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Theme Trades | North America

The Dividend Playbook

We dive into dividends in this catch-all report with the goal of providing a one-stop shop for dividend investors. We identify several factors/screens for implementation ideas and provide industry commentary from our research analysts.

Dividends are a relatively secure and stable way to earn positive return on investment regardless of the macroeconomic or market environment. While they typically won't move the needle for short-term, tactical investors, dividends can make outsized contribution to total returns over the medium to long-term and should be considered by investors looking for stability or income within a portfolio. In this report, we look at both the macro and micro considerations of dividend investing by highlighting macro relationships, factors, and top regimes for dividend outperformance as well as the micro view with in-depth coverage from high dividend paying industries covered by our research analysts. Through our work, **we believe the 'dividend sweet spot' is not to find the highest yielding stock but to find consistent companies who can grow their dividend year-over-year and have a proven track record.** It's this underlying stability combined with the dividend return that can provide a defensive cushion during market turbulence - similar to today's environment.

Not all dividends were created equal. Reaching for the highest yielding dividend stock has its perils and often comes with greater risk. Balancing dividend growth, leverage, and underlying equity valuation are all important factors where each investor must gauge their risk tolerance and objective. In Exhibit 1, we summarize much of the information in this report and find where those trade-offs exist - MLPs, for example, top the list and yield nearly 6% but come with 10x the volatility in their dividend yield as the S&P 1500. Other considerations include high valuations or high leverage that need to be monitored when making longer-term investments.

Exhibit 1: Dividend Dashboard

				Leverage	Valuation			
GICS Level 2 Industry Group	Dividend Yield (Fwd)	5yr Dividend CAGR	Volatility of Change in Div. Yield	Net Debt/EBITDA (Fwd)	P/E (Fwd)	P/B (Fwd)	EV/EBITDA (Fwd)	FCF Yield (Fwd)
Alerian Midstream Energy Index	5.7%	2%	73%	3.7	12.6	2.2	9.6	9.2
Telecommunication Services	4.9%	-3%	24%	2.9	9.3	1.4	6.9	10.1
Real Estate	3.4%	1%	19%	4.9	16.8	2.8	18.2	4.9
Banks	3.1%	11%	21%	*	9.7	1.1	-	-
Food Beverage & Tobacco	3.2%	5%	13%	2.0	18.7	5.1	14.2	4.9
Energy	3.1%	7%	39%	0.5	8.6	2.1	5.2	11.7
Utilities	2.9%	4%	14%	5.2	20.9	2.3	13.0	-1.9
Household & Personal Products	2.5%	5%	10%	1.4	23.7	8.9	16.3	4.2
Insurance	2.2%	9%	14%	1.3	12.7	1.7	22.4	2.5
Materials	2.0%	8%	13%	1.0	12.9	2.4	8.3	6.6
Pharma, Biotech & Life Sciences	2.0%	7%	9%	0.6	15.1	4.6	12.3	6.7
Transportation	1.8%	10%	11%	1.7	14.2	4.2	8.6	5.5
Capital Goods	1.8%	0%	12%	1.3	16.8	3.8	12.2	5.6
S&P Composite 1500	1.7%	6%	9%	1.1	16.7	3.4	11.7	5.1

*Banks do not use Net Debt/EBITDA but run a highly leveraged business model with Assets/Equity of 11.6x.

Source: Factset, Bloomberg, Morgan Stanley Research

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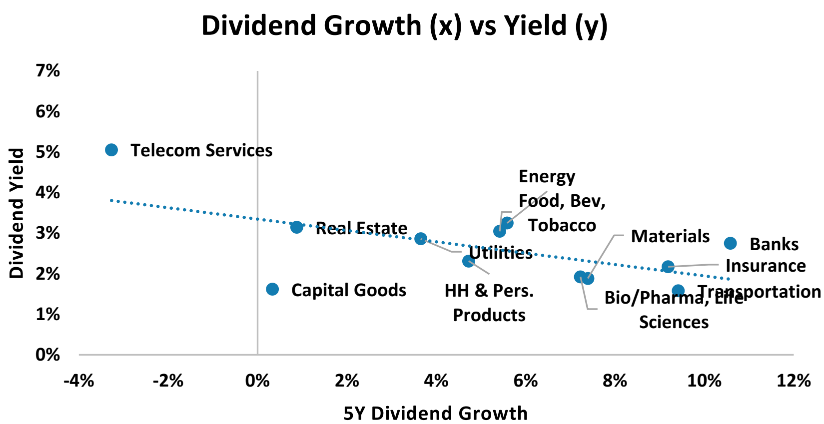
Banks, Energy, and Food, Beverage, & Tobacco provide attractive yields alongside dividend growth. While most investors will not invest at the industry group level, the frontier can help investors with where to begin their search. High dividend growth is an attractive income feature but this also means more free cash flow is being paid out to shareholders instead of being reinvested into the business.

Exhibit 2: Dividend Growth vs Dividend Yield



Source: Factset, Morgan Stanley Research

Top Dividend Picks from Morgan Stanley Research Analysts. We asked our analysts to provide their current top picks that combine yield, growth and stability measures alongside commentary for their industry. Exhibit 3 aggregates these top picks and more color is provided towards the end of the note on industry specifics.

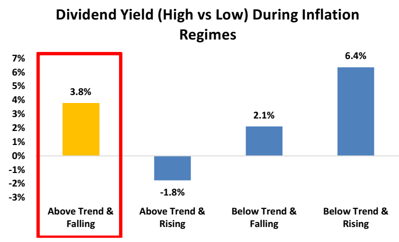
Exhibit 3: Top Dividend Picks from Morgan Stanley Bottom-Up Analysts

Ticker	Company	Analyst (Primary)	MS Rating	Morgan Stanley Industry	Price ($)	MS 2023 Dividend yield (%)
NEE	NEXTERA ENERGY INC	Arcaro, David	Equal-Weight	Diversified Utilities / IPPs	88.88	2.1%
DTE	DTE ENERGY COMPANY	Arcaro, David	Overweight	Regulated Utilities	134.05	2.8%
T	AT&T INC	Flannery, Simon	Overweight	Telecom Services	16.77	6.1%
ALLY	ALLY FINANCIAL INC	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	31.78	3.8%
BK	BANK OF NEW YORK MELLON CORP	Graseck, Betsy	Equal-Weight	Large Cap Banks & Consumer Finance	43.72	3.8%
CFG	CITIZENS FINANCIAL GROUP	Graseck, Betsy	Overweight	Midcap Banks	36.90	4.6%
MTB	M & T BANK CORP	Graseck, Betsy	Overweight	Midcap Banks	183.25	2.9%
NTRS	NORTHERN TRUST CORP	Graseck, Betsy	Equal-Weight	Large Cap Banks & Consumer Finance	94.67	3.2%
RF	REGIONS FINANCIAL CORP	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	22.13	3.7%
STT	STATE STREET CORP	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	71.40	3.6%
WFC	WELLS FARGO & CO	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	43.28	3.3%
ET	ENERGY TRANSFER LP	Kad, Robert	Overweight	MLPs & Midstream Energy Infrastructure	12.01	10.8%
PAA	PLAINS ALL AMER PIPELINE LP	Kad, Robert	Overweight	MLPs & Midstream Energy Infrastructure	12.36	7.8%
O	REALTY INCOME CORP	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	65.41	4.3%
ADC	AGREE REALTY CORP	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	73.47	3.9%
SPG	SIMON PROPERTY GROUP INC	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	100.03	6.3%
GLPI	GAMING AND LEISURE PROPERTIE	Kamdem, Ronald	Overweight	Gaming & Lodging	48.63	5.4%
PM	PHILIP MORRIS INTERNATIONAL	Kaufman, Pamela	Overweight	Tobacco	93.70	5.3%
AVB	AVALONBAY COMMUNITIES INC	Kramer, Adam	Overweight	Real Estate Investment Trusts	205.08	3.0%
XOM	EXXON MOBIL CORP	McDermott, Devin	Overweight	Integrated Energy	97.67	3.6%
HES	HESS CORP	McDermott, Devin	Overweight	Exploration & Production	128.09	1.4%
PEP	PEPSICO INC	Mohsenian, Dara	Overweight	Beverages	168.68	2.7%
KO	COCA-COLA CO/THE	Mohsenian, Dara	Overweight	Beverages	60.79	2.9%

Source: Bloomberg, Morgan Stanley Research Estimates

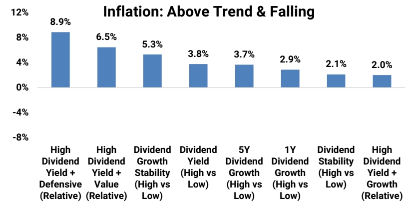
Dividends perform well in late-cycle environments, like today. We analyzed inflation and rate regimes and found that when inflation is above trend and falling (today's environment), this is one of the best performing regimes for high dividend stocks. Further looking at different factors within dividend yield, defensive, value, and dividend growth stability screen as the most attractive options.

Exhibit 4: High Dividend Stocks Outperform Low Dividend Stocks in Falling Inflation Regimes



Source: ClariFi, Morgan Stanley Research

Exhibit 5: Skew Dividend Picks to Defensive and Value Oriented Names



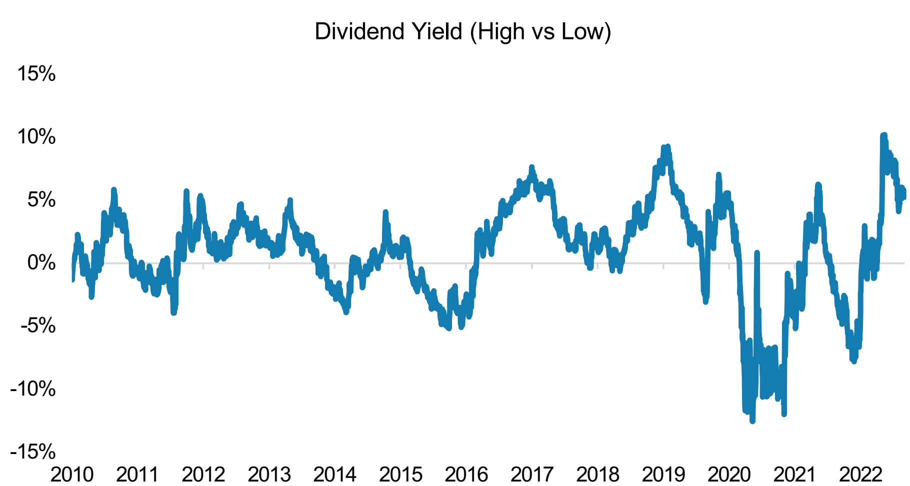
Source: ClariFi, Morgan Stanley Research

Factors

Dividend factors have outperformed in 2022. The macro driven environment of the past year combined with rising risk of recession have fueled outperformance for many of the dividend paying stocks. Dividend paying stocks drive stability through periodic capital return and paying a dividend is generally taken as a sign of earnings stability from the underlying company. However, there are differences underneath the surface when growth, defense, and stability are relatively preferred over others (Exhibit 12).

High dividend yield has lagged since May as markets rebounded from the ~3650 low (Exhibit 6)**.** Defensive oriented sectors have performed well in 2022 but have recently taken a breather as mainly growth stocks rallied on the hope of a Fed pivot and soft landing. Dividend yield has followed suit and so have the different styles (defensive, growth, value). However **5Y dividend growth and dividend growth stability have outperformed as of late** (Exhibit 8). We would note that when looking at high dividend yield, performance can be heavily skewed by Energy. Energy is highly cyclical and trades with the price of oil whereas the rest of high dividend yield skews more defensively.

