QS Investors
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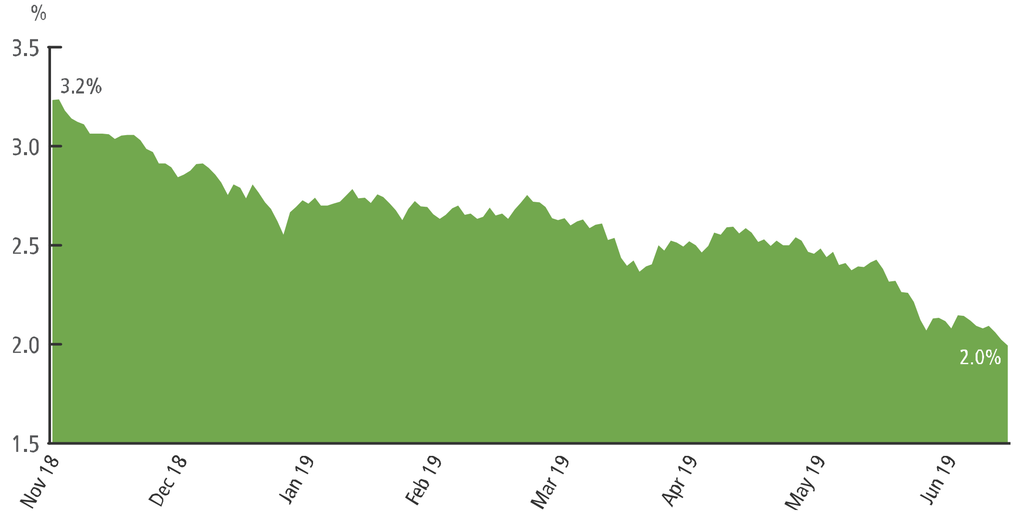
Yearning for Yield

The S&P 500 Index hit at an all-time high entering into May 2019; however, just three days into the month, investor resolve was tested by an increase in US-China trade tariffs and an escalation of geopolitical tensions. May proved to be a bruising month for global equities as all major indexes declined by more than 6%. It was, in fact, the worst May for equity indexes in the last ten years. Additionally, a fresh scramble for US government debt drove the US 10-year Treasury yield back below 2% in late June, a sharp decline from the 3.2% high reached in early November 2018.

The latest yield drop followed the US Federal Reserve's decision to keep its benchmark interest rate unchanged and potentially cut it in the near future.

Many investors and economists had assumed that the Trump administration's tax cuts and looser regulation would spur stronger growth and higher inflation and, in turn, higher interest rates. The opposite has played out this year. The falling 10-year yield indicates softer economic growth prospects. The latest yield drop followed the US Federal Reserve's decision to keep its benchmark interest rate unchanged and potentially cut it in the near future. Investors are now expecting yields are going to be lower for longer, in addition to an extended period of low to moderating growth.

LOWER FOR LONGER
Yield on the US 10-Year Treasury Note



Source: Bloomberg. November 7, 2018 through June 20, 2019.

As bond yields have fallen and growth prospects have softened, stocks with steady dividend payouts and lower volatility profiles have become increasingly attractive. S&P 500 sectors perceived as defensive have been outperforming the broader market since mid-May. The Fed's dovish tilt has provided a particular boost to Real Estate stocks that had previously been pressured by the threat of higher rates. Real Estate stocks in the S&P 500 have advanced over 24% in 2019, outpacing the S&P 500's 18% rise after the sector fell 2% last year[1].

