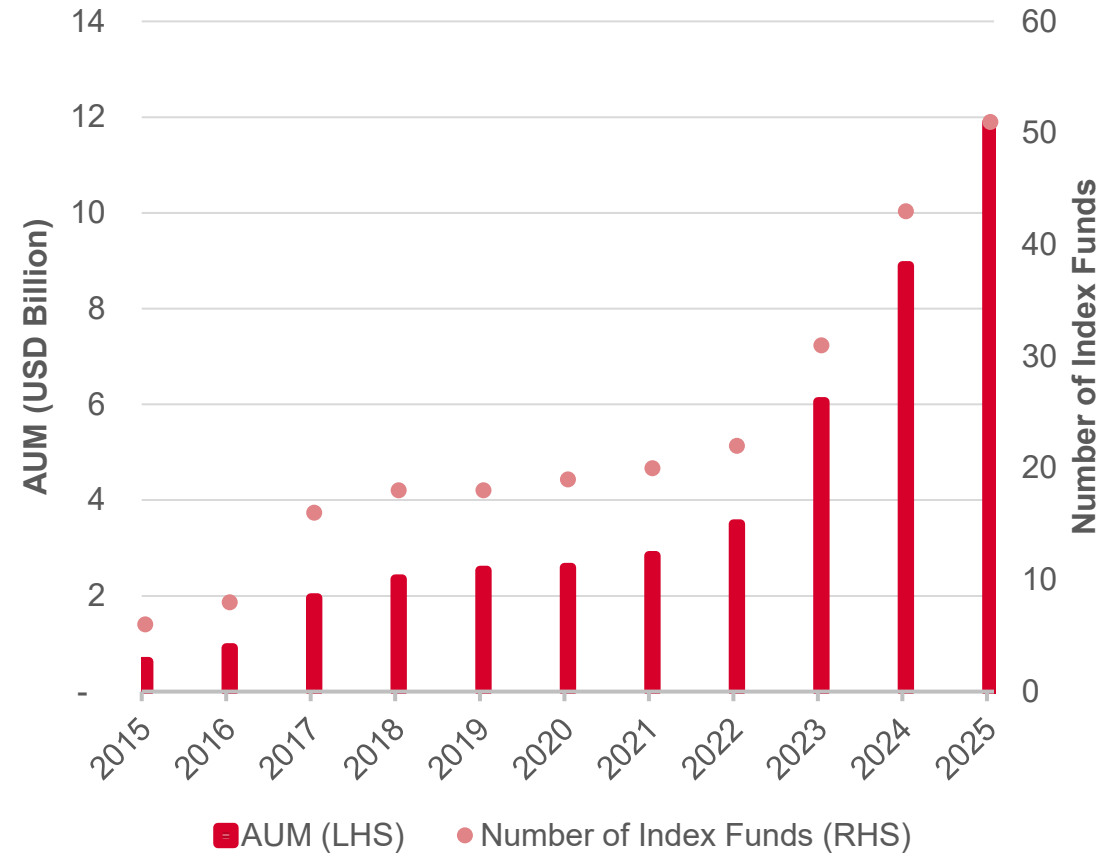
Index Funds Tracking Dividend Indices

10Y AUM quintupled globally, significant 3Y growth in Japan

GLOBAL



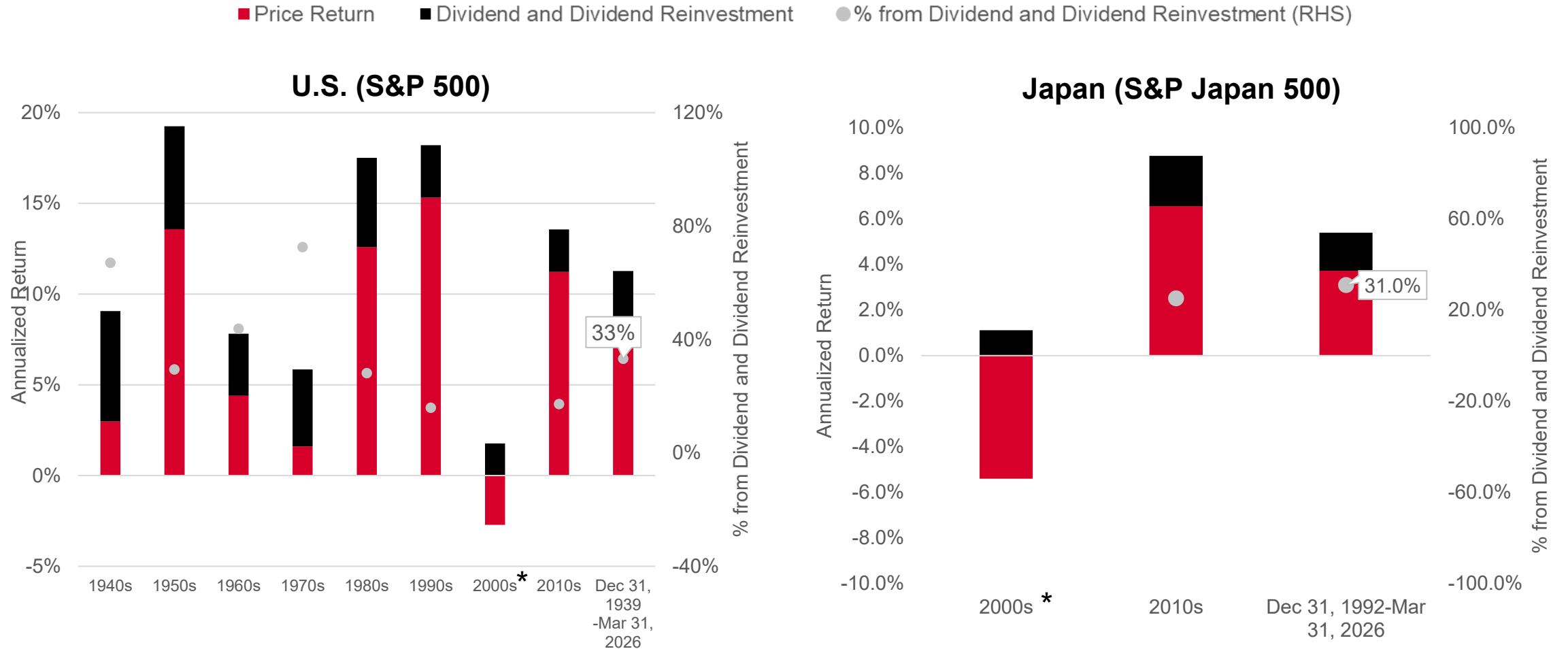
JAPAN



Source: S&P Dow Jones Indices LLC. Morningstar. Data from Dec. 31, 2015, to Dec. 31, 2025. Index funds include passively managed ETFs and Open-end Funds.

Why Dividend?

Important Source of Equity Total Return



*no % from dividend and dividend reinvestment was calculated for 2000s due to negative total return.

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1939, to Mar. 31, 2026. Index performance based on monthly total return in local currency. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