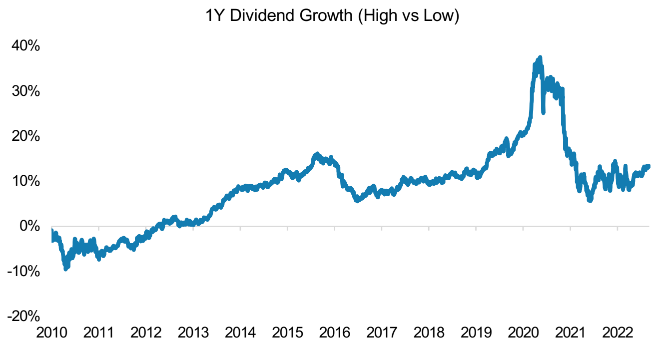
Exhibit 6: Dividend Yield (High vs Low)



Source: ClariFi, Morgan Stanley Research

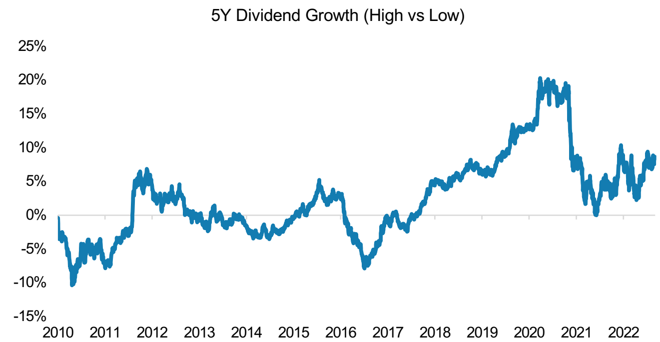
High dividend growth tends to outperform high dividends over time. High dividend yield (Exhibit 6) tends to be mean reverting over time, meaning that reaching for the highest yielding stocks should only be a tactical trade and not a long-term holding. Comparing this to the charts of 1Y and 5Y dividend growth (Exhibit 7), they show a more positive return trend (up-right on the graph) that provides slow, steady outperformance over time. The more defensive 1Y and 5Y dividend growth factors performed particularly well in 2017-2020 during the late cycle environment and saw ~25% of outperformance before the Covid crash. It's in these defensive, late cycle environments that the safety of dividend growth stocks shine and can provide attractive relative returns.

Exhibit 7: 1Y Dividend Growth



Source: ClariFi, Morgan Stanley Research

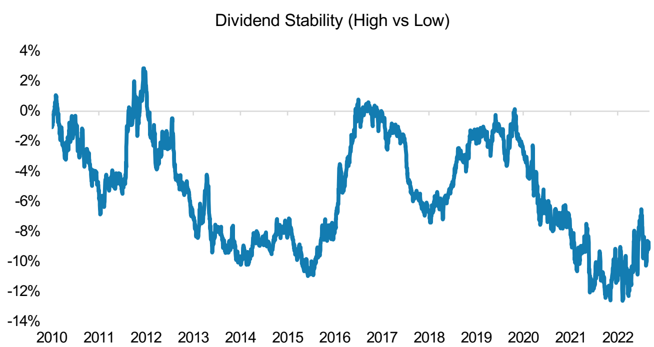
Exhibit 8: 5Y Dividend Growth



Source: ClariFi, Morgan Stanley Research

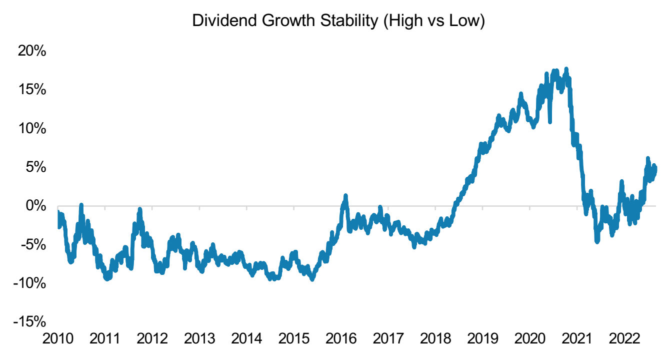
Dividend stability is on the rise. Dividend stability (Exhibit 9)is defined as the top quintile of low DPS volatility among top 1000 US stocks. Similar to 5Y dividend growth, dividend stability tends to outperform during defensive periods with dividend *growth* stability outperforming during late cycle environments like 2018-2020.

Exhibit 9: Dividend Stability (High vs Low)



Source: ClariFi, Morgan Stanley Research

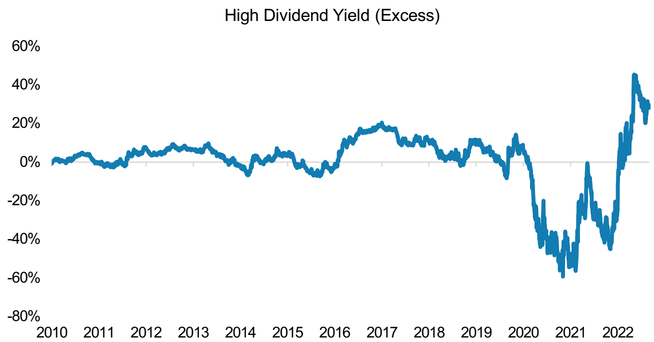
Exhibit 10: Dividend Growth Stability (High vs Low)



Source: ClariFi, Morgan Stanley Research

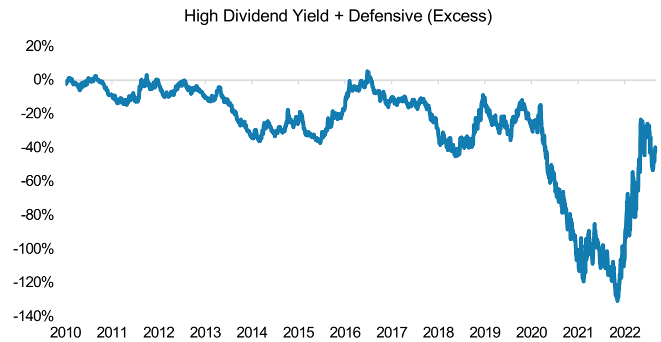
High dividend yield has outperformed sharply in 2021 and 2022, in part due to Energy stocks. While high dividend yields can be attractive, this can sometimes mean that the stock has recently derated and the dividend could potentially be unsustainable. We would advise caution on purely screening for high dividend yields and to look for sustainable dividends and quality earnings alongside high yields. Below we break out three different variations of high dividend yield between defensive, GARP, and value. Performance is similar among the styles but with High Div + Value value having a more cyclical tilt and High Div + Growth tending to provide a positive return spread over most years.

Exhibit 11: High Dividend Yield, Relative to Top 1000



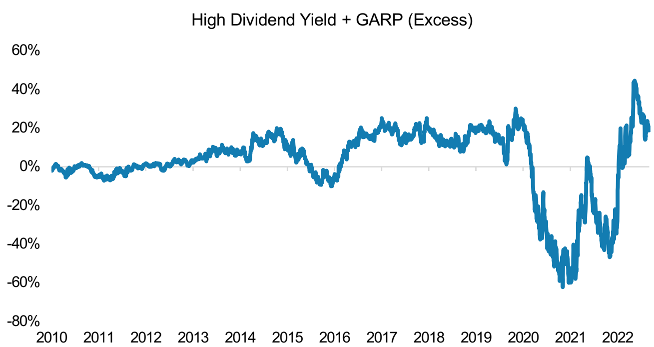
Source: ClariFi, Morgan Stanley Research

Exhibit 12: High Dividend Yield + Defensive, Relative to Top 1000



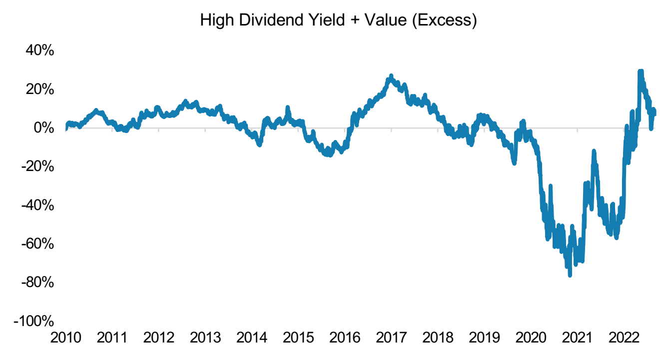
Source: ClariFi, Morgan Stanley Research

Exhibit 13: High Dividend Yield + GARP, Relative to Top 1000



Source: ClariFi, Morgan Stanley Research

Exhibit 14: High Dividend Yield + Value, Relative to Top 1000



Source: ClariFi, Morgan Stanley Research

Dividend Screens

We provide 6 different dividend screens in the section below in order to help narrow down top dividend picks. The first screen aggregates the top dividend picks from our Morgan Stanley coverage analysts and the second screen is a proprietary quantitative framework using MS Research forecasts. The following four screens focus on more quantitative measures and include many of the dividend factors in the section prior.

Screen 1: Analyst Top Picks - The top picks from MS coverage analysts in high dividend industries. We asked analysts to provide their top dividend paying stocks within their coverage and not necessarily their top picks overall. These stocks combine yield, growth, and stability measures and look attractive on a 3-5 year basis from a dividend yield perspective.

Exhibit 15: Screen 1: Top Dividend Picks from Morgan Stanley Bottom-Up Analysts

Ticker	Company	Analyst (Primary)	MS Rating	Morgan Stanley Industry	Price ($)	MS 2023 Dividend yield (%)
NEE	NEXTERA ENERGY INC	Arcaro, David	Equal-Weight	Diversified Utilities / IPPs	89.26	2.1%
DTE	DTE ENERGY COMPANY	Arcaro, David	Overweight	Regulated Utilities	133.59	2.8%
T	AT&T INC	Flannery, Simon	Overweight	Telecom Services	16.98	6.1%
ALLY	ALLY FINANCIAL INC	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	32.52	3.8%
BK	BANK OF NEW YORK MELLON CORP	Graseck, Betsy	Equal-Weight	Large Cap Banks & Consumer Finance	44.14	3.8%
CFG	CITIZENS FINANCIAL GROUP	Graseck, Betsy	Overweight	Midcap Banks	37.44	4.6%
MTB	M & T BANK CORP	Graseck, Betsy	Overweight	Midcap Banks	186.48	2.9%
NTRS	NORTHERN TRUST CORP	Graseck, Betsy	Equal-Weight	Large Cap Banks & Consumer Finance	95.46	3.2%
RF	REGIONS FINANCIAL CORP	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	21.67	3.7%
STT	STATE STREET CORP	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	72.61	3.6%
WFC	WELLS FARGO & CO	Graseck, Betsy	Overweight	Large Cap Banks & Consumer Finance	43.40	3.3%
ET	ENERGY TRANSFER LP	Kad, Robert	Overweight	MLPs & Midstream Energy Infrastructure	11.79	10.8%
PAA	PLAINS ALL AMER PIPELINE LP	Kad, Robert	Overweight	MLPs & Midstream Energy Infrastructure	12.02	7.8%
O	REALTY INCOME CORP	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	66.28	4.3%
ADC	AGREE REALTY CORP	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	74.51	3.9%
SPG	SIMON PROPERTY GROUP INC	Kamdem, Ronald	Overweight	Real Estate Investment Trusts	100.63	6.3%
GLPI	GAMING AND LEISURE PROPERTIE	Kamdem, Ronald	Overweight	Gaming & Lodging	49.04	5.4%
PM	PHILIP MORRIS INTERNATIONAL	Kaufman, Pamela	Overweight	Tobacco	94.49	5.3%
AVB	AVALONBAY COMMUNITIES INC	Kramer, Adam	Overweight	Real Estate Investment Trusts	208.91	3.0%
XOM	EXXON MOBIL CORP	McDermott, Devin	Overweight	Integrated Energy	96.08	3.6%
HES	HESS CORP	McDermott, Devin	Overweight	Exploration & Production	124.77	1.4%
PEP	PEPSICO INC	Mohsenian, Dara	Overweight	Beverages	168.37	2.7%
KO	COCA-COLA CO/THE	Mohsenian, Dara	Overweight	Beverages	60.69	2.9%

Source: Bloomberg, Morgan Stanley Research Estimates

Screen 2: Systematic Dividend Picks to Own/Avoid - We ran a quantitative screen using Morgan Stanley Research bull-base-bear forecasts to optimize total return and risk-reward among dividend paying stocks. This methodology compares upside/downside to price target, projected dividend yields, and bull-bear spread, and 1-year volatility to optimize risk and return metrics. We then ran the final 'To Own' (Exhibit 16) and 'To Avoid' (Exhibit 17) stocks by our coverage analysts as a fundamental overlay. The below lists represent the top and bottom two deciles of total return (PT upside + dividend yield) stocks as ranked by our model.

