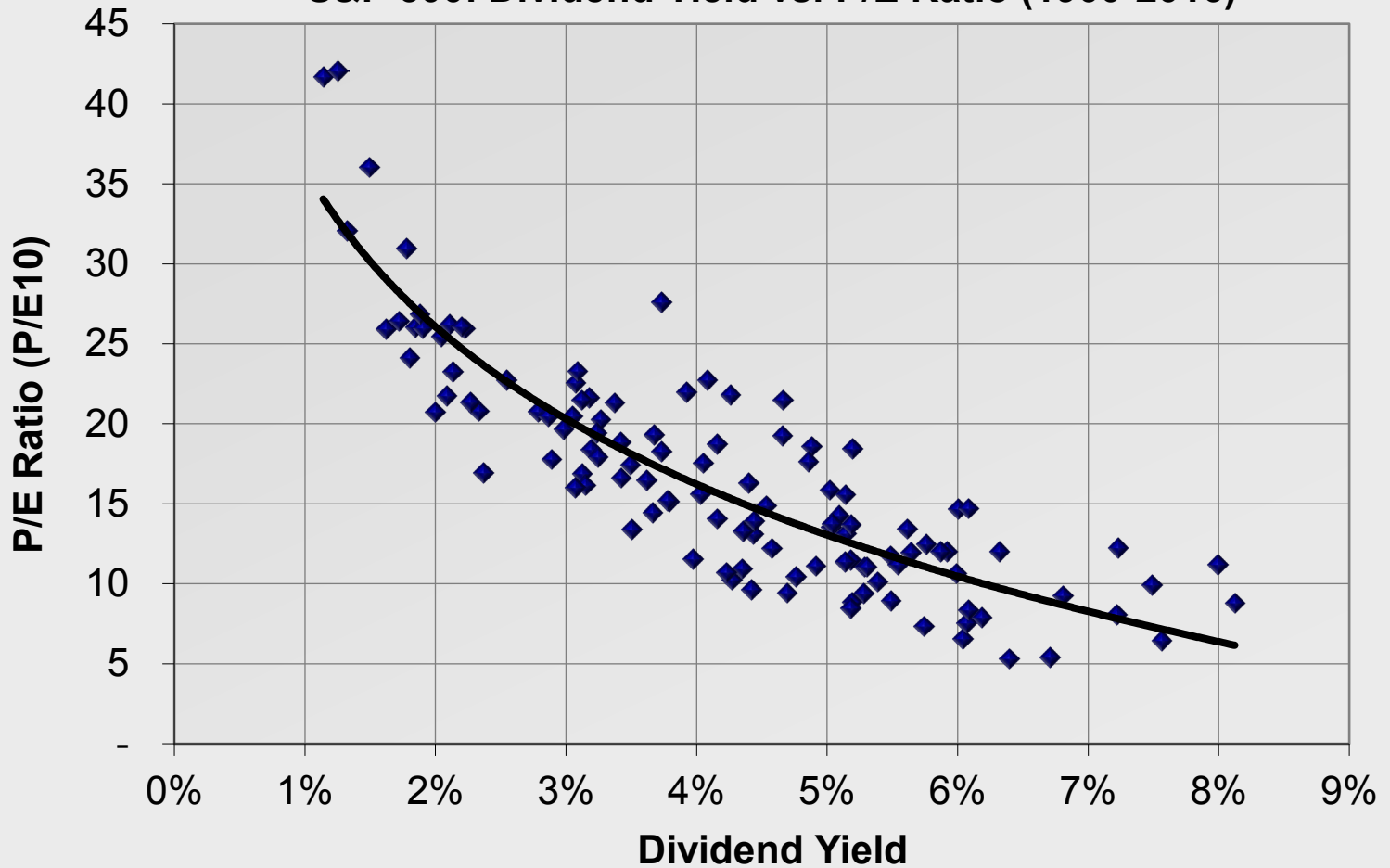


DIVIDEND YIELD vs. P/E RATIO

P/E VALUATION AFFECTS DIVIDEND YIELDS

S&P 500: Dividend Yield vs. P/E Ratio (1900-2016)



IMPACT OF VALUATION ON DIVIDEND YIELDS

P/E does not change EPS nor Dividends, only the price; and thus the dividend yield.

Assumptions:

Earnings Per Share (EPS)	\$2.00
Dividend Per Share (DIV)	\$0.90
Payout ratio	45%

P/E RATIO	EPS	DIV	(EPS x P/E) PRICE	DIV YIELD
35	\$2.00	\$0.90	\$ 70	1.3%
30	\$2.00	\$0.90	\$ 60	1.5%
25	\$2.00	\$0.90	\$ 50	1.8%
20	\$2.00	\$0.90	\$ 40	2.3%
17	\$2.00	\$0.90	\$ 34	2.6%
15	\$2.00	\$0.90	\$ 30	3.0%
13	\$2.00	\$0.90	\$ 26	3.5%
10	\$2.00	\$0.90	\$ 20	4.5%
7	\$2.00	\$0.90	\$ 14	6.4%

Note: This partially explains the reason for currently low dividend yields. Further, the payout ratio of dividends to earnings has historically been 35% to 60% and is currently near the bottom of the range.