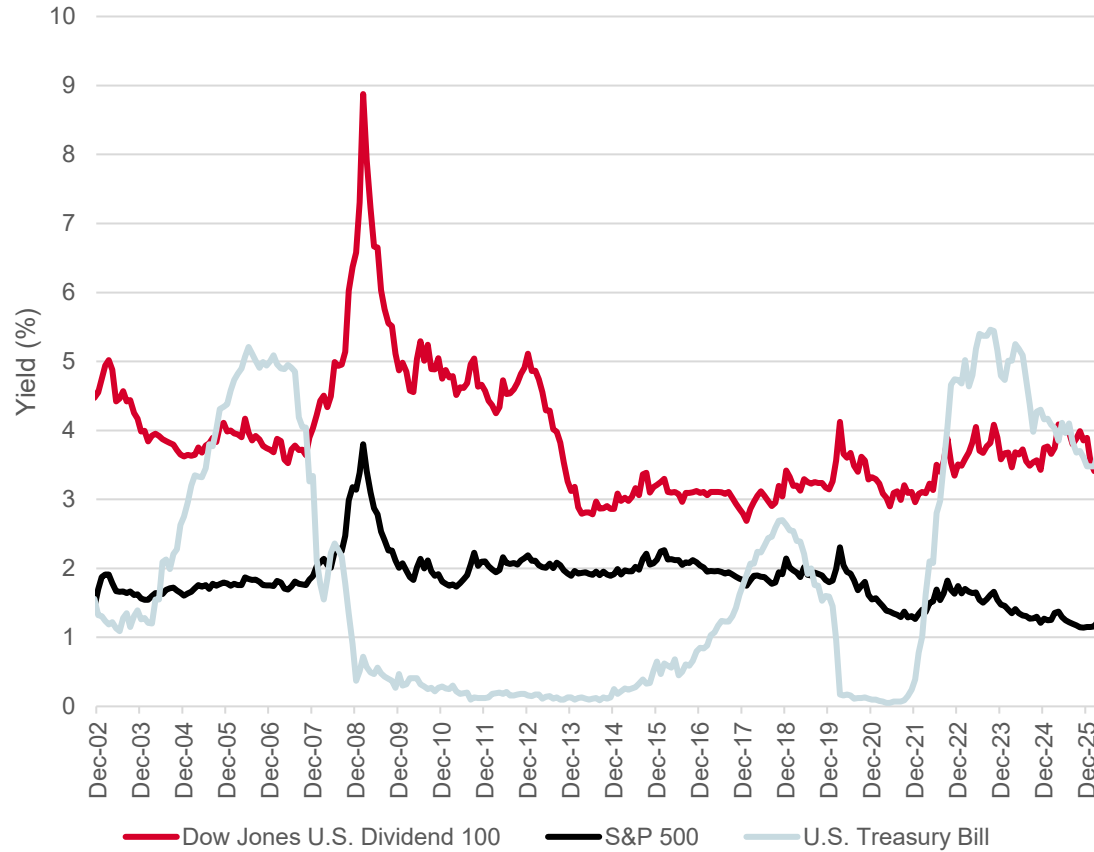
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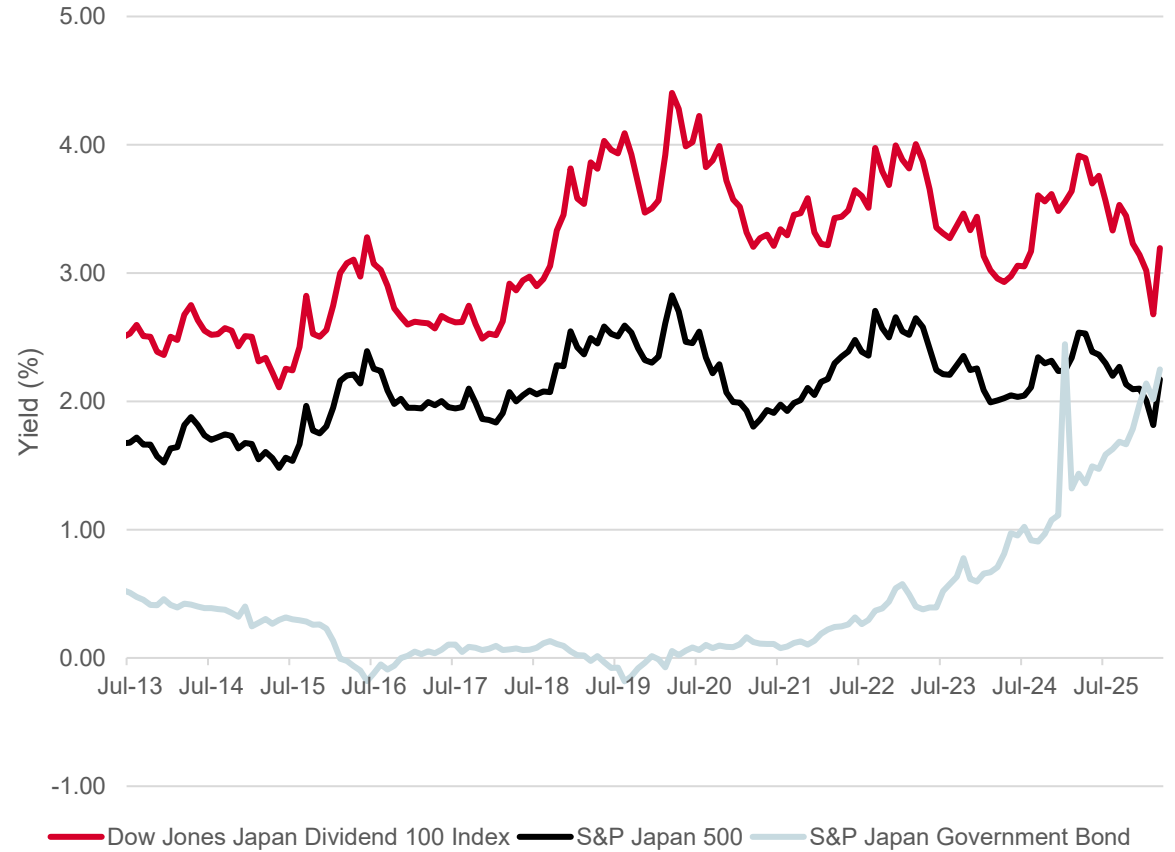
Why Dividend?

Alternative Source of Income

U.S.



Japan



Source: S&P Dow Jones Indices LLC. Board of Governors of the Federal Reserve System (US) via FRED®. Data as of Mar. 31, 2026.

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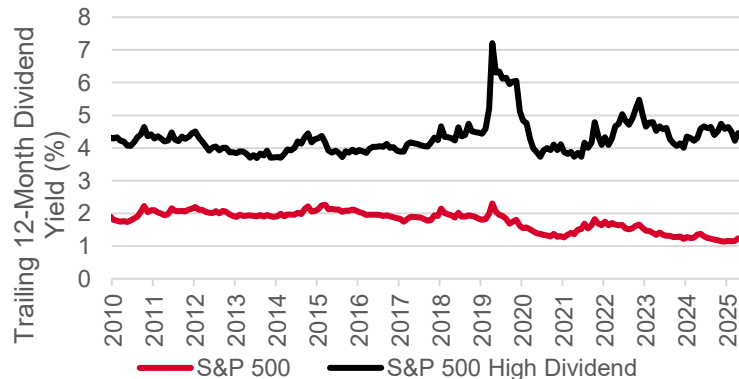
S&P 500 High Dividend Index

Pure High Yield Strategy Offer High Yield, May Face Short Term Performance Volatility

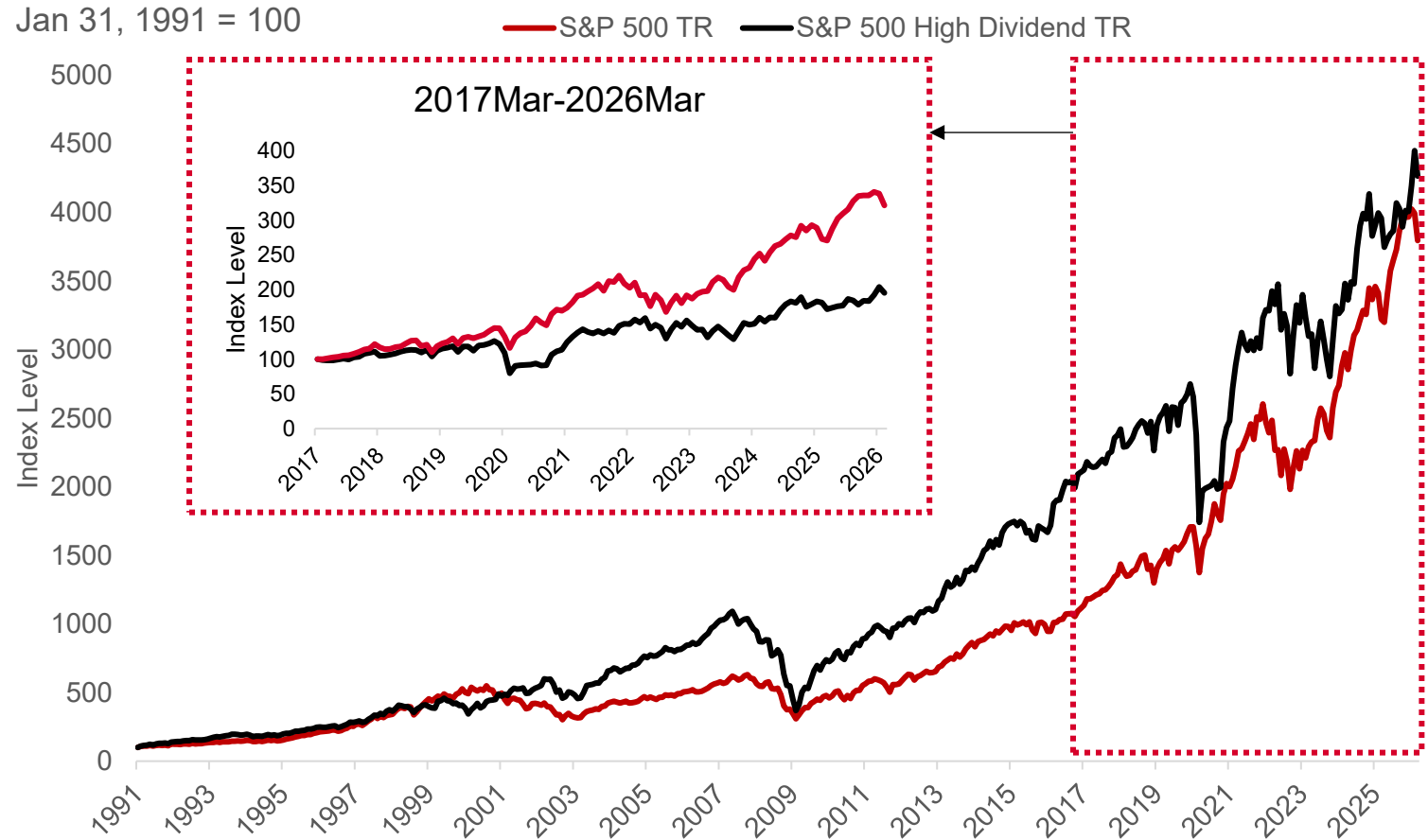
Methodology

Criteria	Details
Universe	S&P 500
Selection	Select top 80 stocks by Indicated Annual Dividend (IAD) Yield
Weighting	Equal weight
Rebalancing	Semi-annual in January and July
First Value Date	January 18, 1991
Launch Date	September 21, 2015