Exhibit 16: Screen 2a: Systematic Top Dividend Picks - To Own

Ticker	Company name	Analyst	Morgan Stanley Industry	Current price	MSe Price Target	Div yield (%) MSe 23	Total Expected Return
EMN	Eastman Chemical Co	Andrews, Vincent	Chemicals	95.04	165.00	3%	77%
LYB	LyondellBasell Industries N.V.	Andrews, Vincent	Chemicals	86.87	115.00	9%	41%
LIN	Linde PLC	Andrews, Vincent	Chemicals	286.25	365.00	2%	29%
APD	Air Products and Chemicals Inc.	Andrews, Vincent	Chemicals	262.23	335.00	3%	30%
PEG	Public Service Enterprise Group Inc	Arcaro, David	Diversified Utilities / IPPs	66.69	81.00	3%	25%
FE	FirstEnergy Corp	Arcaro, David	Regulated Utilities	40.19	53.00	4%	36%
VST	Vistra Corp	Arcaro, David	Diversified Utilities / IPPs	24.93	33.00	3%	35%
AES	AES Corp.	Arcaro, David	Diversified Utilities / IPPs	25.63	32.00	3%	27%
CCK	Crown Holdings, Inc.	Castillo, Angel	Paper & Packaging	92.12	130.00	1%	42%
V	Visa Inc.	Faucette, James	Payments and Processing	202.89	291.00	1%	44%
MA	MasterCard Inc	Faucette, James	Payments and Processing	331.96	457.00	1%	38%
T	AT&T, Inc.	Flannery, Simon	Telecom Services	17.89	22.00	6%	29%
ABBV	Abbvie Inc.	Flynn, Terence	Major Pharmaceuticals	136.35	188.00	4%	42%
RPRX	Royalty Pharma Plc	Flynn, Terence	Major Pharmaceuticals	43.05	51.00	2%	20%
YUM	Yum! Brands, Inc.	Glass, John	Restaurants	112.16	142.00	2%	29%
WFC	Wells Fargo & Co.	Graseck, Betsy	Large Cap Banks & Consumer Finance	43.97	62.00	3%	44%
CFG	Citizens Financial Group, Inc	Graseck, Betsy	Midcap Banks	37.26	51.00	5%	41%
RF	Regions Financial Corp	Graseck, Betsy	Large Cap Banks & Consumer Finance	21.97	28.00	4%	31%
ROST	Ross Stores Inc.	Greenberger, Kimberly	Retail, Off-Price	87.26	118.00	1%	37%
TJX	TJX Companies Inc.	Greenberger, Kimberly	Retail, Off-Price	62.89	77.00	2%	24%
RACE	Ferrari NV	Jonas, Adam	Autos & Shared Mobility	199.85	300.00	1%	51%
ET	Energy Transfer LP	Kad, Robert	MLPs & Midstream Energy Infrastructure	12.14	15.00	11%	34%
WES	Western Midstream Partners LP	Kad, Robert	MLPs & Midstream Energy Infrastructure	28.25	35.00	8%	31%
PAA	Plains All American Pipeline LP	Kad, Robert	MLPs & Midstream Energy Infrastructure	12.26	15.00	8%	30%
PM	Philip Morris International Inc	Kaufman, Pamela	Tobacco	96.55	112.00	5%	21%
INVH	Invitation Homes Inc	Kramer, Adam	Real Estate Investment Trusts	37.28	45.00	2%	23%
RTX	Raytheon Technologies Corp	Liwag, Kristine	Aerospace	93.52	124.00	2%	35%
FANG	Diamondback Energy Inc	McDermott, Devin	Exploration & Production	133.93	170.00	9%	36%
MCHP	Microchip Technology Inc.	Moore, Joseph	Semiconductors	65.96	82.00	3%	27%
PRIM	Primoris Services Corp	Sharpe, Matthew	Engineering & Technical Services	21.40	33.00	1%	55%
NKE	Nike Inc.	Straton, Alex	Branded Apparel & Footwear	108.28	149.00	1%	39%
CMCSA	Comcast Corporation	Swinburne, Benjamin	Cable/Satellite	36.80	50.00	3%	39%
MSFT	Microsoft	Weiss, Keith	Software	268.09	354.00	1%	33%
CDW	CDW Corporation	Woodring, Erik	IT Hardware	179.69	227.00	1%	28%
ZTS	Zoetis Inc.	Wright, Erin	Specialty Pharmaceuticals	159.89	264.00	1%	66%

Source: Morgan Stanley Research Estimates, Eikon

Exhibit 17: Screen 2b: Systematic Top Dividend Picks - To Avoid

Ticker	Company name	Analyst	Morgan Stanley Industry	Current price	MSe Price Target	Div Yield (%) MSe 23	Total Expected Return
ED	Consolidated Edison Inc	Arcaro, David	Regulated Utilities	98.53	84.00	3%	-11%
SO	Southern Company	Arcaro, David	Regulated Utilities	78.20	69.00	4%	-8%
CAT	Caterpillar Inc.	Cumming, Dillon	Machinery & Construction	191.92	142.00	3%	-23%
LUMN	LUMEN TECHNOLOGIES INC	Flannery, Simon	Telecom Services	10.76	9.50	2%	-9%
LAZ	Lazard Ltd	Gosalia, Manan	Midcap Advisors	36.85	30.00	5%	-13%
AEO	American Eagle Outfitters, Inc.	Greenberger, Kimberly	Retail, Specialty Retail	11.80	8.00	4%	-28%
KSS	Kohl's	Greenberger, Kimberly	Retail, Department Stores	29.74	19.00	6%	-30%
UE	Urban Edge Properties	Kamdem, Ronald	Real Estate Investment Trusts	16.27	14.25	4%	-9%
LAD	Lithia Motors Inc.	Jonas, Adam	Autos & Shared Mobility	278.01	220.00	1%	-20%
PAG	Penske Automotive Group, Inc	Jonas, Adam	Autos & Shared Mobility	121.30	93.00	2%	-22%
GPI	Group 1 Automotive, Inc	Jonas, Adam	Autos & Shared Mobility	185.83	142.00	1%	-23%
SAH	Sonic Automotive Inc	Jonas, Adam	Autos & Shared Mobility	56.48	33.00	2%	-40%
FDS	FactSet Research Systems Inc.	Kaplan, Toni	Business & Education Services	445.12	338.00	1%	-23%
BFb	Brown-Forman Corporation	Mohsenian, Dara	Beverages	75.75	66.00	1%	-12%
WSO	Watsco Inc.	Pokrzywinski, Joshua	Multi-Industry	284.50	204.00	3%	-26%
EBAY	eBay Inc	Schenk, Lauren	Internet	44.53	37.00	2%	-15%
UPS	United Parcel Service	Shanker, Ravi	Freight Transportation	198.93	148.00	3%	-23%

Source: Morgan Stanley Research Estimates, Eikon

Screen 3: High Dividend Stability - Quantitative screen looking at the top 40 stocks with the lowest 5 year Dividend Per Share (DPS) volatility, sorted by the lowest volatility at the top. Universe is top 1000 US stocks by market cap excluding Underweight rated stocks.

Exhibit 18: Screen 3: High Dividend Stability (sorted by most stable)

Ticker	Company Name	Sector	Industry Group	Price	Market Cap ($MM)	MS Rating
NVT	NVENT ELECTRIC PLC	Industrials	Capital Goods	33.85	5,487	Not Covered
FTV	FORTIVE CORP	Industrials	Capital Goods	65.11	22,520	Equal-Weight
OLN	OLIN CORP	Materials	Materials	53.4	7,936	Equal-Weight
EFX	EQUIFAX INC	Industrials	Commercial & Professional Services	195.43	23,103	Equal-Weight
NWSA	NEWS CORP NEW CLASS	Communication Services	Media & Entertainment	16.71	9,899	Not Covered
JBL	JABIL IN	Information Technology	Technology Hardware & Equipment	58.09	8,295	Not Covered
TECH	BIO-TECHNE COR	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	339.94	13,011	Not Covered
PKI	PERKINELMER	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	137.55	17,048	Not Covered
NYCB	NEW YORK COMMUNITY B	Financials	Banks	9.76	4,564	Not Covered
STWD	STARWOOD PROPERTY TR	Financials	Diversified Financials	23.15	7,090	Not Covered
IBKR	INTERACTIVE BROKERS	Financials	Diversified Financials	67.07	6,334	Not Covered
TW	TRADEWEB MARKETS INC	Financials	Diversified Financials	66.825	14,226	Overweight
L	LOEWS CORP	Financials	Insurance	56.44	13,327	Not Covered
COO	COOPER COS INC	Health Care	Health Care Equipment & Services	309.27	14,181	Not Covered
TXT	TEXTRON INC	Industrials	Capital Goods	64.04	13,195	Overweight
TFX	TELEFLEX INC	Health Care	Health Care Equipment & Services	237.15	10,612	Equal-Weight
COKE	COCA-COLA CONSOLIDAT	Consumer Staples	Food, Beverage & Tobacco	454.495	4,446	Not Covered
PSA	PUBLIC STORAGE	Real Estate	Real Estate	341.53	58,075	Equal-Weight
WWE	WORLD WRESTLING ENTE	Communication Services	Media & Entertainment	69.02	5,060	Equal-Weight
LPLA	LPL FINANCIAL HOLDIN	Financials	Diversified Financials	228.12	17,655	Overweight
MRVL	MARVELL TECHNOLOGY I	Information Technology	Semiconductors & Semiconductor Equipment	48.29	39,919	Equal-Weight
ZBH	ZIMMER BIOMET HOLDIN	Health Care	Health Care Equipment & Services	110.19	22,308	Equal-Weight
AYI	ACUITY BRANDS WI	Industrials	Capital Goods	166.55	5,297	Not Covered
AIG	AMER INTL GROUP	Financials	Insurance	54.3	39,352	++
BXMT	BLACKSTONE MORTGAGE	Financials	Diversified Financials	28.65	4,935	Not Covered
GPK	GRAPHIC PACKA	Materials	Materials	23.205	6,855	Not Covered
NWL	NEWELL BRANDS INC	Consumer Discretionary	Consumer Durables & Apparel	17.32	7,383	Equal-Weight
VLY	VALLEY NATL BNCP	Financials	Banks	11.82	5,884	Not Covered
BKR	BAKER HUGHES CO	Energy	Energy	23.91	25,557	Overweight
AGR	AVANGRID INC	Utilities	Utilities	49.62	19,099	++
OHI	OMEGA HEALTHCARE	Real Estate	Real Estate	32.374	7,646	Not Covered
AMCR	AMCOR PLC	Materials	Materials	12.13	17,789	Not Covered
REYN	REYNOLDS CONSUMER PR	Consumer Staples	Household & Personal Products	27.875	5,861	Not Covered
WPC	WP CAREY INC	Real Estate	Real Estate	85.73	16,210	Not Covered
GIS	GENERAL MILLS	Consumer Staples	Food, Beverage & Tobacco	76.06	45,751	Underweight
BWA	BORG WARNER	Consumer Discretionary	Automobiles & Components	37.215	8,929	Underweight
ARMK	ARAMARK	Consumer Discretionary	Consumer Services	36.7	9,203	Equal-Weight
CVS	CVS HEALTH CORP	Health Care	Health Care Equipment & Services	102.14	128,854	Overweight
EMR	EMERSON ELECTRIC CO	Industrials	Capital Goods	83.25	48,333	Equal-Weight

Source: ClariFi, Morgan Stanley Research

Screen 4: High Dividend Yield + Defensive - Top quintile of dividend yield combined with the top quintile of our proprietary defensive factor. The defensive factor is a based on a mix of short/long term market beta, volatility, earnings estimate dispersion, volatility of ROE, and average underperformance in market declines. Universe is top 1000 US stocks by market cap excluding Underweight rated stocks.

