"Nobody Ever Got Fired for Buying Vanguard…" Well, Maybe They Should Be?

Note: The first version of this article was published on August 6, 2018.

"Nobody ever got fired for buying IBM".

This phrase's etymology comes from the computing era's early days when technology was beginning to change the corporate landscape. It reflected one of the career risks of that day…and, by extension, a way to avoid it.

If a purchasing manager bought a computer from a well-known, large, "safe" brand like IBM, they could avoid blowback if the product did not meet expectations. After all, it came from IBM – if you can't trust IBM, who can you trust?

On the other hand, what if a purchasing manager took a gamble, opting to buy from a little-known startup company that might have a superior product? Well, if the product performed poorly, he might have gotten the pink slip (while getting little more than a pat on the back if the computer worked well or even exceeded the capacities of the IBM computer).

Somewhat of an asymmetrical risk profile, wouldn't you say?

We've talked a lot about this career risk concept with regard to advisors, client allocations, and global value investing. We used to show a chart of the cheapest stock markets worldwide. However, instead of titling the column "cheap countries," we titled it "career risk." Why? For the same reasons purchasing managers bought IBM computers.

If an advisor allocates client dollars toward "career risk" foreign stock markets and the portfolio outperforms, then – from the client's perspective – "box checked." The advisor performed as expected.

But if those countries underperformed, angry clients might march toward the door, demanding to know why the advisor doesn't have them invested in Amazon, Google, and Facebook.

What does all this have to do with Vanguard?

First, let's be clear: Long-time readers know we love Vanguard. John Bogle was a national treasure, and Cambria owns Vanguard ETFs across our lines of business. Vanguard has revolutionized the asset management industry more than any other fund company, saving investors billions of dollars in higher fees. And investors have voted with their dollars.

We often say that Vanguard sets the bar for where an investor should start their investing journey. So, with all the laurels we've just bestowed upon Vanguard, what's up with the title of this article?

Like IBM, Vanguard is the large, safe, and often correct choice. But that doesn't mean that every fund Vanguard has is good. And it also doesn't mean that every good fund Vanguard manages is always a wise investment.

Let's look at an example…

There are hundreds of dividend ETFs representing hundreds of billions, if not trillions, in investor assets. The largest of them all? The Vanguard Dividend Appreciation ETF (VIG).

Its benchmark is the S&P U.S. Dividend Growers Index Total Return. The S&P website states, "The S&P U.S. Dividend Growers Index is designed to measure the performance of U.S. companies that have followed a policy of consistently increasing dividends every year for at least 10 consecutive years. The index excludes the top 25% highest-yielding eligible companies from the index."

VIG only costs 0.06% and has a whopping $79 billion in assets as of 03/31/2024.

The fees are down from 0.08% when we first wrote this article, while assets have grown from $28 billion to $79 billion in assets. The 182 holdings when we first wrote the article are now 340.

On paper, it all seems great.

But when we look closer, what are investors getting when purchasing VIG?

When we analyze this fund's construction methodology, we notice that one big thing is missing – a link to value.

The main criterion for inclusion in the fund is whether the company has increased its dividend annually over the past 10 years. This means a stock could have a P/E ratio of 100 yet still qualify for inclusion. You might be paying through the teeth.

Let's look to Morningstar for assistance in determining the outcome of this value-absent methodology.

At the time, we published various valuation metrics for the fund's underlying holdings, and we wrote:

> *"As you can see, the VIG ETF looks an awfully lot like the S&P 500, expressed by the SPY ETF. Importantly, the VIG ETF holdings register as the most expensive in the table for three of the four valuation metrics!*
>
> *This begs a question – for valuations this high, can you expect to be rewarded with a beefy dividend yield?*
>
> *Unfortunately, no. At 2.0%, VIG's yield is merely in-line with that of SPY.*
>
> *So, why in the world would investors sink nearly $30 billion into a fund that is basically a more expensive version of the S&P 500?*
>
> *Because no one gets fired for buying Vanguard."*

Below is the same table updated to the present. Here we examined five more of the largest dividend ETFs and you can find a full description of each fund in the footnotes.