Dividend Yield



Historical Performance



Source: S&P Dow Jones Indices LLC. Data from Jan. 31, 1991, to Mar. 31, 2026. Index performance based on monthly total return in USD Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

S&P Dow Jones
Indices

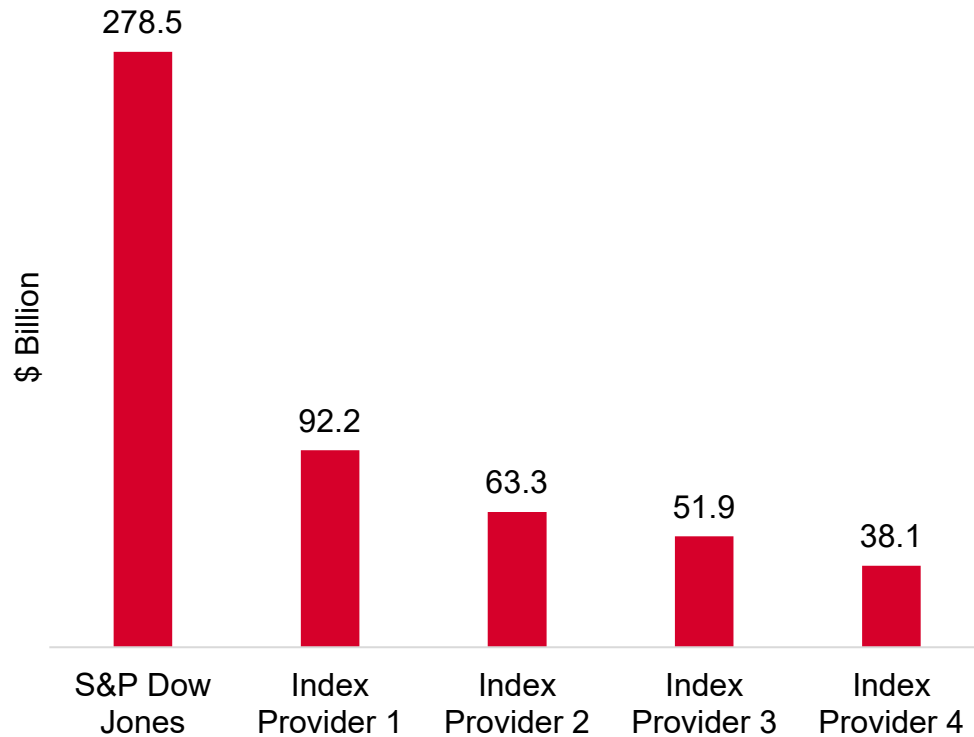
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A Leading Index Provider in Dividend Strategies

50% Market Share in U.S. Dividend ETFs

As of March 31, 2026, \$304.9 billion in combined ETF assets were tracking S&P Dow Jones dividend indices, comprising leading ETF names in the US, Canada, International and Emerging markets.

Dividend ETF AUM in U.S.

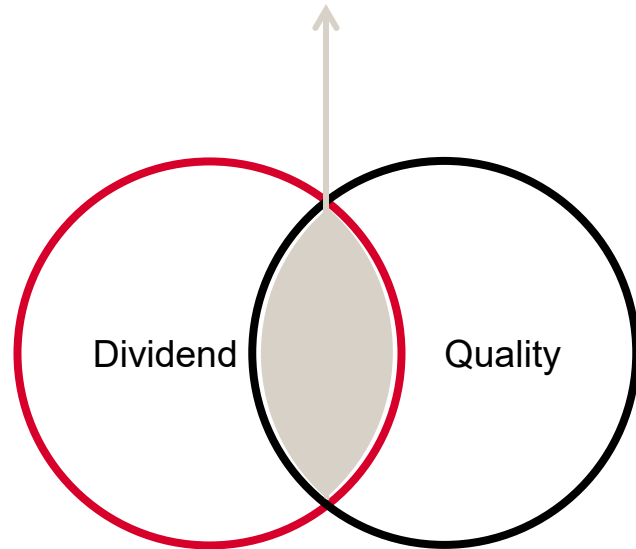


Rank	Product	Benchmark	AUM (USD Billion)
1	ETF 1	S&P U.S. Dividend Grower	117.0
2			
3	ETF 2	Dow Jones U.S. Dividend 100	84.8
4			
5	ETF 3	Dow Jones U.S. Dividend Select	22.3
6	ETF 4	S&P High Yield Dividend Aristocrats	20.7
7			
8			
9			
10			

S&P Dow Jones Indices' Approach to Integrating Dividend and Quality Factors in Index Design

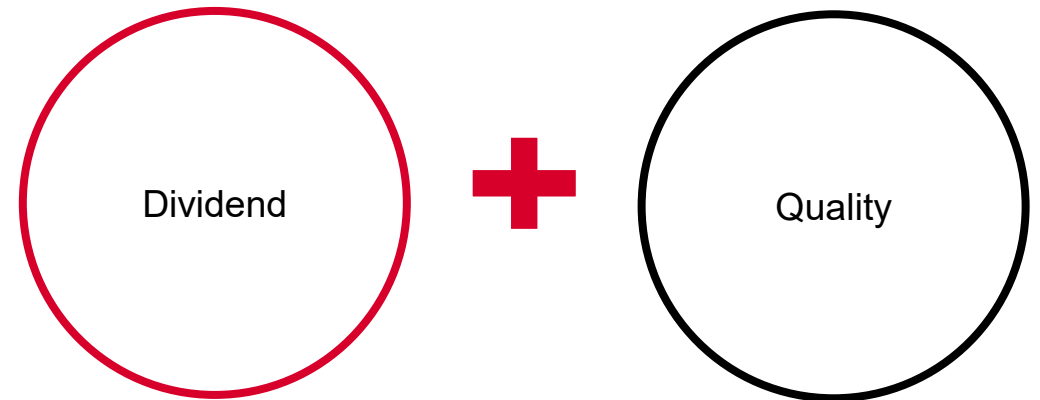
Option 1: Bottom-up Selection

Dow Jones U.S. Dividend 100 Index



Option 2: Top-down Combination

S&P 500 High Dividend Index
+ S&P 500 Quality FCF Aristocrats Index



Source: S&P Dow Jones Indices LLC.

**S&P Dow Jones
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Dow Jones U.S. Dividend 100

The Dow Jones U.S. Dividend 100 tracks high dividend yield stocks with strong fundamentals

Universe

Start with Dow Jones U.S. Broad Market Index, excluding REITs, subject to:

- Size: FMC >= US\$ 500 million
- Liquidity: 3M ADVT >= US\$ 2 million

Dividend Selection

Dividend Growth:

Dividend: minimum 10 consecutive years of dividend payments

Dividend Selection:

Stocks that pass the screens are ranked in descending order by indicated annual dividend yield.

The **top half** are eligible for selection.

Fundamental Selection

Stocks are then ranked by a composite score of **fundamental metrics**:

- Cash-flow-to-total-debt ratio,
- ROE,
- Dividend yield,
- Five-year dividend growth rate.

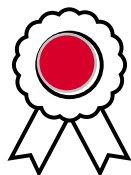
The **top 100** are selected as constituents.

Rebal & Weighting

Weighted by FMC, subject to capping rules of:

