

ABOVE THE FRAY

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## A Slice of Dividend Accounting

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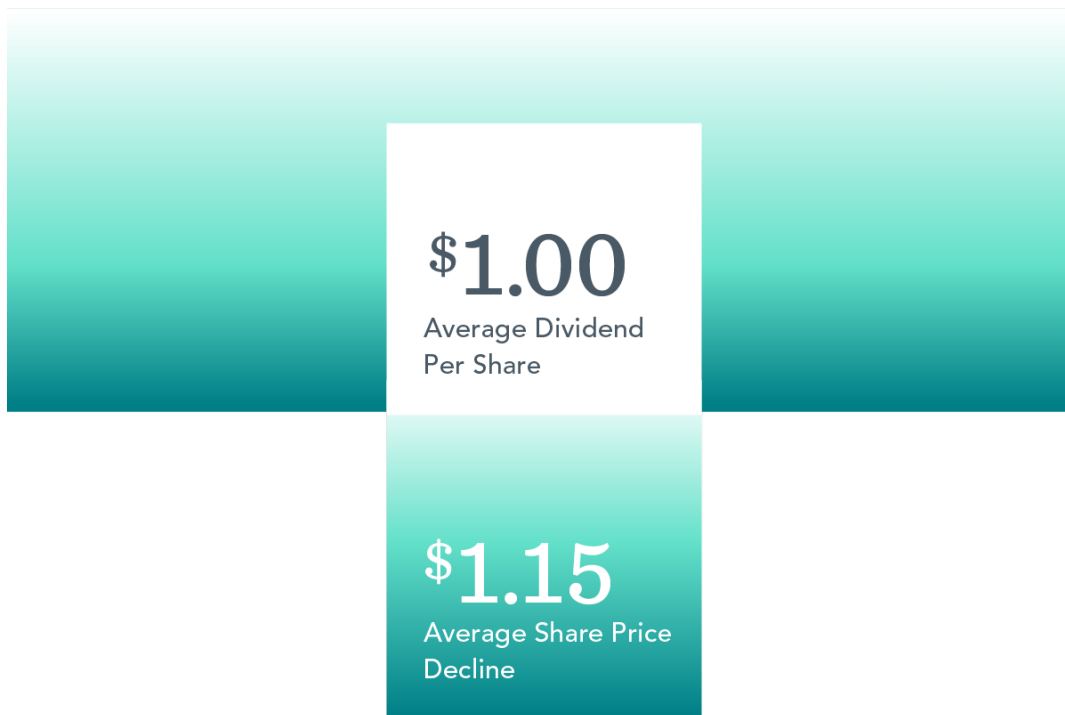
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As many of us observed firsthand during the holiday season, eating a slice of pie means less pie remains. While not as tangibly apparent, the same concept applies to stock dividends: A company's share price declines by the amount of the dividend it pays. The dividend doesn't come out of thin air. It represents a portion of the company's value being distributed to shareholders.

Unlike dessert accounting, the one-to-one relation between dividends and share price impact can be obscured by other factors affecting price on the day of the dividend. But averaging over many dividend events helps expose the relation. Our sample includes the past 20 quarterly dividends for the 10 largest companies in the S&P 500 High Dividend Index.<sup>1</sup> The average dividend paid by these companies was \$1.00 per share. On the ex-dates when the dividends were reflected, the companies' average share price drop was \$1.15. While not exactly 1:1, given the stock price movements arising from other news and events, this is a reminder for investors to focus on total return, which does not increase by the mere issuance of a dividend.

**Exhibit 1****Give and Take**

Average dividend and share price change on dividend ex-dates for 10 largest companies in the S&P 500 High Dividend Index, December 3, 2018—October 31, 2023



*Source: FactSet. Sample includes the past 20 quarterly dividends for each company. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment.*

*This article originally appeared in Above the Fray, a weekly newsletter for Dimensional clients.*

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1. Based on market capitalization as of September 30, 2023.

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