Since our article's publication, VIG and all the funds examined have underperformed the SPY ETF with one noticeable exception—the Cambria Shareholder Yield ETF (SYLD).

SYLD, for those that are not familiar, includes both dividends and net stock buybacks as factors in selecting the portfolio. But it doesn't just stop there; SYLD also includes explicit value screens to screen for cheap stocks.

Since the original article's publication, the SYLD ETF has outperformed all the ETFs in our original piece, including SPY, VIG, DVY, VYM, SDY, HDV, and DVY—some by a little, some by a lot.

This outperformance of SYLD and underperformance of the highly valued ETFs validates our original thesis: you don't want to pay for a closet index fund with highly valued holdings.

	SYLD	SPY	VIG	DVY	VYM	SDY	HDV	PKW
Return	14.02%	13.04%	11.78%	7.63%	9.54%	8.41%	7.88%	12.40%

SOURCE: Morningstar, as of 4/26/2024. Annualized Return from 9/1/2018 to 3/31/2024. **Past performance does not guarantee future results.**

Standardized Performance

Fund		1 Year	5 Year	10 Year	Since Inception	Inception Date
SYLD - Cambria Shareholder Yield ETF	Market Price	27.23%	17.99%	12.45%	13.52%	5/14/13
	Nav	27.30%	18.02%	12.45%	13.52%	
SPY - SPDR® S&P 500 ETF Trust	Market Price	29.70%	14.89%	12.82%	10.30%	11/22/93
	Nav	29.64%	14.88%	12.81%	10.30%	
PKW - Invesco BuyBack Achievers ETF	Market Price	28.60%	14.19%	11.61%	10.79%	12/20/06
	Nav	28.61%	14.87%	12.96%	10.02%	
VIG - Vanguard Dividend Appreciation ETF	Market Price	13.29%	11.07%	10.90%	9.39%	4/21/06
	Nav	13.30%	11.07%	10.89%	9.38%	
VYM - Vanguard High Dividend Yield ETF	Market Price	12.44%	9.12%	9.47%	8.25%	11/10/06
	Nav	12.42%	9.12%	9.47%	8.25%	
SDY - SPDR® S&P Dividend ETF	Market Price	9.19%	9.17%	9.82%	8.95%	11/08/05
	Nav	8.77%	8.76%	9.81%	8.94%	
HDV - iShares Core High Dividend ETF	Market Price	12.30%	7.38%	8.31%	10.02%	3/29/11
	Nav	12.39%	7.39%	8.32%	10.03%	
DVY - iShares Select Dividend ETF	Market Price	9.29%	8.61%	9.07%	8.26%	11/03/03
	Nav	9.32%	8.60%	9.06%	8.26%	

Past Performance Data from State Street, iShares, Invesco, and Cambria, as of March 31, 2024. **Past performance does not guarantee future results. Cannot invest directly in an index. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 855-383-4636 (ETF INFO) or visit www.cambriafunds.com. Current performance may be higher or lower than the performance quoted. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 Eastern Time and do not represent the returns you would receive if you traded shares at other times.**

One might expect that the underperformance of the dividend funds would make their stocks less expensive.

However, once we update the table to today, it is evident that most of the funds' valuation metrics have actually gone up – meaning the underlying holdings have become more expensive.

The SYLD ETF valuation metrics have gone down.