- single stock <= 4%,
- GICS sector <= 25%

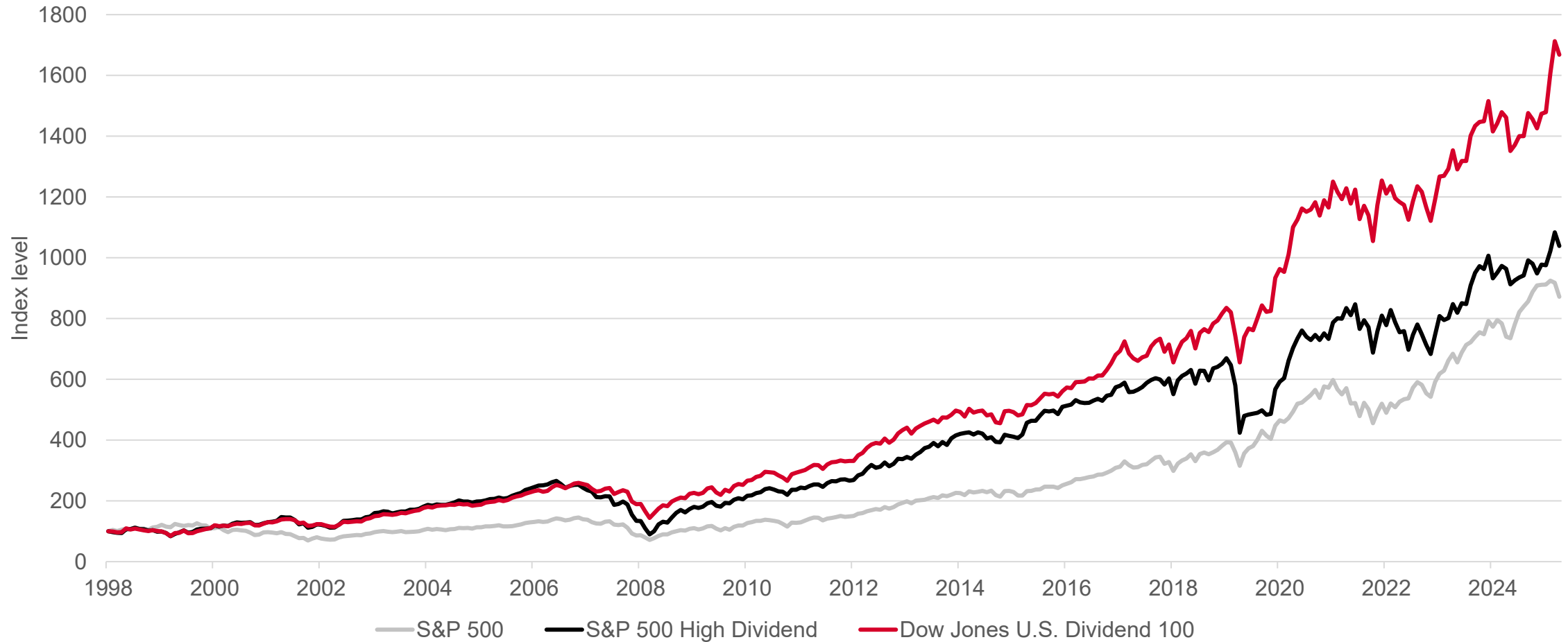
Rebalanced annually in March



Celebrating the 15th anniversary of Live Index

Dow Jones U.S. Dividend 100

Strong Historical Performance



S&P Dow Jones Indices

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Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 1998 to Mar. 31, 2026. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance..

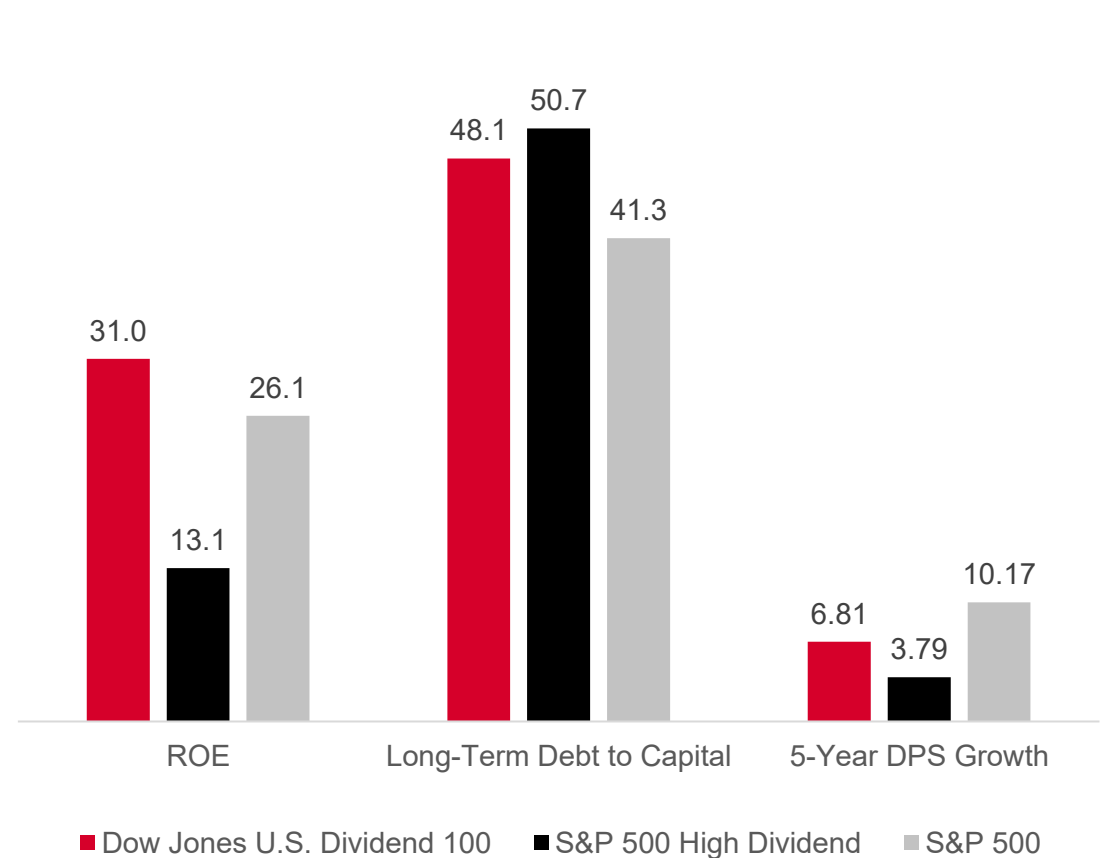
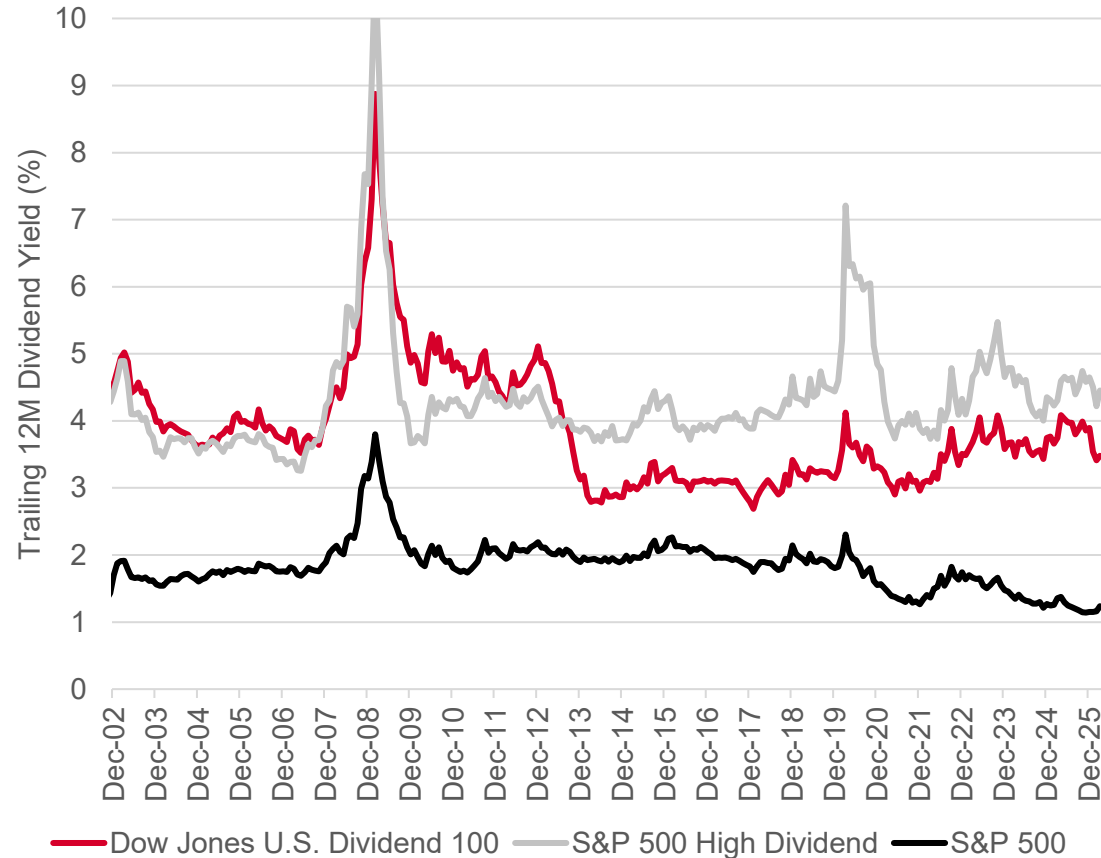
S&P Dow Jones Indices – For Financial Professionals Only

Dow Jones U.S. Dividend 100 vs S&P 500 High Dividend

Slightly Lower Dividend Yield, Improved Quality Metrics

Dividend Yield
(2002.12.31-2026.3.31)

Quality Metrics
(5-Year Quarterly Average)



Source: S&P Dow Jones Indices LLC. FactSet. Dividend yield data from Dec. 31, 2002 to Mar. 31, 2026. Fundamental metrics data from Mar. 31, 2021. Performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance..