Exhibit 19: Screen 4: High Dividend Yield + Defensive

Ticker	Company Name	Sector	Industry Group	Price	Market Cap ($MM)	MS Rating
VZ	VERIZON COMMUNICATIO	Communication Services	Telecommunication Services	41.21	175,590	Equal-Weight
LUMN	LUMEN TECHNOLOGIES I	Communication Services	Telecommunication Services	9.665	10,312	Underweight
T	AT & T INC	Communication Services	Telecommunication Services	16.885	124,988	Overweight
HAS	HASBRO	Consumer Discretionary	Consumer Durables & Apparel	79.67	10,884	Not Covered
LEG	LEGGET & PLATT	Consumer Discretionary	Consumer Durables & Apparel	37.8	5,069	Not Covered
NWL	NEWELL BRANDS INC	Consumer Discretionary	Consumer Durables & Apparel	17.32	7,383	Equal-Weight
WHR	WHIRL POOL CORP	Consumer Discretionary	Consumer Durables & Apparel	154.435	8,536	Not Covered
GRMN	GARMIN LTD	Consumer Discretionary	Consumer Durables & Apparel	90.92	17,066	Equal-Weight
WBA	WALGREENS BOOTS ALLI	Consumer Staples	Food & Staples Retailing	36.055	30,301	Underweight
CAG	CONAGRA BRANDS INC	Consumer Staples	Food, Beverage & Tobacco	34.35	16,506	Equal-Weight
KHC	KRAFT HEINZ CO/THE	Consumer Staples	Food, Beverage & Tobacco	36.745	45,831	Equal-Weight
MO	ALTRIA GROUP INC	Consumer Staples	Food, Beverage & Tobacco	45.235	81,253	Equal-Weight
FIZZ	NATL BEVERAGE	Consumer Staples	Food, Beverage & Tobacco	49.35	5,177	Not Covered
PM	PHILIP MORRIS	Consumer Staples	Food, Beverage & Tobacco	95.64	148,025	Overweight
KMB	KIMBERLY-CLARK	Consumer Staples	Household & Personal Products	125.78	43,054	Equal-Weight
TFC	TRUIST FINANCIAL COR	Financials	Banks	47.87	62,128	Equal-Weight
VLY	VALLEY NATL BNCP	Financials	Banks	11.82	5,884	Not Covered
UBSI	UTD BANKSHARES	Financials	Banks	35.81	4,979	Not Covered
NYCB	NEW YORK COMMUNITY B	Financials	Banks	9.76	4,564	Not Covered
FIBK	FIRST INTERSTATE BAN	Financials	Banks	39.7	4,301	Not Covered
BXMT	BLACKSTONE MORTGAGE	Financials	Diversified Financials	28.65	4,935	Not Covered
NLY	ANNALY CAPITAL MANAG	Financials	Diversified Financials	6.63	11,122	Not Covered
STWD	STARWOOD PROPERTY TR	Financials	Diversified Financials	23.15	7,090	Not Covered
AFG	AMER FINANCIAL	Financials	Insurance	130.28	10,874	Equal-Weight
ORI	OLD REPUBLIC	Financials	Insurance	22.03	6,599	Not Covered
FNF	FIDELITY NATIONAL FI	Financials	Insurance	40.13	10,804	Not Covered
MDT	MEDTRONIC INC	Health Care	Health Care Equipment & Services	88.0801	116,906	Equal-Weight
AMGN	AMGEN	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	245.6	128,544	Equal-Weight
BMY	BRISTOL-MYERS SQUIBB	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	69.265	143,938	Underweight
MRK	MERCK & CO	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	87.37	216,241	Equal-Weight
VTRS	VIATRIS INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	9.6735	11,580	Not Covered
ABBV	ABBVIE INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	140.39	237,738	Overweight
GILD	GILEAD SCIENCES INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	65.53	79,551	Equal-Weight
GD	GENERAL DYNAMICS COR	Industrials	Capital Goods	227.86	62,661	Equal-Weight
JCI	JOHNSON CONTROLS INT	Industrials	Capital Goods	57.105	37,292	Overweight
LMT	LOCKHEED MARTIN CORP	Industrials	Capital Goods	419.29	111,393	Overweight
INTC	INTEL CORP	Information Technology	Semiconductors & Semiconductor Equipment	30.72	131,064	Underweight
AVGO	BROADCOM INC	Information Technology	Semiconductors & Semiconductor Equipment	510.35	201,549	++
IBM	INTL BUSINESS MACHIN	Information Technology	Software & Services	128.21	116,014	Overweight
WU	THE WESTERN UNION CO	Information Technology	Software & Services	14.61	5,717	Underweight
VMW	VMWARE INC-CLASS A	Information Technology	Software & Services	116.23	49,037	++
CSCO	CISCO SYSTEMS	Information Technology	Technology Hardware & Equipment	45.36	185,184	Equal-Weight
JNPR	JUNIPER NETWORKS	Information Technology	Technology Hardware & Equipment	28.74	9,169	Underweight
NEM	NEWMONT CORP	Materials	Materials	42.47	32,827	Not Covered
SMG	THE SCOTTS MIRACLE G	Materials	Materials	57	3,709	Not Covered
GLPI	GAMING AND LEISU	Real Estate	Real Estate	49.66	12,387	Overweight
STOR	STORE CAP CORP	Real Estate	Real Estate	27.355	7,615	Underweight
OHI	OMEGA HEALTHCARE	Real Estate	Real Estate	32.374	7,646	Not Covered
HR	HEALTHCARE REALTY TR	Real Estate	Real Estate	24.35	9,255	Not Covered
LAMR	LAMAR ADVERTISING CO	Real Estate	Real Estate	97.09	9,533	Equal-Weight
WPC	WP CAREY INC	Real Estate	Real Estate	85.73	16,210	Not Covered
SRC	SPIRIT REALTY CAPITA	Real Estate	Real Estate	41.17	5,570	Equal-Weight
MPW	MEDICAL PRPS TR	Real Estate	Real Estate	14.73	8,749	Not Covered
PNW	PINNACL WEST CAP	Utilities	Utilities	77.06	8,518	Equal-Weight
DUK	DUKE ENERGY CORP	Utilities	Utilities	110.49	82,317	Equal-Weight
FE	FirstEnergy Corp	Utilities	Utilities	41.0901	22,599	Overweight
OGE	OGE ENERGY	Utilities	Utilities	41.56	8,116	Not Covered
PPL	PPL CORP	Utilities	Utilities	29.59	21,408	Equal-Weight
SJI	SOUTH JERSEY IND	Utilities	Utilities	34.3	4,142	Equal-Weight
EIX	EDISON INTL	Utilities	Utilities	68.45	25,850	Underweight

Source: ClariFi, Morgan Stanley Research

Screen 5: High Dividend Yield + Growth - Top quintile of dividend yield combined with the top quintile of our proprietary growth factor. The growth factor is based on dividend yield, price to book, total debt to market cap, and the long term growth rate. Universe is top 1000 US stocks by market cap excluding Underweight rated stocks.

Exhibit 20: Screen 5: High Dividend Yield + Growth

Ticker	Company Name	Sector	Industry Group	Price	Market Cap ($MM)	MS Rating
BBY	BEST BUY CO INC	Consumer Discretionary	Retailing	73.79	15,917	Equal-Weight
DKS	DICKS SPORTING GOODS	Consumer Discretionary	Retailing	111.935	8,424	Overweight
FIZZ	NATL BEVERAGE	Consumer Staples	Food, Beverage & Tobacco	49.35	5,177	Not Covered
PXD	Pioneer Natural Reso	Energy	Energy	233.93	60,435	Equal-Weight
DVN	DEVON ENERGY	Energy	Energy	68.595	46,242	Equal-Weight
EOG	EOG RESOURCES	Energy	Energy	117.497	71,087	Equal-Weight
CTRA	COTERRA ENERGY INC	Energy	Energy	29.12	24,592	Equal-Weight
C	CITIGROUP INC	Financials	Banks	49.6571	94,531	Underweight
CFG	CITIZENS FINANL	Financials	Banks	37.29	18,180	Overweight
AFG	AMER FINANCIAL	Financials	Insurance	130.28	10,874	Equal-Weight
ORI	OLD REPUBLIC	Financials	Insurance	22.03	6,599	Not Covered
BMY	BRISTOL-MYERS SQUIBB	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	69.265	143,938	Underweight
ABBV	ABBVIE INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	140.39	237,738	Overweight
GD	GENERAL DYNAMICS COR	Industrials	Capital Goods	227.86	62,661	Equal-Weight
RRX	REGAL REXNORD CORP	Industrials	Capital Goods	141.15	9,147	Not Covered
AGCO	AGCO CORP	Industrials	Capital Goods	107.39	8,110	Equal-Weight
NTAP	NETAPP INC	Information Technology	Technology Hardware & Equipment	71.1	15,679	Equal-Weight
NEM	NEWMONT CORP	Materials	Materials	42.47	32,827	Not Covered
CC	CHEMOURS COMPANY	Materials	Materials	34.63	5,233	Equal-Weight
LYB	LYONDELLBASELL INDUS	Materials	Materials	81.72	27,075	Overweight
WY	WEYERHAEUSER CO STOC	Real Estate	Real Estate	33.89	25,289	Not Covered

Source: ClariFi, Morgan Stanley Research

Screen 6: High Dividend + Low Leverage - Top quintile of dividend yield combined with the bottom quintile by net debt/EBITDA. Universe is top 1000 US stocks by market cap excluding Underweight rated stocks.

Exhibit 21: Screen 6: High Dividend Yield + Low Leverage

Ticker	Company Name	Sector	Industry Group	Price	Market Cap ($MM)	MS Rating
RL	RALPH LAUREN CORP	Consumer Discretionary	Consumer Durables & Apparel	93.92	6,190	Not Covered
BBY	BEST BUY CO INC	Consumer Discretionary	Retailing	73.79	15,917	Equal-Weight
FIZZ	NATL BEVERAGE	Consumer Staples	Food, Beverage & Tobacco	49.35	5,177	Not Covered
PXD	Pioneer Natural Reso	Energy	Energy	233.93	60,435	Equal-Weight
DVN	DEVON ENERGY	Energy	Energy	68.595	46,242	Equal-Weight
EOG	EOG RESOURCES	Energy	Energy	117.497	71,087	Equal-Weight
PRU	PRUDENTIAL FINANCIAL	Financials	Insurance	96.81	35,619	Equal-Weight
CMI	CUMMINS INC	Industrials	Capital Goods	214.47	30,366	Equal-Weight
SNA	SNAP-ON INC	Industrials	Capital Goods	221.75	11,605	Not Covered
WSO	WATSCO INC	Industrials	Capital Goods	283.79	9,857	Underweight
FAST	FASTENAL CO	Industrials	Capital Goods	50.85	28,923	Underweight
NEM	NEWMONT CORP	Materials	Materials	42.47	32,827	Not Covered
WY	WEYERHAEUSER CO STOC	Real Estate	Real Estate	33.89	25,289	Not Covered

Source: ClariFi, Morgan Stanley Research

Dividend Regimes

In order to determine the relative attractiveness of various dividend factors and industry groups throughout a cycle, we used our regime framework from our initial Inflation and Interest Rate Equity Playbook in 2021. We define regimes both in terms of long-term trend with short-term direction, producing a matrix with four quadrants.

Defining Regimes

We define 4 distinct inflation regimes - Above or Below Trend with Rising or Falling Inflation Expectations, and 4 interest rate regimes - Above or Below Trend with Rising or Falling rates.