	SYLD	SPY	VIG	DVY	VYM	SDY	HDV	PKW
P/E Ratio	10.10	25.38	24.01	14.57	18.48	21.22	17.20	16.09
P/B Ratio	1.80	2.53	4.58	1,74	2.68	3.05	2.89	2.53
P/S Ratio	0.73	2.93	2.47	1.25	1.84	1.82	2.37	1.10
P/C Ratio	6.03	17.42	17.40	8.25	11.63	12.54	9.87	10.37
Gross Expense Ratio	0.59%	0.0945%	0.06%	0.38%	0.06%	0.35%	0.08%	0.50%
Net Expense Ratio	0.59%	0.0945%	0.06%	0.38%	0.06%	0.35%	0.08%	0.62%
30-Day SEC Yield	1.46%	1.28%	1.72%	3.88%	2.82%	2.55%	3.80%	0.85%
30-Day SEC Unsubsidized Yield	1.46%	1.28%	1.72%	3.88%	2.82%	2.55%	3.80%	0.84%

SOURCE: Morningstar, as of 4/26/2024. Annualized Return from 9/1/2018 to 3/31/2024. Past performance does not guarantee future results. PKW ETF Fee Waiver Information: The Adviser has agreed to waive the Advisory Fee payable by the Fund in an amount equal to the lesser of 100% of the net advisory fees earned by the Adviser or an affiliate of the Adviser that are attributable to the Fund's Underlying Affiliated Investments, or the Advisory Fee available to be waived. This waiver does not apply to the Fund's investment of cash collateral received for securities lending. This waiver is in place through at least August 31, 2025, and there is no guarantee that the Adviser will extend it past that date. This waiver is not subject to recapture.

Usually, valuation multiple expansions result in outperformance and vice versa. But that's not what we have seen.

Presented with the recent updates, we would come to the same conclusions as the first piece. Even more so.

"So, why would investors sink nearly $80 billion into a fund that is a more expensive version of the S&P 500?

Because no one gets fired for buying Vanguard."

Fund Investment Objective, Strategy, and Risks

Cambria Shareholder Yield ETF (SYLD)
Investment Objective: The Fund seeks income and capital appreciation.

Investment Strategy: Cambria Shareholder Yield ETF focuses on high-cash distribution companies that are returning their cash to investors through three attributes - dividends, buybacks and debt paydown - collectively known as shareholder yield. The fund uses a systematic strategy targeting an equal-weight portfolio of ~100 high-cash distribution companies.

Risks: There is no guarantee that a Fund will achieve its investment goal. Investing involves risk, including the possible loss of principal. High yielding stocks are often speculative, high-risk investments. The underlying holdings of the Funds may be leveraged, which will expose the holding to higher volatility and may accelerate the impact of any losses. These companies can be paying out more than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse effect on the stock price of these companies and the Fund's performance. International investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Narrowly focused funds typically exhibit higher volatility.

SPDR® S&P® Dividend ETF (SPY)
Investment Objective: The SPDR S&P Dividend ETF (the "Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index that tracks the performance of publicly traded issuers that have historically followed a policy of making dividend payments.

Investment Strategy: In seeking to track the performance of the S&P High Yield Dividend Aristocrats Index (the "Index"), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. ("SSGA FM" or the "Adviser"), the investment adviser to the Fund, either may invest the Fund's assets in a subset of securities in the Index or may invest the Fund's assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index, as determined by the Adviser to be in the best interest of the Fund in pursuing its objective.

Under normal market conditions, the Fund generally invests substantially all, but at least 80%, of its total assets in the securities comprising the Index. In addition, in seeking to track the Index, the Fund may invest in equity securities that are not included in the Index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by the Adviser). In seeking to track the Index, the Fund's assets may be concentrated in an industry or group of industries, but only to the extent that the Index concentrates in a particular industry or group of industries. Swaps and futures contracts (each, a type of derivative instrument) may be used by the Fund in seeking performance that corresponds to the Index and in managing cash flows.

The Index is designed to measure the performance of the highest dividend yielding S&P Composite 1500® Index (the "Parent Index") constituents that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 consecutive years. The Parent Index is designed to measure the performance of the broad exchange-traded US equity securities universe. To be eligible for inclusion in the Index, a company must also (i) have a float-adjusted market capitalization of at least $2 billion ($1.5 billion for current Index constituents) and (ii) have a minimum three-month average daily value traded of at least $5 million ($4 million for current Index constituents).