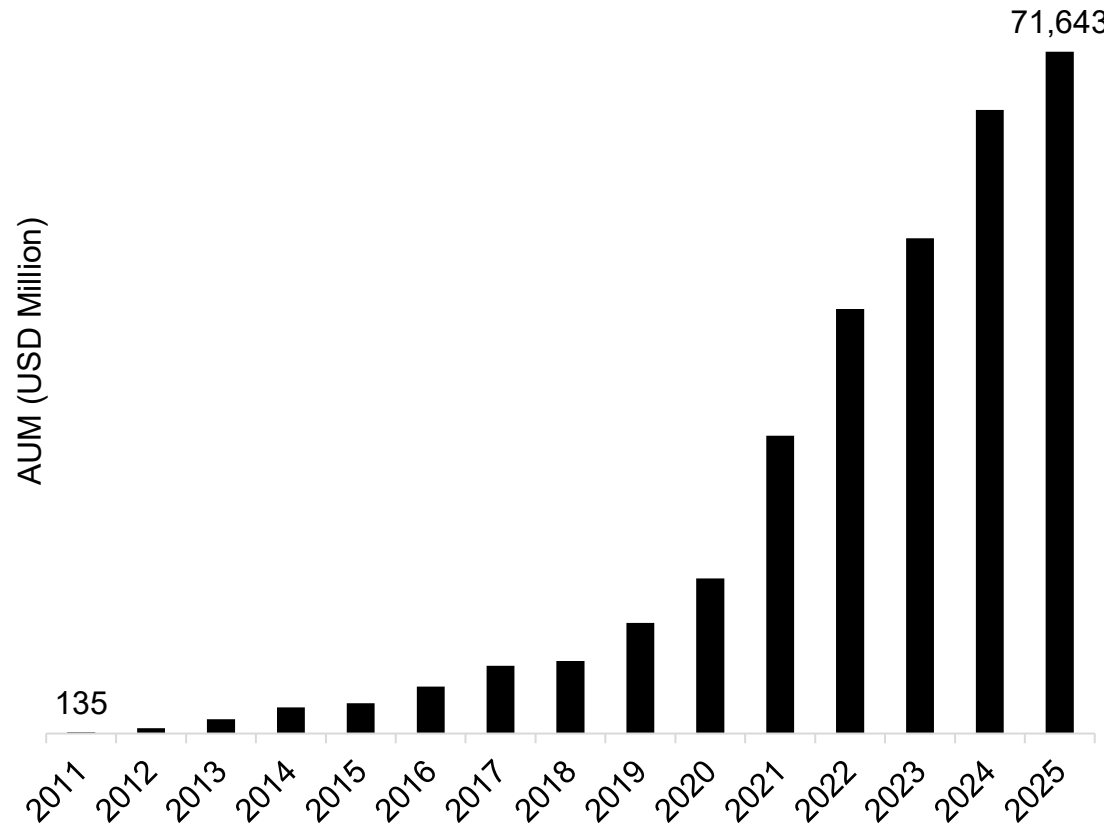
AUM Tracking Dow Jones Dividend 100 Indices

Top 3 Largest Dividend ETF in U.S., Growing Popularity in APAC

U.S.

Underlying Index:

- Dow Jones U.S. Dividend 100



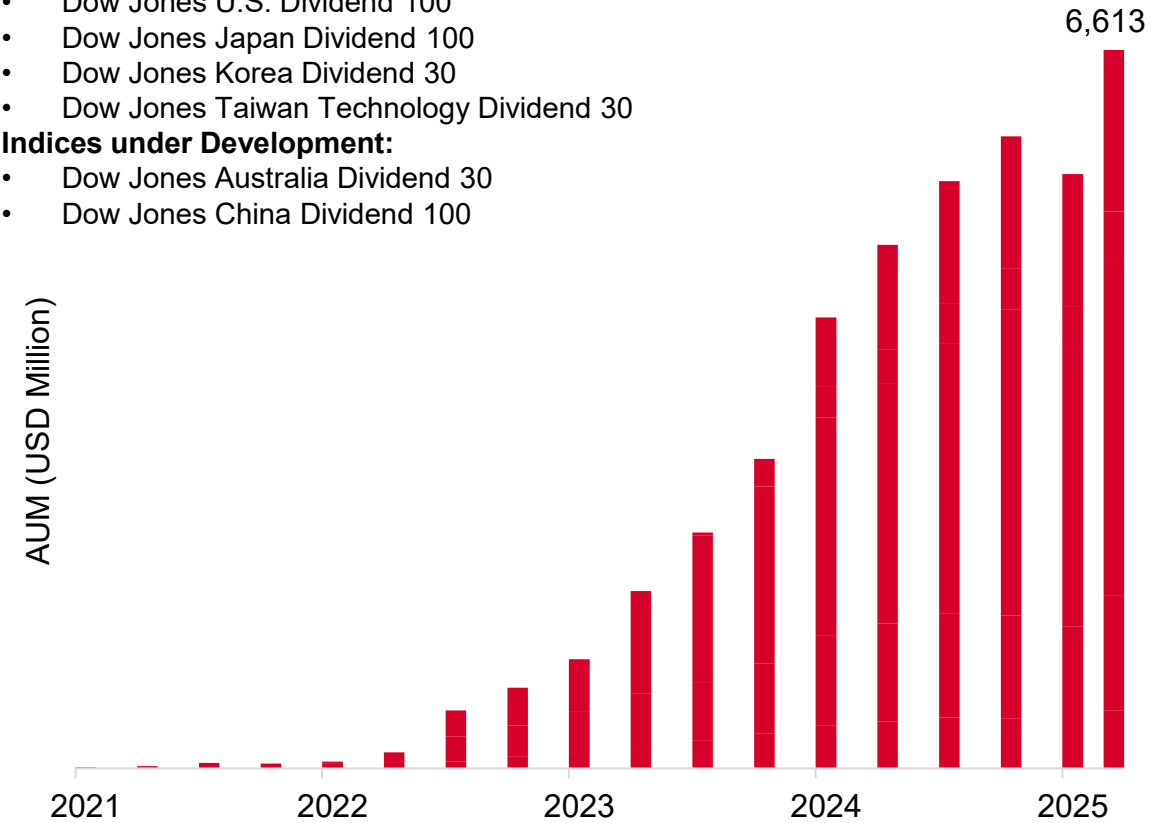
APAC

Underlying Index:

- Dow Jones U.S. Dividend 100
- Dow Jones Japan Dividend 100
- Dow Jones Korea Dividend 30
- Dow Jones Taiwan Technology Dividend 30

Indices under Development:

- Dow Jones Australia Dividend 30
- Dow Jones China Dividend 100



Dow Jones Japan Dividend 100

Methodology Summary

Universe

Start with **S&P Japan 500**, excluding REITs, subject to:

- Liquidity: **3M MDVT >= JPY 300 million**

Dividend Selection

Dividend Growth:

Dividend: minimum 10 consecutive years of dividend payments

Dividend Selection:

Stocks that pass the screens are ranked in descending order by indicated annual dividend yield.

The **top half** are eligible for selection.

Fundamental Selection

Stocks are then ranked by a composite score of **fundamental metrics**:

- Cash-flow-to-total-debt ratio,
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The **top 100** are selected as constituents.

Rebal & Weighting

Weighted by FMC, subject to capping rules of:

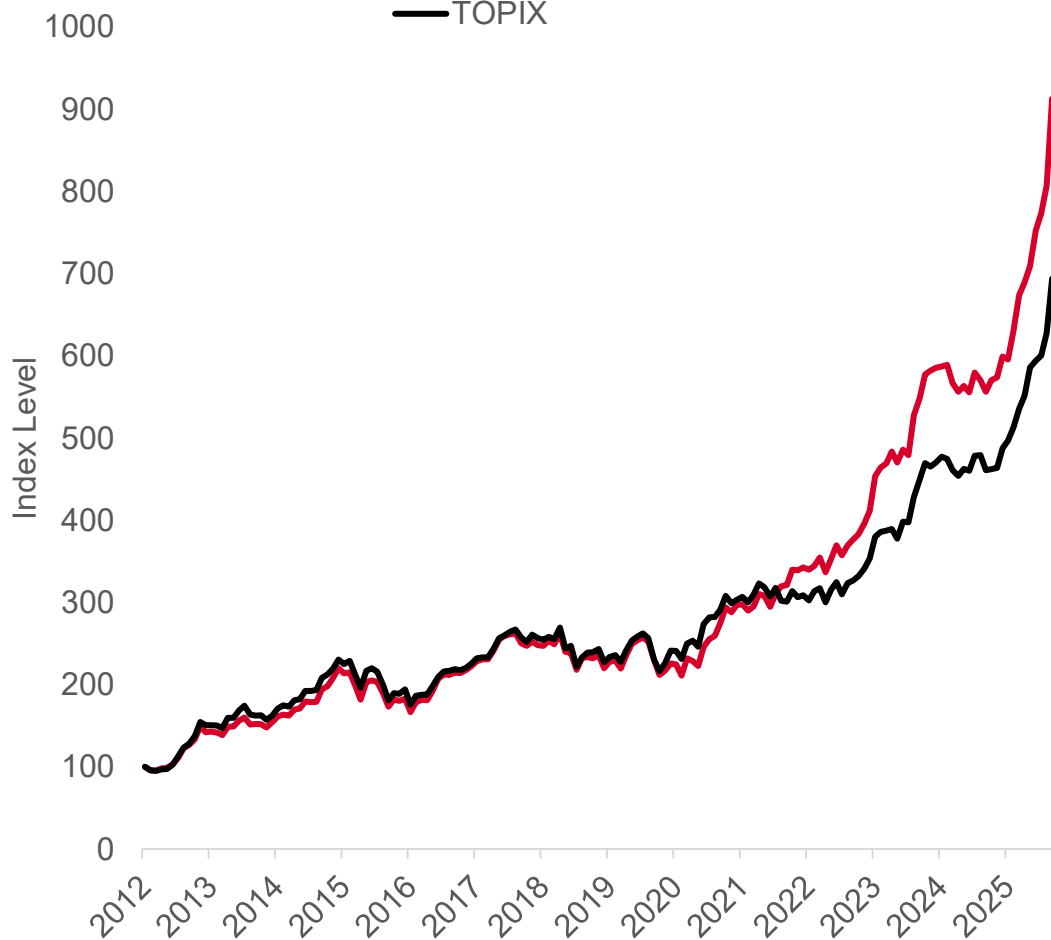
- single stock <= 4%,
- GICS sector <= 25%