Above and Below Trend inflation regimes are identified by comparing the current Core PCE Y/Y change to its 5-year moving average - periods when the current level of inflation is above the 5-year moving average are considered Above Trend, and vice versa. Rising and Falling Inflation Expectations are measured by month-over-month change in the 10yr breakevens - monthly increases in breakevens are identified as Rising Expectations, and conversely, monthly decreases in breakevens are identified as Falling Expectations (Exhibit 22).

Above and Below Trend interest rate regimes are defined by comparing the current 10-year Treasury yields to its 3-year moving average. And Rising and Falling rates regimes are identified by monthly changes in the 10-year yield.Exhibit 2

Exhibit 22: Inflation Regimes

	Above Trend	Below Trend
Rising Expectations	Core PCE > 5yr Moving Avg 10yr breakeven up m/m	Core PCE <= 5yr Moving Avg 10yr breakeven up m/m
Falling Expectations	Core PCE > 5yr Moving Avg 10yr breakeven down m/m	Core PCE <= 5yr Moving Avg 10yr breakeven down m/m

Source: Morgan Stanley Research

Exhibit 23: Interest Rate Regimes

	Above Trend	Below Trend
Rising	10yr yield > 3yr Moving Avg 10yr yield up m/m	10yr yield <= 3yr Moving Avg 10yr yield up m/m
Falling	10yr yield > 3yr Moving Avg 10yr yield down m/m	10yr yield <= 3yr Moving Avg 10yr yield down m/m

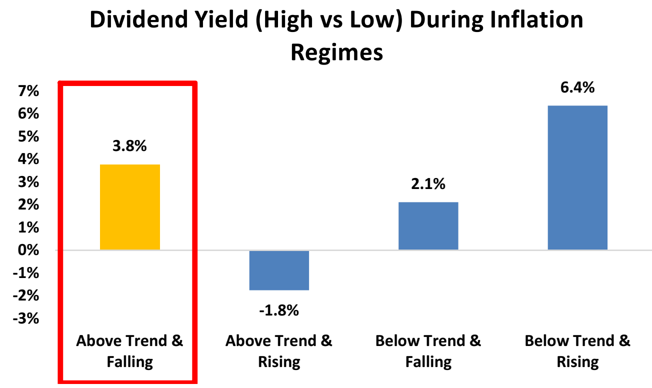
Source: Morgan Stanley Research

Dividends perform well in late-cycle environments, like today. The stability and guaranteed income from dividends make them a relatively safe bet that becomes increasingly attractive as the cycle progresses. Today, with CPI running at ~8% and PCE just under 5%, inflation is above trend and may have peaked with oil well off of recent highs. Looking at our regime framework, inflation during 'above trend and falling' is one of the best performing environments for the Dividend yield factor, which longs the top quintile and shorts the bottom quintile. The only regime better than 'above trend & falling' is the exact opposite, 'below trend & rising', but this is due to the large presence of Energy stocks in the high yield factor.

High dividend yield + defensive, value outperform when inflation is 'Above Trend & Falling'. Adding in the defensive and value factors with high dividend yield shows the most outperformance during periods similar to today. This is closely followed by dividend growth stability which is the top quintile of lowest DPS volatility among top

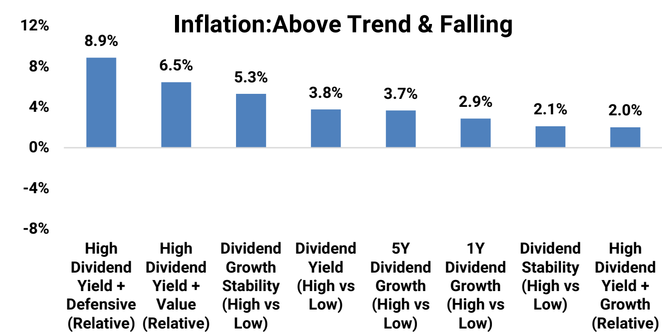
1000 stocks. In Exhibits 26 and 27, we show performance during all inflation and rate regimes. Dividend factor performance during interest rate regimes was more mixed than inflation regimes and less conclusive.

Exhibit 24: Dividend Yield Outperforms During Above Trend and Falling Inflation



Source: ClariFi, Morgan Stanley Research

Exhibit 25: Nearly All Dividend Factors Produce Positive Returns with Above Trend & Falling Inflation; High Yield with Defensive, Value Tilts are Top Performers



Source: ClariFi, Morgan Stanley Research

Exhibit 26: Inflation Regimes: Dividend Factors

Top 1000 Avg Dividend Factors Monthly Returns under Different Inflation Regimes, Annualized, Jan 2000 - Jul 2022

Factor	Above Trend & Falling	Above Trend & Rising	Below Trend & Falling	Below Trend & Rising
Dividend Yield (High vs Low)	3.8%	-1.8%	2.1%	6.4%
1Y Dividend Growth (High vs Low)	2.9%	2.2%	2.2%	-7.3%
5Y Dividend Growth (High vs Low)	3.7%	-0.5%	0.0%	-4.9%
Dividend Stability (High vs Low)	2.1%	-3.1%	2.9%	-3.0%
Dividend Growth Stability (High vs Low)	5.3%	-3.3%	5.9%	-9.9%
High Dividend Yield + Defensive (Relative)	8.9%	-5.2%	11.7%	-13.9%
High Dividend Yield + Growth (Relative)	2.0%	-5.4%	6.4%	-13.6%
High Dividend Yield + Value (Relative)	6.5%	-0.5%	4.1%	-0.6%

Source: ClariFi, Morgan Stanley Research

Exhibit 27: Rate Regimes: Dividend Factors

Top 1000 Avg Dividend Factors Monthly Returns under Different Rates Regimes, Annualized, Jan 2000 - Jul 2022

Factor	Above Trend & Falling	Above Trend & Rising	Below Trend & Falling	Below Trend & Rising
Dividend Yield (High vs Low)	-2.7%	1.0%	4.8%	2.3%
1Y Dividend Growth (High vs Low)	1.4%	0.2%	1.5%	-0.2%
5Y Dividend Growth (High vs Low)	-1.7%	1.5%	2.3%	-2.7%
Dividend Stability (High vs Low)	0.1%	0.0%	2.7%	-5.1%
Dividend Growth Stability (High vs Low)	-2.7%	0.2%	4.2%	-4.5%
High Dividend Yield + Defensive (Relative)	-3.3%	-0.2%	12.2%	-11.4%
High Dividend Yield + Growth (Relative)	3.3%	-3.5%	4.0%	-12.8%
High Dividend Yield + Value (Relative)	-0.4%	0.2%	0.8%	-0.2%

Source: ClariFi, Morgan Stanley Research

Utilities, Food Beverage & Tobacco, and Real Estate are the top performing industry groups in Above Trend & Falling inflation. Unlike inflation regimes where we have more confidence in the direction, rate regimes vary widely by your forward outlook for rising for falling rates. During Above Trend & Falling rates, Utilities and Real Estate are once again the top performing industry groups but during rising rates, MLPs and Energy are the top industries, likely benefitting from periods of rising global energy prices. Real Estate is highly rate sensitive and flips from being a top performer to a bottom performer depending on whether above trend rates are falling or rising.

Exhibit 28: Inflation Regimes: High Yielding Industry Groups

Top 1000 Avg Industry Group Monthly Excess Returns (Cap-Weighted) under Different Inflation Regimes, Annualized, Jan 2000 - Jul 2022

Factor	Above Trend & Falling	Above Trend & Rising	Below Trend & Falling	Below Trend & Rising
Energy	-4.6%	14.2%	-22.0%	18.1%
Telecommunication Services	-0.9%	-5.9%	8.5%	-22.6%
Real Estate	9.7%	-0.1%	13.9%	-6.3%
Banks	2.6%	-2.2%	-4.8%	0.9%
Food, Beverage & Tobacco	11.6%	-6.6%	20.3%	-11.6%
Utilities	15.4%	-7.5%	18.8%	-22.7%
MLP	1.2%	10.1%	-26.3%	14.8%

Source: ClariFi, Morgan Stanley Research

Exhibit 29: Rate Regimes: High Yielding Industry Groups

Top 1000 Avg Industry Group Monthly Excess Returns (Cap-Weighted) under Different Rates Regimes, Annualized, Jan 2000 - Jul 2022

Factor	Above Trend & Falling	Above Trend & Rising	Below Trend & Falling	Below Trend & Rising
Energy	-5.7%	19.6%	-6.0%	3.5%
Telecommunication Services	-8.0%	0.2%	-4.5%	-9.9%
Real Estate	7.2%	-1.7%	21.6%	-13.6%
Banks	-11.2%	6.8%	-7.6%	7.6%
Food, Beverage & Tobacco	-9.3%	5.7%	20.4%	-14.6%
Utilities	7.5%	4.4%	14.6%	-20.7%
MLP	3.4%	20.6%	-10.1%	-0.1%

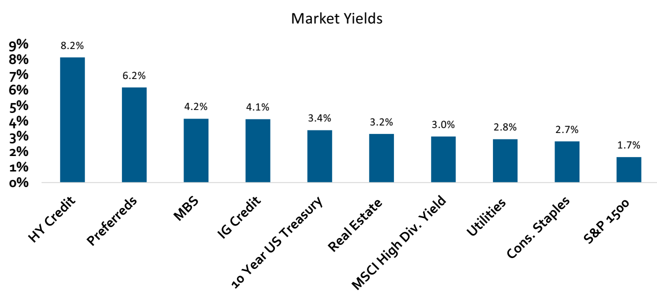
Source: ClariFi, Morgan Stanley Research

Macro

We group a number of macro-oriented charts in this section to show dividend metrics across both broad indexes and to show relationships over time.

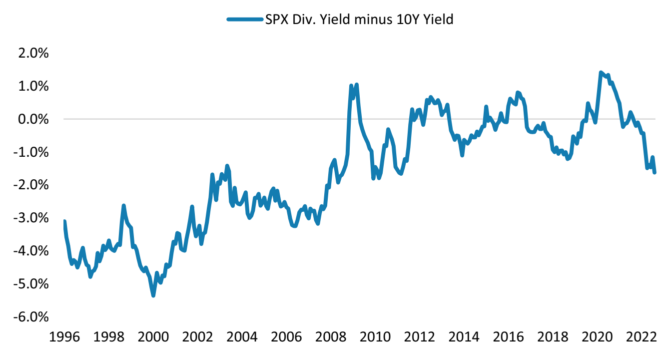
We first compare market relative yields on the cross-asset spectrum, comparing yields across equities, rates, and credit. While equities provide lower yields than credit, certain sectors such as Real Estate or Utilities can bridge this gap. However, the steepest competition for dividend yield often comes from the 10-Year Treasury, which as the time of publishing, yields 3.4%. While some investors may be constrained to equity as an asset class, the higher yields from Treasuries create an opportunity cost for investors at this time.

Exhibit 30: Relative Market Yields



Source: Bloomberg, Factset, Morgan Stanley Research

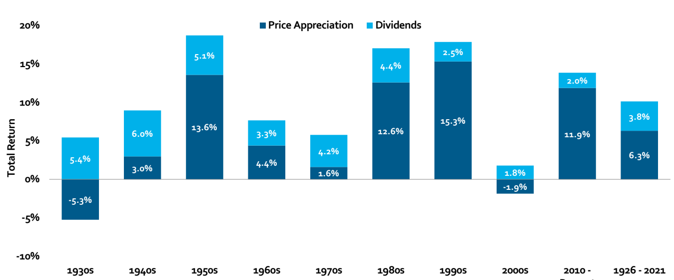
Exhibit 31: S&P 500 Dividend Yield minus 10-Year Treasury Yield



Source: Bloomberg, Factset, Morgan Stanley Research

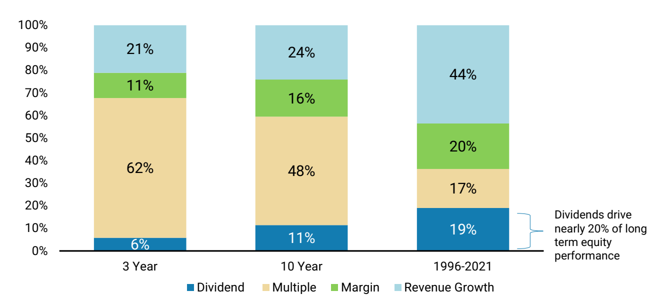
Dividends hold high importance for long-term investors with dividend yields making up 2-6% of return each decade back to 1930. On a compounded basis, dividends represent nearly 20% of total return since 1996. While dividends are never guaranteed on a single stock basis, they can provide stable return in aggregate and can cushion capital market losses during periods such as the Lost Decade (2000-2009).