Stocks within the Index are weighted by indicated yield (annualized gross dividend payment per share divided by price per share), subject to the following constraints:

No stock can have a weight greater than 4% in the Index.
No stock can have a weight greater than 30 times its weight in the Parent Index.
No stock can have a weight greater than the ratio of its three-month average daily value traded divided by $2 billion.

The Index components are reviewed annually in January for continued inclusion in the Index and re-weighted quarterly after the closing of the last business day of January, April, July, and October. If between annual reviews the Index Provider (as defined below) determines, based on publicly available information, that an Index constituent has omitted a scheduled dividend payment, announced it will cease paying dividends for an undetermined period, or announced a reduced dividend amount and will no longer qualify for the Index at the subsequent reconstitution, the Index constituent will be removed from the index effective prior to the open of the first business day of the following month.

As of August 31, 2023, a significant portion of the Fund comprised companies in the financial, utilities, and real estate sectors, although this may change from time to time. As of July 31, 2023, the Index comprised 121 stocks. The Index is sponsored by S&P Dow Jones Indices LLC (the "Index Provider"), which is not affiliated with the Fund or the Adviser. The Index Provider determines the composition of the Index, relative weightings of the securities in the Index, and publishes information regarding the market value of the Index.
Risks: The Fund's investments are subject to changes in general economic conditions, general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in the actual or perceived creditworthiness of issuers, and general market liquidity. The Fund is subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, or other events could have a significant impact on the Fund and its investments.

Risks: There is no guarantee that a Fund will achieve its investment goal. Investing involves risk, including the possible loss of principal. High yielding stocks are often speculative, high-risk investments. The underlying holdings of the Funds may be leveraged, which will expose the holding to higher volatility and may accelerate the impact of any losses. These companies can be paying out more than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse effect on the stock price of these companies and the Fund's performance. International investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Narrowly focused funds typically exhibit higher volatility.

Invesco BuyBack Achievers™ ETF (PKW)
Investment Objective: The Invesco BuyBack Achievers TM ETF (the "Fund") seeks to track the investment results (before fees and expenses) of the Nasdaq US BuyBack Achievers TM Index (the "Underlying Index").

Investment Strategy: The Fund generally will invest at least 90% of its total assets in securities that comprise the Underlying Index.**

Strictly in accordance with its guidelines and mandated procedures, Nasdaq, Inc. ("Nasdaq" or the "Index Provider") includes U.S. exchange-listed common stocks in the Underlying Index pursuant to a proprietary selection methodology that identifies a universe of "BuyBack Achievers™". To qualify for the universe of "BuyBack Achievers™," an issuer must have effected a net reduction in shares outstanding of 5% or more in the past 12 months.

The Fund will concentrate its investments (i.e., invest 25% or more of the value of its total assets) in securities of issuers in any one industry or group of industries only to the extent that the Underlying Index reflects a concentration in that industry or group of industries. The Fund will not otherwise concentrate its investments in securities of issuers in any one industry or group of industries.

Risks: There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund. Investments focused in a particular industry or sector are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments. Stocks of small and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Vanguard Dividend Appreciation ETF (VIG)
Investment Objective: The Fund seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that have a record of increasing dividends over time.

Investment Strategy: The Fund employs an indexing investment approach designed to track the performance of the S&P U.S. Dividend Growers Index, which consists of common stocks of companies that have a record of increasing dividends over time. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Risks: An investment in the Fund could lose money over short or long periods of time. You should expect the Fund's share price and total return to fluctuate within a wide range. An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Vanguard High Dividend Yield ETF (VYM)
Investment Objective: The Fund seeks to track the performance of a benchmark index that measures the investment return of common stocks of companies that are characterized by high dividend yield.

Investment Strategy: The Fund employs an indexing investment approach designed to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average (excluding real estate investment trusts (REITs)). The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

Risks: An investment in the Fund could lose money over short or long periods of time. You should expect the Fund's share price and total return to fluctuate within a wide range. The Fund is subject to the following risks, which could affect the Fund's performance.