Rebalanced semi-annually in June and December

Dow Jones Japan Dividend 100

Strong Historical Performance

Jun 30, 2012 = 100



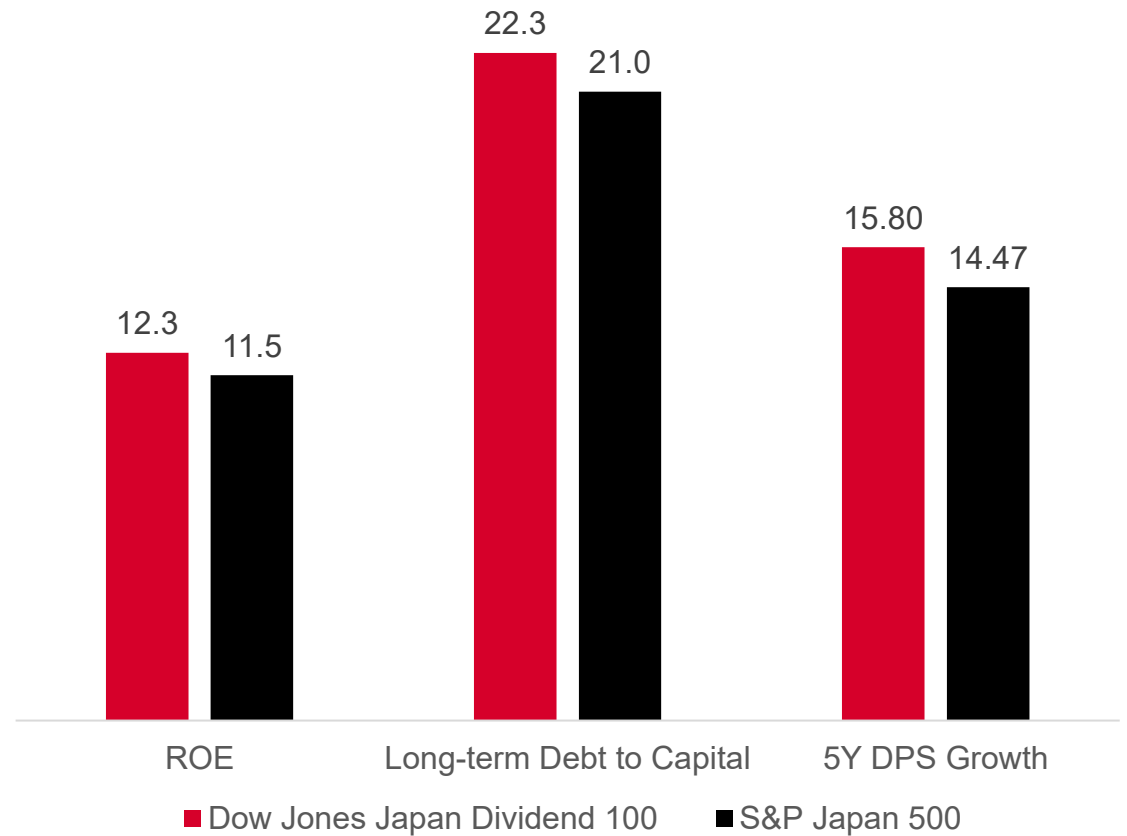
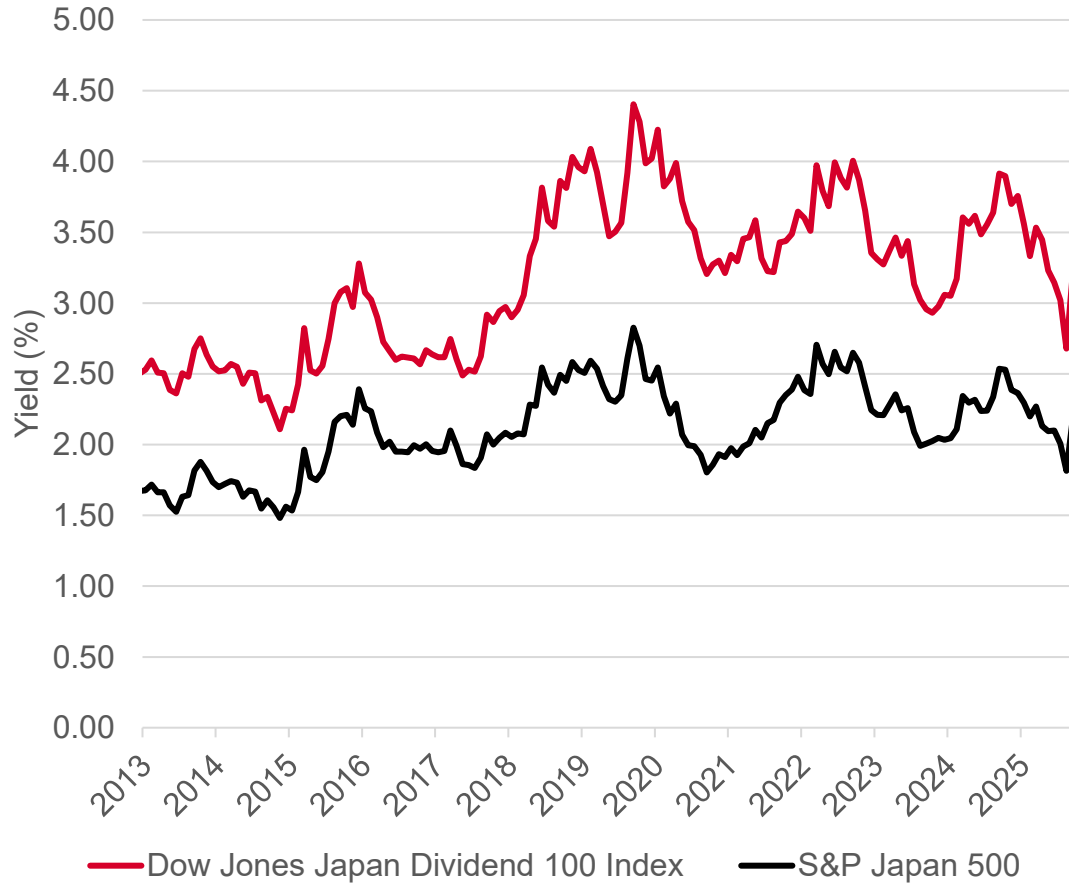
Period	Dow Jones Japan Dividend 100 Index	S&P Japan 500	TOPIX
Annual Return (%)			
1-Year	47.89	35.08	34.65
3-Year	30.12	23.66	23.28
5-Year	23.47	15.32	15.12
10-Year	16.59	12.89	12.62
Since June 30, 2012	16.78	14.43	14.22
Annual Volatility (%)			
1-Year	18.59	18.81	18.42
3-Year	14.58	13.87	13.44
5-Year	13.07	13.04	12.65
10-Year	14.57	14.28	14.00
Since June 30, 2012	15.22	15.24	14.97
Return/Volatility			
1-Year	2.58	1.87	1.88
3-Year	2.07	1.71	1.73
5-Year	1.80	1.18	1.20
10-Year	1.14	0.90	0.90
Since June 30, 2012	1.10	0.95	0.95