Exhibit 32: Importance of Dividends to Capital Appreciation



Source: Bloomberg, Factset, Morgan Stanley Research

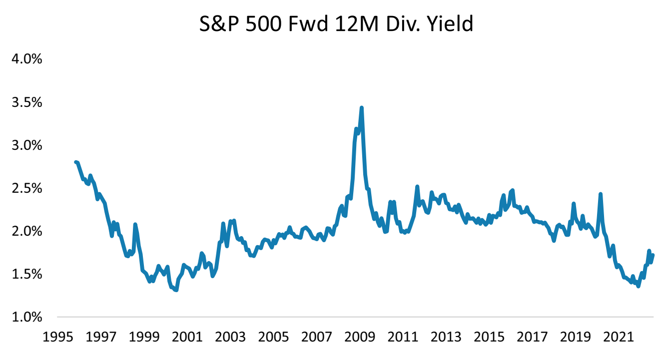
Exhibit 33: Drivers of S&P 500 Return



Source: Bloomberg, Factset, Morgan Stanley Research

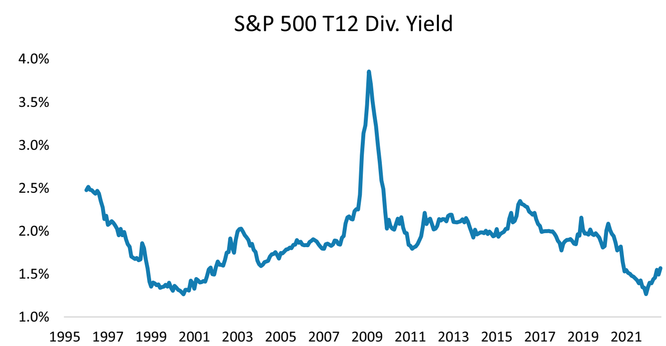
Forward dividend yields fell sharply in 2020-2021 as valuations outpaced dividend growth. Now, in 2022, dividend yields appear to have bottomed as the S&P 500 peaked at 4,800 and nearly 22x earnings. Today, dividend yields have rebounded to 1.7% but remain below the post-GFC average of 1.9%. A similar dynamic presents in dividend growth as well with forward consensus pricing 7% dividend growth for the S&P 500 versus the 10% post-GFC average.

Exhibit 34: S&P 500 12M Forward Dividend Yield



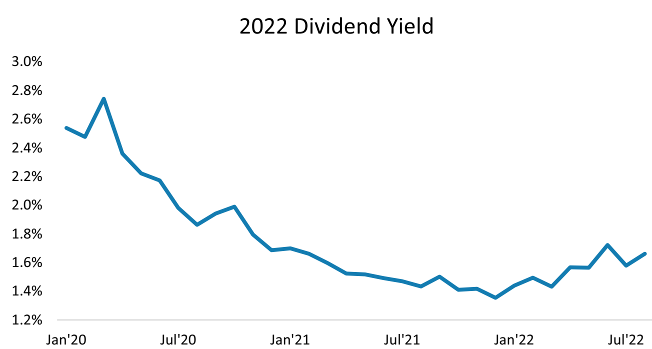
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 35: S&P 500 T12 Dividend Yield



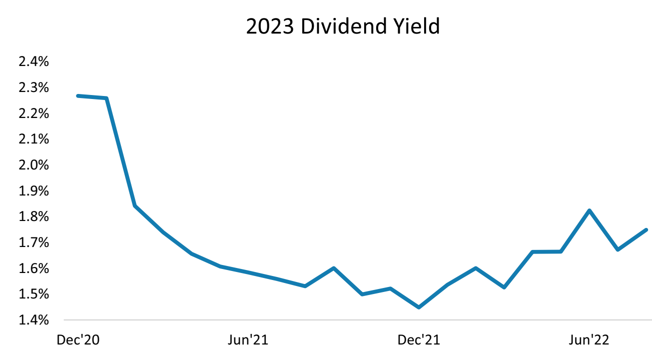
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 36: 2022 Consensus Dividend Yield



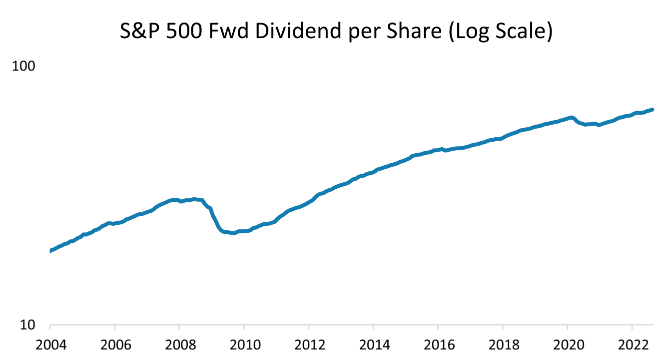
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 37: 2023 Consensus Dividend Yield



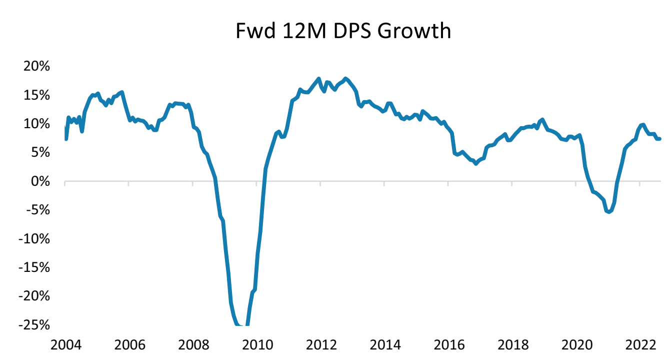
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 38: S&P 500 12M Fwd Dividend Per Share



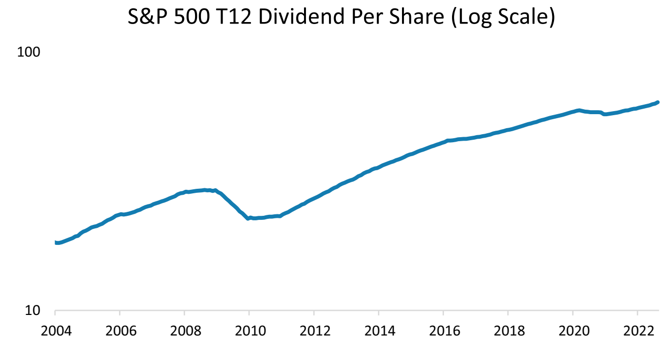
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 39: S&P 500 12M Fwd Dividend Per Share Growth



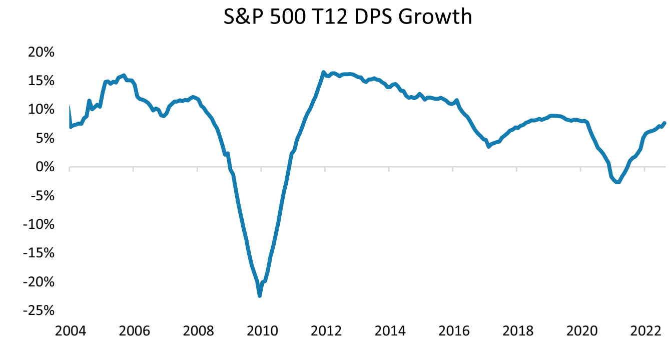
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 40: S&P 500 T12 Dividend Per Share



Source: Bloomberg, Factset, Morgan Stanley Research

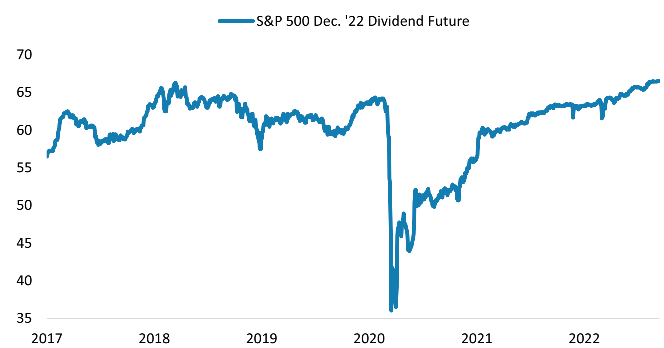
Exhibit 41: S&P 500 T12 Dividend Per Share Growth



Source: Bloomberg, Factset, Morgan Stanley Research

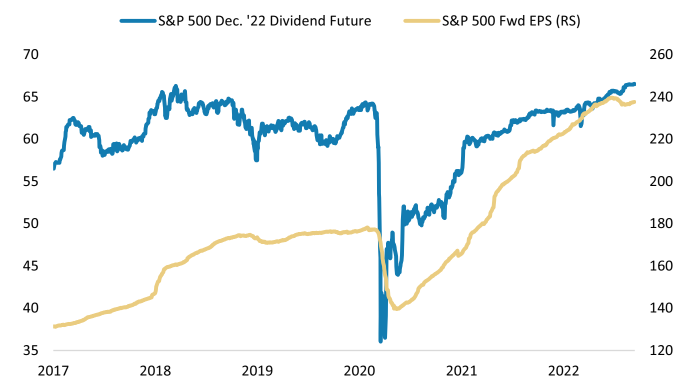
Dividend futures are a relatively small market in the US but have some historical efficacy at projecting forward earnings (Exhibit 43) and valuations (Exhibit 44) for the broad market. While we don't see any wide divergences today like we did six months ago when forward P/Es were closer to 22x, any future spreads are worth monitoring.