SPDR® S&P® Dividend ETF (SDY)
Investment Objective: The SPDR S&P Dividend ETF (the "Fund") seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index that tracks the performance of publicly traded issuers that have historically followed a policy of making dividend payments.

Investment Strategy: In seeking to track the performance of the S&P High Yield Dividend Aristocrats Index (the "Index"), the Fund employs a sampling strategy, which means that the Fund is not required to purchase all of the securities represented in the Index. Instead, the Fund may purchase a subset of the securities in the Index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the Index. The quantity of holdings in the Fund will be based on a number of factors, including asset size of the Fund. Based on its analysis of these factors, SSGA Funds Management, Inc. ("SSGA FM" or the "Adviser"), the investment adviser to the Fund, either may invest the Fund's assets in a subset of securities in the Index or may invest the Fund's assets in substantially all of the securities represented in the Index in approximately the same proportions as the Index, as determined by the Adviser to be in the best interest of the Fund in pursuing its objective.

Risks: The Fund's investments are subject to changes in general economic conditions, general market fluctuations and the risks inherent in investment in securities markets. Investment markets can be volatile and prices of investments can change substantially due to various factors including, but not limited to, economic growth or recession, changes in interest rates, changes in the actual or perceived creditworthiness of issuers, and general market liquidity. The Fund is subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, or other events could have a significant impact on the Fund and its investments.

iShares Core High Dividend ETF (HDV)
Investment Objective: The iShares Core High Dividend ETF (the "Fund") seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities.

Investment Strategy: The Fund seeks to track the investment results of the Morningstar® Dividend Yield Focus IndexSM (the "Underlying Index"), which offers exposure to high-quality U.S.-domiciled companies that have had strong financial health and an ability to sustain above-average dividend payouts.

The Underlying Index is a subset of the Morningstar® US Market IndexSM, a broad market index that represents approximately 97% of the market capitalization of publicly traded U.S. stocks. The Underlying Index is composed of qualified income-paying securities that are screened for superior company quality and financial health as determined by Morningstar, Inc.'s ("Morningstar" or the "Index Provider") proprietary index methodology. Stocks in the Underlying Index represent the top 75 high-yielding stocks meeting the screening requirements.

The Fund generally will invest at least 80% of its assets in the component securities of its Underlying Index and in investments that have economic characteristics that are substantially identical to the component securities of its Underlying Index (i.e., depositary receipts representing securities of the Underlying Index) and may invest up to 20% of its assets in certain futures, options, and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the Underlying Index but which BFA believes will help the Fund track the Underlying Index. Cash and cash equivalent investments associated with a derivative position will be treated as part of that position for the purposes of calculating the percentage of investments included in the Underlying Index. The Fund seeks to track the investment results of the Underlying Index before fees and expenses of the Fund.

The Fund may lend securities representing up to one-third of the value of the Fund's total assets (including the value of any collateral received). The Underlying Index is sponsored by Morningstar, which is independent of the Fund and BFA. The Index Provider determines the composition and relative weightings of the securities in the Underlying Index and publishes information regarding the market value of the Underlying Index.
Risks: Investing involves risk, including possible loss of principal. If the Fund invests in any underlying fund, certain portfolio information, including sustainability characteristics and business-involvement metrics, provided for the Fund may include information (on a look-through basis) of such underlying fund, to the extent available. There is no guarantee that dividends will be paid.

iShares Select Dividend ETF (DVY)
Investment Objective: The iShares Select Dividend ETF (the "Fund") seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities.

Investment Strategy: The Fund seeks to track the investment results of the Dow Jones U.S. Select Dividend Index (the "Underlying Index"), which measures the performance of the U.S.'s leading stocks by dividend yield. Dividend yield is calculated using a stock's indicated annual dividend (not including any special dividends) divided by its price.