Dow Jones Japan Dividend 100

Higher Dividend Yield, Better Fundamental Characteristics

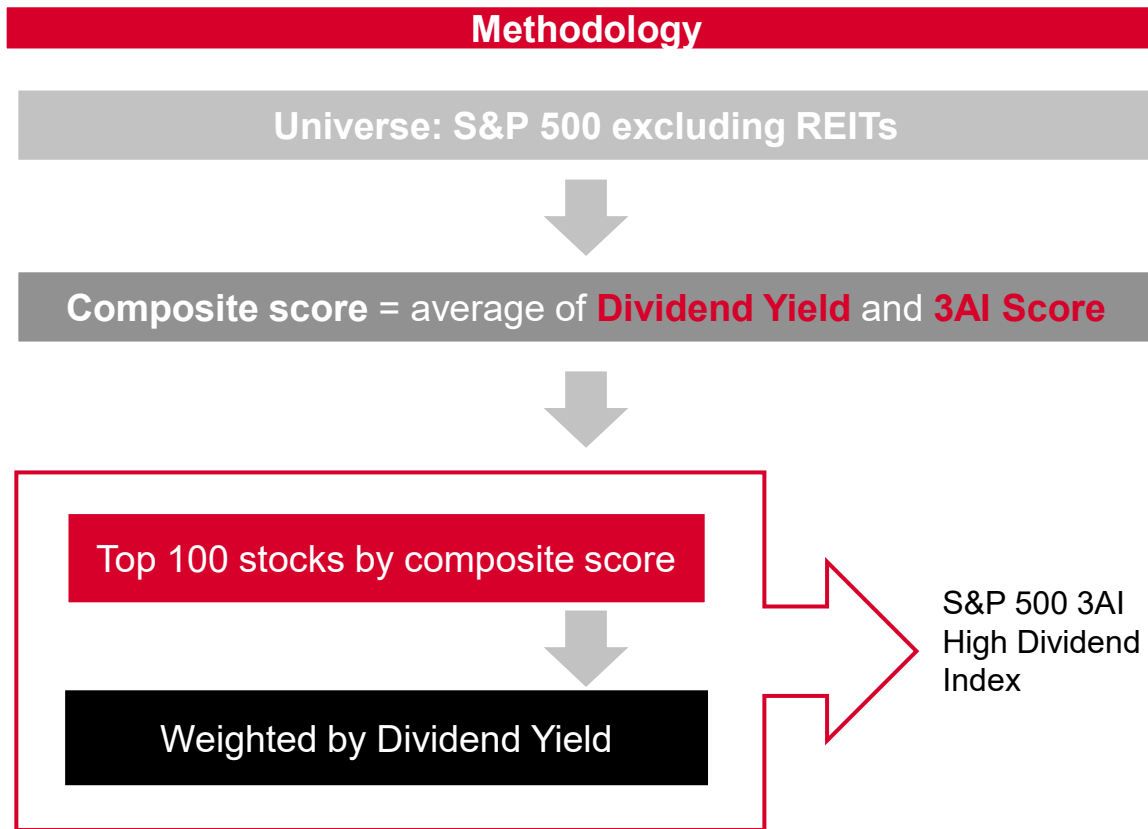
Dividend Yield
(2013.7.31-2026.3.31)

Fundamental Metrics
(5-Year Quarterly Average)



Integrating AI with Dividend

S&P 500 3AI High Dividend Index Concept

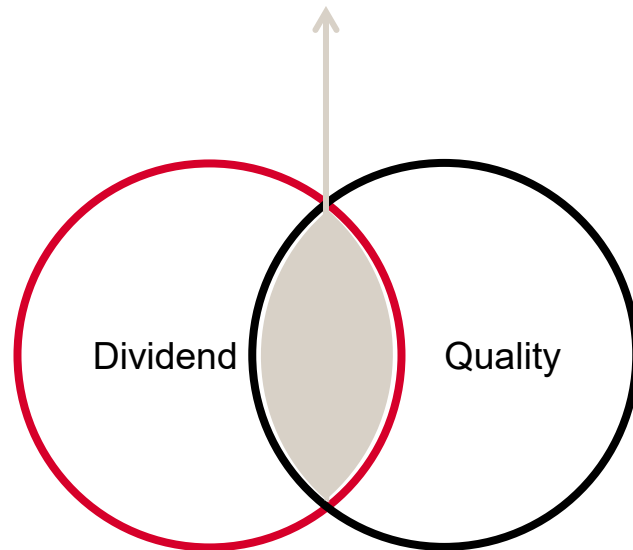


Performance		
Backtest Period: Mar 17, 2000 to Feb 27, 2026	S&P 500	S&P 500 3AI High Dividend Concept
ANNUALIZED RETURNS (%)		
Full Period	8.12	13.17
1-Year	18.86	18.35
3-Year	21.68	13.87
5-Year	14.19	15.55
10-Year	15.41	14.54
15-Year	13.72	14.44
ANNUALIZED VOLATILITIES (%)		
Full Period	19.30	21.49
RISK-ADJUSTED RETURNS		
Full Period	0.42	0.61
DIVIDEND YIELD (%)		
Full Period Average	1.81	4.01

S&P Dow Jones Indices' Approach to Integrating Dividend and Quality Factors in Index Design

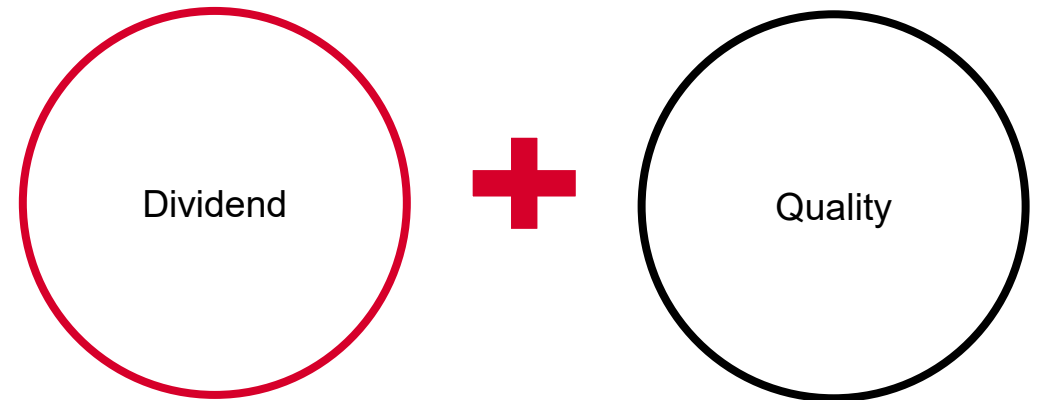
Option 1: Bottom-up Selection

Dow Jones U.S. Dividend 100 Index



Option 2: Top-down Combination

S&P 500 High Dividend Index
+ S&P 500 Quality FCF Aristocrats Index



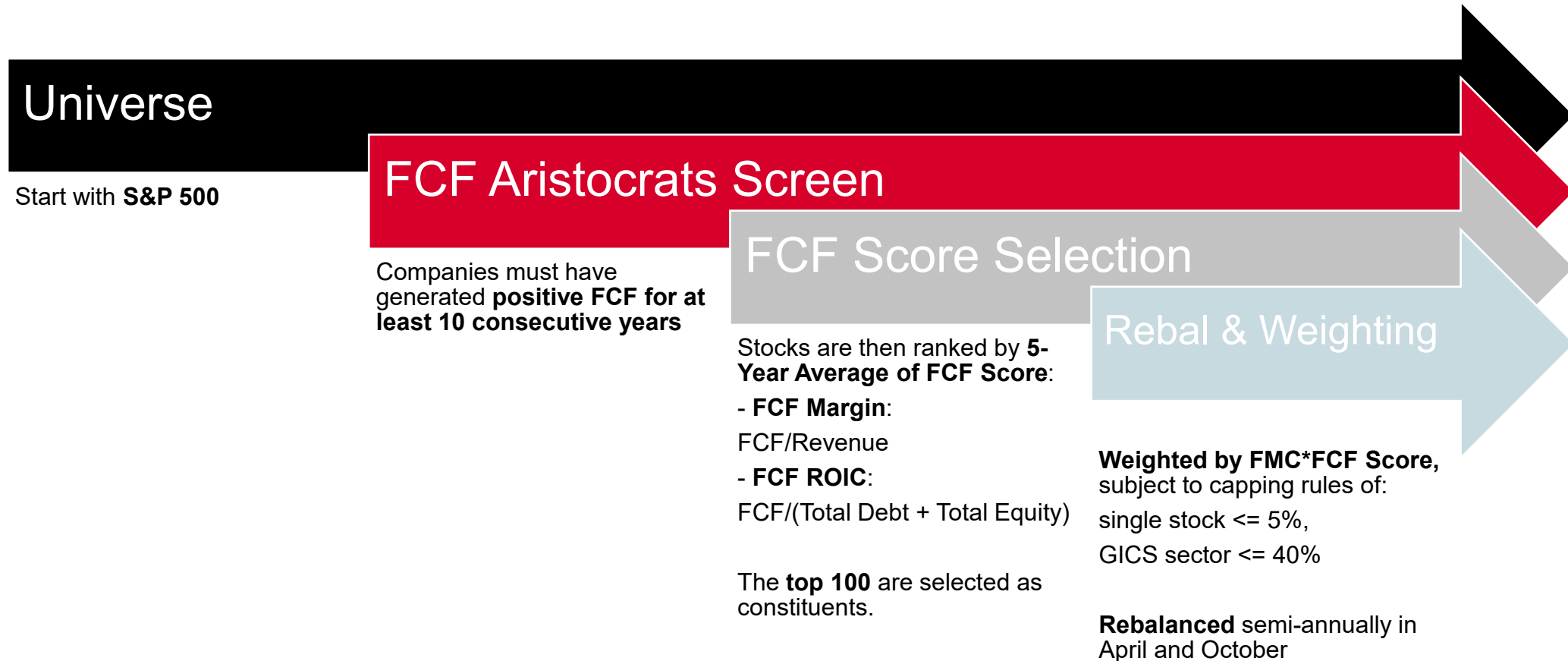
Source: S&P Dow Jones Indices LLC.