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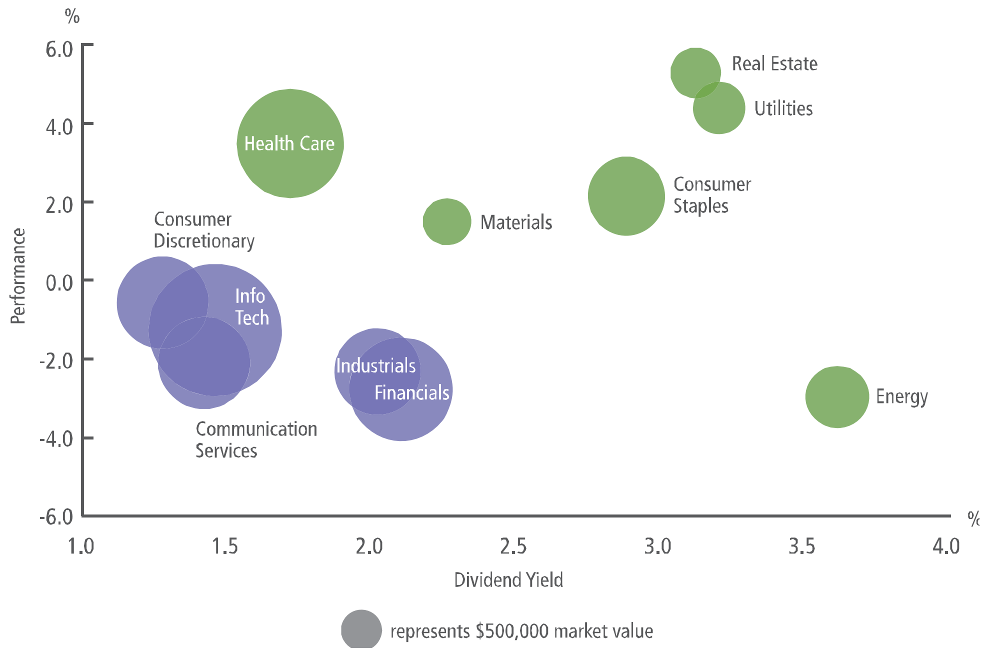
DIVIDEND YIELD AND SHARE-PRICE PERFORMANCE
Circle size reflects total market value

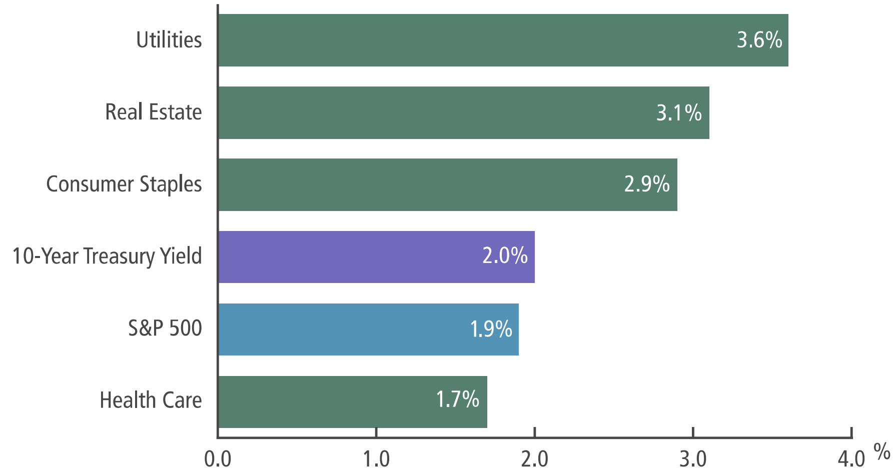


Source: Bloomberg, S&P 500 Index based on GICS sector classifications. May 1, 2019 through June 19, 2019. Green indicates defensive sectors, purple indicates sectors typically depicted as cyclical.

The 10-year yield is well below the approximately 3% dividend yield offered by the highest dividend paying stocks in the S&P 500, Utilities, Consumer Staples and Real Estate stocks, exceeding the broader S&P 500's roughly 2% yield.

[1]Based on Total Return sourced from Bloomberg from May 1, 2019 through June 19, 2019.

S&P 500 DIVIDEND YIELD BY SECTOR



Source: Bloomberg as of June 19, 2019. Sector yields are based on trailing 12-month dividends. Sector classification based on GICS .

Defensive equity income provides investors with an attractive source of dividends which play an increasingly integral role during low equity return environments.

At this point in the market cycle, transitioning a portion of an investor's fixed income or growth equity portfolio into defensive equity income remains compelling. Defensive equity income provides investors with an attractive source of dividends which play an increasingly integral role during low equity return environments as these typically become a larger and more stable component of total return. Additionally, defensively oriented stocks help to reduce overall portfolio beta to help weather the anticipated lower for longer interest rate and moderated growth environment, while continuing to allow for equity market participation.