Exhibit 42: S&P 500 Dividend Future



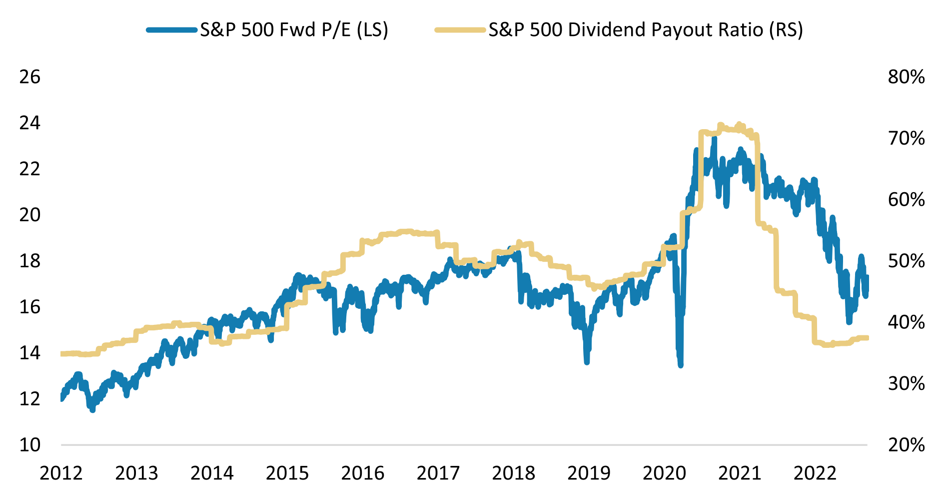
Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 43: S&P 500 Dividend Future vs Forward EPS



Source: Bloomberg, Factset, Morgan Stanley Research

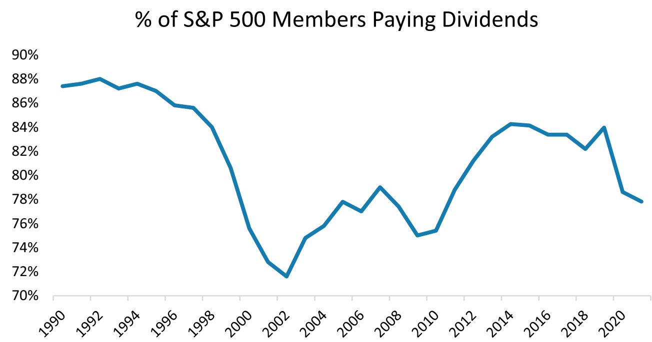
Exhibit 44: S&P 500 Dividend Payout Ratio vs Forward P/E



Source: Bloomberg, Factset, Morgan Stanley Research

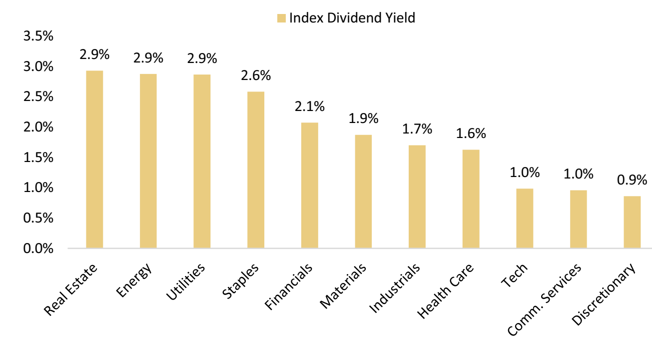
80% of S&P 500 members have paid a dividend in 2022, which is down from 84% in 2014 and 88% in 1992. At the sector level, Energy and Real Estate currently pay the highest dividend yields as of September 2022 with a 3.2% yield. Lastly in Exhibit 47, the S&P 500 has a 38% earnings payout ratio in the form of dividends with the least number of dividend paying stocks coming from Software & Services and Media & Entertainment.

Exhibit 45: Percentage of S&P 500 Members Paying Dividends



Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 46: S&P 500 Sector Dividend Yields



Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 47: S&P 500 Dividend Table by Industry Group

Sector	Industry Group	% of Total Paying Dividend	Median Dividend Yield	Payout Ratio
S&P 500		80%	2.1%	38%
Consumer Discretionary	**Discretionary**	**67%**	**2.0%**	33%
	Automobiles & Components	80%	**2.3%**	24%
	Consumer Durables & Apparel	75%	**2.8%**	22%
	Consumer Services	56%	**1.5%**	42%
	Retailing	67%	**2.0%**	37%
Energy	**Energy**	**100%**	**2.1%**	36%
Financials	**Financials**	**98%**	**2.2%**	27%
	Banks	100%	**3.1%**	29%
	Diversified Financials	96%	**1.9%**	27%
	Insurance	100%	**1.8%**	25%
Health Care	**Health Care**	**66%**	**1.2%**	41%
	Health Care Equipment & Servi	69%	**1.2%**	32%
	Pharmaceuticals, Biotechnolog	62%	**2.6%**	46%
Industrials	**Industrials**	**87%**	**1.5%**	41%
	Capital Goods	93%	**1.7%**	45%
	Commercial & Professional Se	91%	**1.0%**	33%
	Transportation	64%	**1.3%**	34%
Materials	**Materials**	**100%**	**1.7%**	35%
Real Estate	**Real Estate**	**93%**	**3.2%**	103%
Consumer Staples	**Staples**	**97%**	**2.4%**	64%
	Food & Staples Retailing	100%	**1.8%**	44%
	Food, Beverage & Tobacco	95%	**2.8%**	72%
	Household & Personal Product	100%	**2.5%**	61%
Information Technology	**Tech**	**58%**	**1.7%**	27%
	Semiconductors & Semiconduc	79%	**1.6%**	29%
	Software & Services	46%	**1.4%**	32%
	Technology Hardware & Equipı	60%	**2.6%**	20%
Utilities	**Utilities**	**97%**	**2.8%**	75%
Communication Services	**Comm Services**	**50%**	**2.6%**	47%
	Media & Entertainment	45%	**1.5%**	33%
	Telecommunication Services	75%	**5.3%**	54%

Source: Bloomberg, Factset, Morgan Stanley Research

Industries in Focus

MLPs/Midstream Energy

Robert Kad

Dividend Stability within Industry

The past dozen years have been an ongoing iteration of the midstream business model to address vulnerabilities and reflect changes in investor preferences. This has largely reversed a narrow historical focus on dividend payout maximization. In shifting away from a full payout model, midstream companies have had to unwind the associated business model deficiencies that had elevated risk around what are often otherwise relatively stable cash flows. Reliance on recurring equity capital market access has been eliminated, leverage has been reduced in many cases, and complex and conflicted organizational structures have been restructured (GP/IDR eliminations). Industry growth has moderated (a function of both U.S. shale maturation and longer-term decarbonization trends), reinforced by more limited access to capital (investor aversion to either equity issuance or leverage that places credit ratings or covenants at risk in down cycles) and reduced incentives for growth (IDRs had previously been a significant motivating factor).

Full dividend payout models left little cushion in the event of dividend coverage shortfalls and little cash retention to support other calls on capital. With the cumulative impact of a large number of dividend cuts over multiple tail events in recent years, the industry no longer enjoys the valuation support of yields that were previously perceived to be safe and prioritized above other objectives (in effect, treated as an implicit covenant with investors).

Post-Covid onset, as the midstream industry has moved toward adoption of FCF generation as a strategic objective — accomplished through capital discipline with more stringent return focus rather than emphasis on growth — we see the broader de-risking of these business models having served to restabilize dividends in our coverage and recalibrating growth to more modest levels. Although we do not expect yield support for valuation to be restored as dividend cuts are now viewed as more discretionary management choices (rather than a function covenant non-compliance or credit metric deterioration that challenges ratings), we see limited risk to current dividend payouts across the substantial majority of our coverage.

Prospects for Dividend Growth within Industry (next 3-5 years)

The midstream value proposition is ultimately more one of cash flow resiliency than commodity torque, making growth more reliant on incremental capital investment. As noted, midstream industry growth has slowed in recent years given maturation of US shale production, regulatory headwinds to new project development, and an energy economy that is transitioning toward a low carbon future. However, selective capital investment opportunities still exist around smaller, more capital efficient investments that address system bottlenecks, while the energy transition offers longer-term opportunities to repurpose pipeline and storage infrastructure for lower carbon uses.

With respect to dividends, capital investment discipline and resulting FCF generation have accompanied a pivot away from a narrow focus on dividend growth and payout maximization to other cash return measures with lower execution and terminal value risk. Historically, the full dividend payout model offered the collateral benefit of agency risk mitigation, returning predictable levels of cash and requiring ongoing investor approval of capital investment decisions to secure exogenous capital. Unfortunately, solving for both full payout and ongoing growth led to untenable funding risk and overly aggressive pursuit of capex. Moving to a model of capital discipline, positive FCF and capital structure reduction with more limited growth potentially offers a better pathway to risk mitigation.

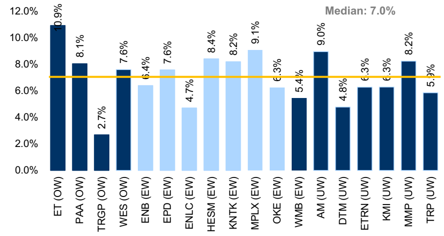
- We see share repurchase announcements, if sizeable and credible (e.g., recurring execution), to be one of the most important potential idiosyncratic near-term catalysts within managements' control and differentiators of relative stock performance. Beyond positive signalling on capital discipline and opportunities it creates for capital structure reduction, positive FCF generation applied toward debt or share count reduction allows for positive stock performance without requiring multiple expansion or EBITDA growth.

- Return of capital is also an effective tool to address terminal value risk. While considerable debate exists around the timeline and extent to which the global energy economy might transition away from hydrocarbons to renewable sources, the burden of proof effectively now resides with the companies themselves and other industry participants to establish the longevity of hydrocarbon demand. In the absence of specifics around repurposing potential, managements can still de-risk terminal values through sustained capital discipline and redirection of cash flows to capital structure reduction, increasing and accelerating the residual claim on cash flows.

- While investors will likely continue to debate preferences for different strategies (share buybacks, leverage reduction, dividend growth, capital reinvestment to offset EBITDA declines) and variant optimal approaches across companies, we see prioritization of debt/equity repurchases (in whatever balance) as critical to elevating the primacy of attractive FCF yields as a midstream valuation metric.

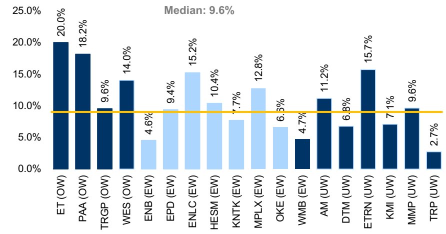
The implication then for midstream dividends is that while payout strategies are evolving (and historical precedent has become less instructive), most companies are likely to grow dividends at levels consistent with EBITDA growth – likely mid- to high-single digits. Exceptions exist, however, where dividends had been cut and have not yet been normalized and/or FCF generation is so high (and capital needs so low) that above average – and potentially quite meaningful – dividend growth is supported.

Exhibit 48: Morgan Stanley Midstream Coverage 2023e Dividend Yield



Source: Refinitiv, Morgan Stanley Research estimates.

Exhibit 49: Morgan Stanley Midstream Coverage 2023e Free Cash Flow Before Dividends/Market Capitalization



Source: Refinitiv, Morgan Stanley Research estimates.

Key Risks to Dividends

The primary near-term risk to underlying FCF generation is less variability or deterioration in cash flows and more reacceleration of capital reinvestment. While much work has been done, capital discipline and positive FCF generation remain recent developments within midstream and still require either longer histories or forward guidance – including commitments to capital structure reduction (share buybacks, leverage targets) – to telegraph management buy-in to investors. Instances in which companies stretch on organic capital reinvestment or M&A and re-lever balance sheets could reintroduce dividend risk in a period of more pronounced cyclical downturn, but one we view as lower probability. One case within our coverage were dividend risk could exist (ETRN) is largely idiosyncratic, tied to regulatory uncertainty around a largely funded but not completed project.

Over time, should the energy transition materially diminish hydrocarbon demand, opportunities for repurposing prove unavailable, and midstream companies elect not to allocate FCF to leverage reduction, deteriorating cash flows viewed against non-amortizing debt could create long-term leverage issues that threaten dividend safety. While we see both the runaway for global hydrocarbon demand (and associated energy security) and the essential role of midstream assets in enabling the energy transition to be underappreciated by the market and see this risk as relatively low, individual outcomes across companies could still vary.

Top Pick(s)

ET ($15 PT, +37% total return): Highly dislocated stock (2023e FCF yield of 20%; S&P 500 ~5%) with one of the best catalyst paths to re-rate through the back half of the year: (1) positive estimate revision potential on both 2022 EBITDA (guidance: $12.6-12.8Bn, cons: $12.87Bn, MS: $12.97Bn) and 2023 (cons: $12.87Bn, MS: $13.08Bn), likely starting with November earnings, (2) announcement of final investment decision on Lake Charles LNG project, which we expect this fall, adding $0.70-0.90/unit of fair value above our PT and supporting FCF yield compression as inclusion of equity partners will demonstrate capital discipline, and (3) expected distribution increases of 15% in both 3q22/4q22, with resulting 11% yield likely to attract income investors.