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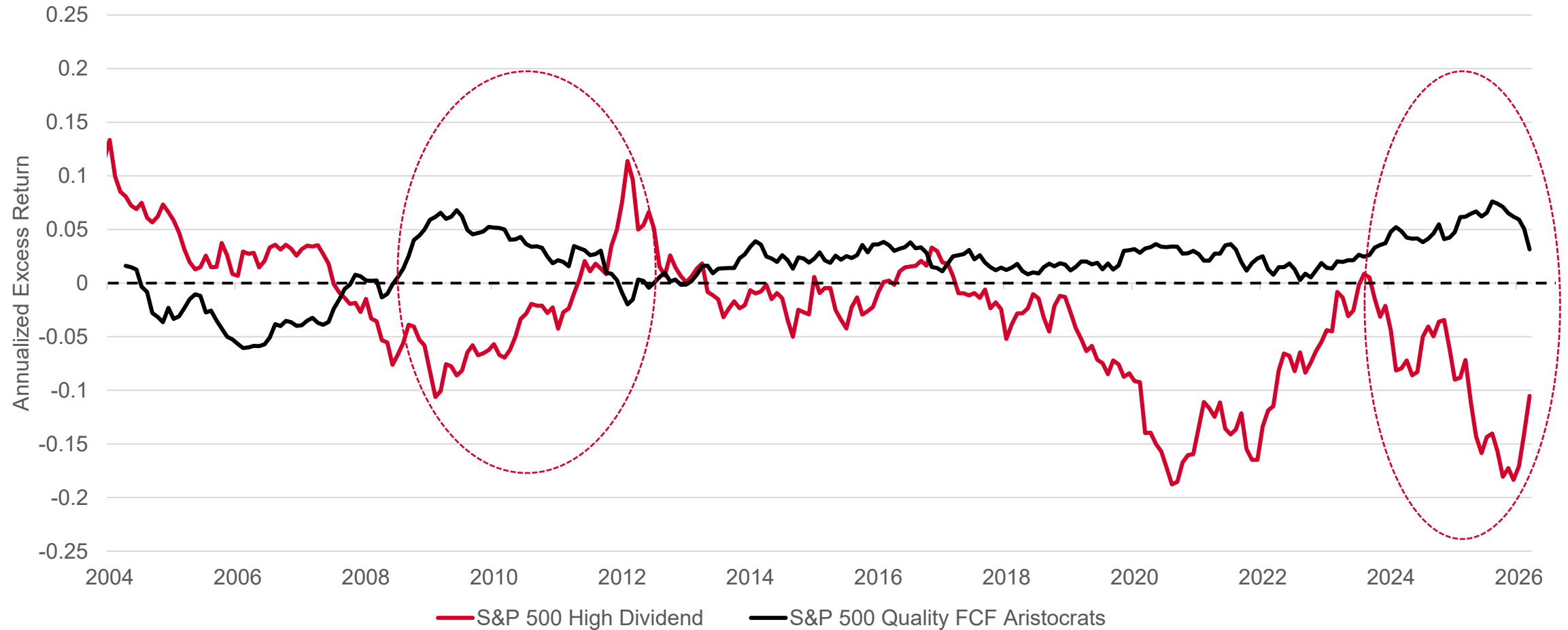
S&P 500 Quality FCF Aristocrats

Methodology Summary



Complementary between Dividend and Quality

Rolling 3-Year Excess Return against S&P 500

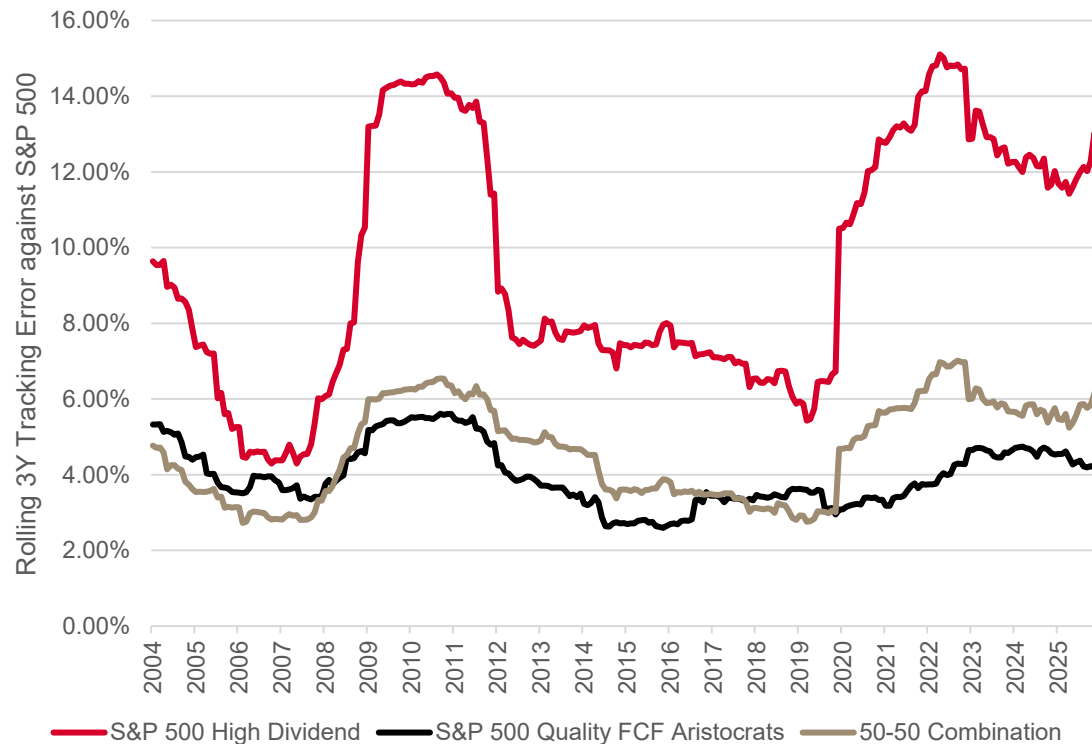


Source: S&P Dow Jones Indices LLC. Data from Apr 30, 2004, to Mar 31, 2026. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

S&P 500 High Dividend+ S&P 500 Quality FCF Aristocrats

50-50 Combination Results in Lower T.E., More Stable Performance

Rolling 3-Year Tracking Error against S&P 500



Risk/Return Profile

	S&P 500	S&P 500 High Dividend	S&P 500 Quality FCF Aristocrats	50-50 Combination
Annualized Return	8.89%	8.89%	10.75%	10.02%
Annualized Volatility	14.88%	17.55%	14.30%	14.81%
Return/Volatility	0.60	0.51	0.75	0.68
Excess Return		0.00	1.86%	1.13%
Tracking Error		10.79%	4.16%	4.97%
Information Ratio		0.82	2.58	2.02
Average Dividend Yield	1.82%	4.32%	1.78%	3.05%

Source: S&P Dow Jones Indices LLC. Data from Apr. 30, 2001 to Mar. 31, 2026. Index performance based on monthly total return in USD.

Underlying indices are combined on monthly basis. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance..

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Summary

- Dividend strategies are gaining traction for its reliable contribution to equity total return and an alternative source of income
- A pure high dividend yield strategy offers stable high yield, but may suffer from short term performance volatility (***S&P 500 High Dividend***)
- Blending quality metrics into dividend stock selection could help to improve the performance of a pure high yield strategy but with a lower dividend yield. (***Dow Jones U.S. Dividend 100, Dow Jones Japan Dividend 100***)
- Free Cash Flows offers a unique lens to measure Quality (***S&P 500 Quality FCF Aristocrats***)
- Dividend and Quality could complement each other in the performance cycles. Combining Dividend and Quality Indices could result in low tracking error, stable performance historically by factor integration (***S&P 500 High Dividend, S&P 500 Quality FCF Aristocrats***)

For More Information

<https://www.spglobal.com/spdji/en/>

Education Paper

Importance of Dividends: S&P 500 High Dividend

<https://www.spglobal.com/spdji/en/documents/education/education-the-importance-of-dividends.pdf>

Dividend Strategy with Quality Yields - The Dow Jones Dividend 100 Indices

<https://www.spglobal.com/spdji/en/education/article/dividend-strategy-with-quality-yields-the-dow-jones-dividend-100-indices>

Tracking Japan's Quality Yield: Introducing the Dow Jones Japan Dividend 100 Index

<https://www.spglobal.com/spdji/en/documents/education/education-tracking-japans-quality-yield.pdf>

The S&P Quality FCF Aristocrats® Indices – Exploring the Principles of Consistency and Efficiency in Free Cash Flow Metrics

<https://www.spglobal.com/spdji/en/education/article/the-sp-quality-fcf-aristocrats-indices-exploring-the-principles-of-consistency-and-efficiency-in-free-cash-flow-metrics>

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PERFORMANCE DISCLOSURE/BACK-TESTED DATA

The S&P 500 Index was launched on Mar 04, 1957. S&P 500 High Dividend was launched on Sept 21, 2015. Dow Jones U.S. Dividend 100 Index was launched on Aug 31, 2011. S&P 500 Quality FCF Aristocrats was launched on Sep 23, 2024. Dow Jones Japan Dividend 100 Index was launched on July 22, 2024.

All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at www.spglobal.com/spdji. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).