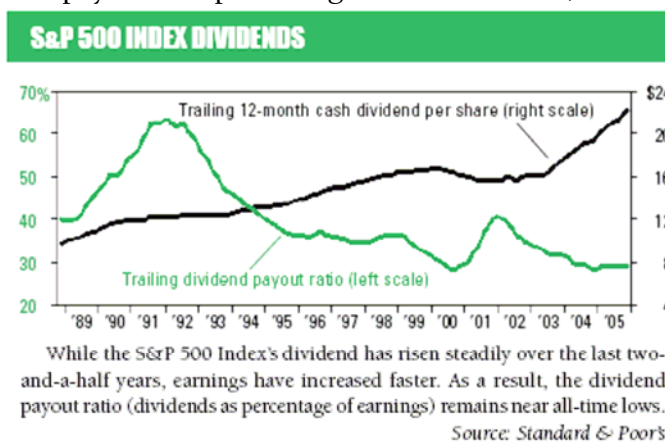


Cash in on dividend growth

Dividend-minded investors have seen their choices expand over the last three years. In May 2003, the federal tax rate on qualified dividends fell to 15% — the same rate charged on longterm capital gains. The tax cut spurred many companies to initiate or raise dividends.

Since December 2002, when tax reforms on dividends were first proposed, the number of S&P 500 companies paying dividends has increased 10%, with 42 initiating dividends versus just 10 suspending their payout. To put that growth in context, the number of dividend payers in the S&P 500 had fallen by 25% over the previous 20 years.

The S&P 500 Index's average dividend yield remains fairly low at 1.9%. Over the last 15 years, the index's dividend yield has averaged more than 2.3%. S&P 500 companies paid nearly \$202 billion in dividends in 2005, up 37% from the 2002 payout. But the percentage of earnings S&P 500 companies pay out in dividends remains below 30%, close to all-time lows.



History shows dividend payers tend to outperform non-dividend paying stocks, with dividend growers outperforming by a wider margin. Dividend growth also shows that management is concerned about shareholder returns.