The Underlying Index is composed of 100 of the highest dividend-yielding securities (excluding real estate investment trusts ("REITs")) in the Dow Jones U.S. Index, a broad-based index representative of the total market for U.S. equity securities. To be included in the Underlying Index, each security must meet the following criteria:
1. Have a dividend per share greater than or equal to its five-year average dividend per share.
2. Have a five-year average dividend coverage ratio of greater than or equal to 167%.
3. Have a three-month average daily trading volume of 200,000 shares (100,000 shares for current constituents).
4. Have paid dividends in each of the previous five years.
5. Have non-negative trailing 12-month earnings per share.
6. Have a float-adjusted market cap of at least $3 billion ($2 billion for current constituents).

The Fund generally will invest at least 80% of its assets in the component securities of its Underlying Index and in investments that have economic characteristics that are substantially identical to the component securities of its Underlying Index (i.e., depositary receipts representing securities of the Underlying Index). It may invest up to 20% of its assets in certain futures, options, and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the Underlying Index but which BFA believes will help the Fund track the Underlying Index. Cash and cash equivalent investments associated with a derivative position will be treated as part of that position for the purposes of calculating the percentage of investments included in the Underlying Index. The Fund seeks to track the investment results of the Underlying Index before fees and expenses of the Fund.

Risks: Investing involves risk, including possible loss of principal. If the Fund invests in any underlying fund, certain portfolio information, including sustainability characteristics and business-involvement metrics, provided for the Fund may include information (on a look-through basis) of such underlying fund, to the extent available. There is no guarantee that dividends will be paid.

To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. This and other information can be found in the Fund's full and summary prospectus which may be obtained by calling 855-383-4636 (ETF INFO) or visiting our website at www.cambriafunds.com. Read the prospectus carefully before investing or sending money.

The Cambria ETFs are distributed by ALPS Distributors Inc., 1290 Broadway, Suite 1000, Denver, CO 80203, which is not affiliated with Cambria Investment Management, LP, the Investment Adviser for the Fund.

ETFs are subject to commission costs each time a "buy" or "sell" is executed. Depending on the amount of trading activity, the low costs of ETFs may be outweighed by commissions and related trading costs.

There is no guarantee that the Fund will achieve its investment goal. Investing involves risk, including the possible loss of principal. High yielding stocks are often speculative, high risk investments. The underlying holdings of the fund may be leveraged, which will expose the holdings to higher volatility and may accelerate the impact of any losses. These companies can be paying out more than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse effect on the stock price of these companies and the Fund's performance. International investing may involve risk of capital loss from unfavorable fluctuations in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Narrowly focused funds typically exhibit higher volatility. Dividends are not guaranteed. Companies paying dividends can stop paying dividends without notice.

30-Day SEC Yield: A standard yield calculation developed by the U.S. SEC that is based on the most recent 30-day period.

The price/earnings ratio (P/E Ratio) is the ratio of a company's stock price to the company's per share earnings.

The price/book ratio (P/B Ratio) is the ratio of a company's stock price to the company's book value.

The price/sales ratio (P/S Ratio) is the ratio of a company's stock price to the company's revenue.

The price/cash flow ratio (P/CF Ratio) is the ratio of a company's stock price to the company's per share cash flow.

The price/free cash flow ratio (P/FCF Ratio) is the ratio of a company's stock price to the company's per share free cash flow.

S&P U.S. Dividend Growers Index: The S&P U.S. Dividend Growers Index is designed to measure the performance of U.S. companies that have followed a policy of consistently increasing dividends every year for at least 10 consecutive years. The index excludes the top 25% highest-yielding eligible companies from the index.

When evaluating the Morningstar category average valuation metrics (Price/Earnings, Price/Book, Price/Sales, Price/Cash Flow, Price/Free Cash Flow), because these metrics are redundant for each fund share class, we use Morningstar's option of "User Defined Primary Class Only" to prevent multishare funds from having a disproportionate impact on the category average. The category average 30-day SEC Yield is the exception in this table and is calculated based on all funds in the category.