PAA ($15 PT, +34% total return): Another stock that screens unduly cheap at 2023e FCF yield of 18%. We think the stock starts to more sustainably work closer to October/November into early next year given: (1) tangible evidence of inflection in Permian oil production growth in the coming months, (2) initial producer commentary in

November/December around outlook for 2023+ Permian growth, (3) MLP seasonality from late December-January (in each of the past 26 years, the benchmark Alerian MLP Index has posted a positive total return during this period, outperforming the S&P roughly 75% of the time and accounting for roughly 50% of the sector's total return in just that period alone), (4) 2023 guidance that should point to deleveraging success and accelerating stock buybacks, one of only a handful of midstream companies doing so, and (5) evidence of tightening utilization of Permian crude oil pipeline takeaway capacity to Corpus Christi and Houston, supporting capacity contracting efforts beginning 1H23 and addressing a key overhang.

At Risk Stocks

ETRN ($7 PT, -20% total return): With ongoing uncertainty around the permitting process (inclusive of associated appellate court challenges) and the path forward for its Mountain Valley Pipeline project, we have excluded MVP (and related impacts) from our model, which drives our $7/share fair value for ETRN. MVP and its related impacts (gathering MVC step-up, Henry Hub upside agreement, including Hammerhead revenue, etc.) would add ~$6/share to our DCF-derived fair value.

There are different event paths in which the dividend could be at risk, such as a scenario in which MVP is re-permitted and allowed to restart construction (with associated further capex spending) but is ultimately not completed as legal challenged vacate key permits once again. Here, leverage remains elevated at or slightly above 5.0x throughout 2022 and in a similar range (~5.0x or slightly above) in 2023, but importantly, does not escalate out to the 5.5x+ range (and a newly finalized credit facility allows for temporary covenant relief once spending resumes on MVP). However, looking out further, with Gathering EBITDA beginning to decline more materially (consistent with the Gathering Agreement), leverage begins to approach the 5.5x range in the 2024 timeframe. Accordingly, while we acknowledge a dividend cut in the near- or medium-term could alleviate balance sheet stress, we believe the more acute risk of a dividend cut does not materialize until the 2024 timeframe, subject to the outcome of the project.

Energy

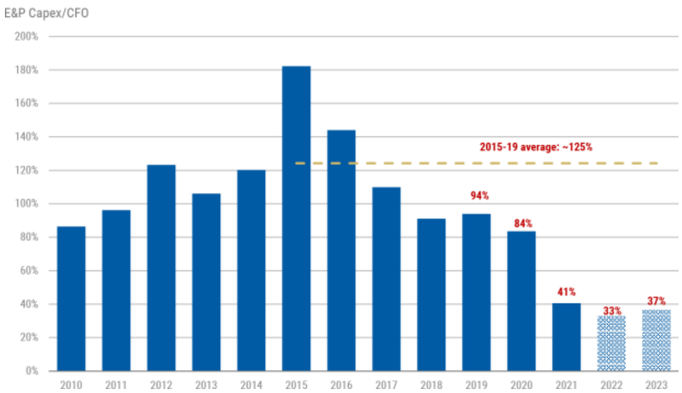
Devin McDermott

Dividend Stability within Industry

For the Energy sector, the Covid-driven price collapse in 2020 brought an end to a cycle defined by overinvestment, weak returns, and persistent underperformance. Concurrently, it ushered in a new period of pervasive capital discipline and rising shareholder returns. This new value proposition has not only proven supportive of oil & gas markets, but also helped drive record FCF for E&Ps and Integrated Energy stocks, collectively generating ~$60 B in 2Q.

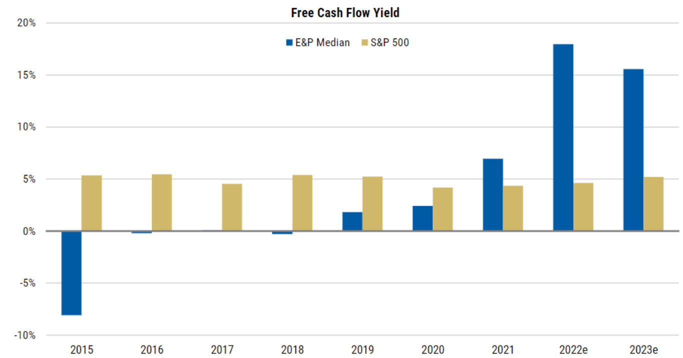
While inflation has put upward pressure on capex, the industry is spending at a much lower reinvestment rate than historical levels. For 2022/23, we estimate reinvestment rates of ~33%/37% of CFO, compared to an average of ~125% over 2015-19. Lower reinvestment rates mean that higher spending does little to change the sector's attractive FCF profile. This year we estimate the median E&P yields 18%, >3x the broader market. Further, across our US E&P and Integrated Energy coverage, FCF/base dividend coverage is robust at >7x.

Exhibit 50: After years of outspending cash flows, US E&Ps are taking a more disciplined approach...



Source: Bloomberg, Morgan Stanley Research

Exhibit 51: ...Despite modestly higher costs, our E&P coverage is offering a 18% median FCF this year, >3x the broader market



Source: Bloomberg, Morgan Stanley Research. Note: Assumes $100/bbl WTI in 2022, $90/bbl WTI in 2023

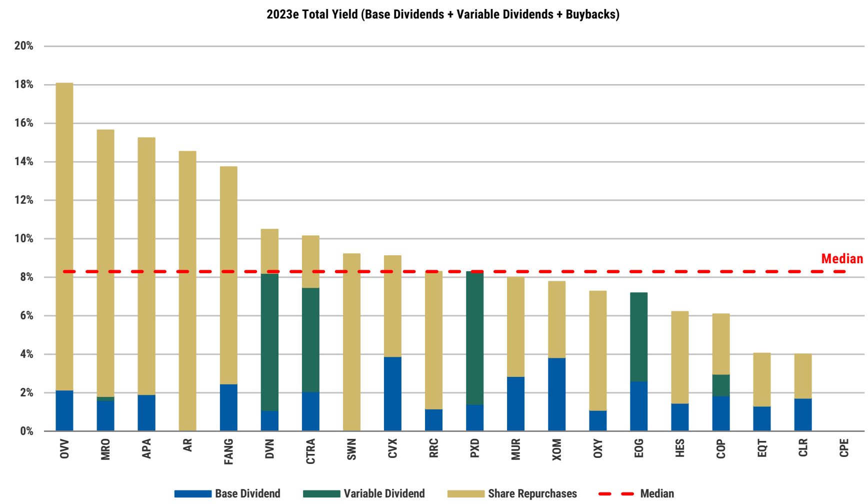
Prospects for Dividend Growth within Industry (next 3-5 years)

Across our coverage, US majors **XOM** and **CVX** are best positioned for long-term dividend growth with integrated business models (upstream & downstream) and globally diversified cash flows. Both companies have long track records of base dividend growth and defended their dividends through the 2020 downturn. Notably, since the end of 2020, the majors have collectively generated ~$100 B in FCF, repairing balance sheets and increasing shareholder returns through dividends & buybacks. With both at the low end or below targeted leverage ranges, we see dividends well covered and a path of continued stable growth.

Beyond the majors, select E&Ps are also well positioned to grow dividends over time. We highlight **HES**, which has highly economic, long-cycle growth in Guyana balanced by short-cycle optionality in the Bakken. This underpins a rate of change story that should support HES's longer-term plan to return up to 75% of FCF annually through the base dividend and opportunistic share repurchases.

We also highlight **COP**, which benefits from its globally diversified business and has committed to return >30% of CFO to shareholders annually. Ongoing share repurchases should allow COP to keep its absolute dividend burden manageable while supporting consistent base dividend increases, in our view. In December 2021, COP also initiated a three-tier return of capital program – adding a variable dividend component to go along with its base dividend and share repurchases. This year, COP has paid and declared a total of ~$2.60/sh in variable dividends (a ~2.4% variable dividend yield), on top of its 1.7% base dividend yield.

Exhibit 52: The median 2023 total yield (Dividends + Buybacks) for our US E&P and Integrated coverage is compelling at ~8%; while we do not see risk to base dividends, the recent move lower in oil prices means there could be downside to 3Q22 variable payouts for companies with formulaic, cash-flow based returns programs (e.g. DVN, PXD, EOG)



Source: Morgan Stanley Research estimates

Key Risks to Dividends

We generally do not see risk to base dividends given strong balance sheets and robust dividend coverage across the group. Most companies have set base dividend payouts at levels that can be fully covered with organic cash flow down to $40/bbl oil prices (versus >$85/bbl currently). Furthermore, low leverage (avg. net debt/EBITDA will be <0.5x by year-end) would allow companies to sustain payouts even if oil prices were to fall below $40 for a period of time. However, with the move lower in oil prices q/q (avg. WTI is down 13% QTD), we do see downside risk to variable payouts in 3Q22 for companies with formulaic variable returns tied directly to cash flows (e.g. **DVN**, **EOG**, **PXD**).

Top Pick(s)

ExxonMobil (XOM): XOM offers a 3.8% 2023 dividend yield backed by >300% dividend coverage and a strong balance sheet (12% net debt/cap as of 2Q22) which supports ~$30 B of buybacks over 2022/23. While we anticipate higher y/y capex in 2023, the company is executing on >$9 B of cost cuts and margin expansion opportunities across the business, which should serve as an offset. As such, on our estimates XOM should continue to build cash next year, leaving ample room for upside to shareholder returns.

Hess (HES): HES benefits from long-cycle growth in Guyana balanced by short-cycle optionality in the Bakken. This underpins a rate of change story that is differentiated within the sector as HES's breakeven oil price is set to fall from over $70/bbl in 2019 to <$40/bbl by 2025, shifting the company toward the lower end of the global cost curve. Longer term, HES plans to return up to 75% of FCF annually through the base dividend and opportunistic share repurchases. Due to HES's differentiated portfolio, which is anchored on a multi-decade low-breakeven investment opportunity in Guyana, we view this cash return framework as more durable and offering longer duration than many other US E&Ps.

Cheniere (LNG): Cheniere is the dominant LNG player in the US and is structurally advantaged compared to smaller independent US peers given its scale, low cost expansion opportunities, and existing platform of stable cash flows backed by long-term contracts. As the largest US exporter, the company is also well-positioned to benefit from higher marketing margins associated with ongoing market tightness and escalating geopolitical tensions. Over the next several years, strong FCF drives declining leverage, growing dividends, and share repurchases. With a recent capital allocation update, the company bumped the dividend by 20% to $1.58/sh annualized (~1% yield). Through 2026, Cheniere now anticipates >$20 B of available deployable cash and is targeting 10% annual dividend growth – that said, on our estimates we see ample room for upside to dividends (beyond the 10% annual growth target) over the next few years.

Telecommunication Services

Simon Flannery

Dividend Stability within Industry

We view the dividend stability outlook across the REIT subsector as mixed

Dividend stability for the Telecom sector is generally good, with AT&T and Verizon having modest payout ratios (c. 50%) and Investment Grade Balance Sheets. Payout ratios are higher in Canada at BCE and Telus, but growth is higher as well, and like the US, Capex is peaking as 5G buildouts are completed. We would note that AT&T recently cut their dividend payout in conjunction with the spin of WarnerMedia earlier this year.

Telecom business models benefit from recurring subscription based revenue streams, with wireless and broadband seen as critical services even in a downturn. Inflation pressures are building, but overall exposure to energy costs is modest. We have seen carriers look to take selective pricing actions to offset inflation pressures. We do see risks to select dividends, notably Lumen which is discussed further below.

The Tower and Data Center stocks are required by REIT rules to distribute at least 90% of their net income to shareholders which has combined with strong operating fundamentals to drive solid dividend growth in recent years, particularly for the Tower companies: American Tower, Crown Castle and SBA Communications. Equinix has also delivered c. 8% dividend growth over the last few years. Their business models are backed by secular growth trends and long term contracts with largely investment grade tenants.

Prospects for Dividend Growth within Industry (next 3-5 years)

We see better dividend growth in Canada than the US, with better industry fundamentals and dividend growth track records. Telus has committed to extend its 7-10% annual dividend growth model for a further three years (started in 2011). Verizon has a 16-year track record of dividend increases (c. 2%/year currently) while AT&T (and Rogers and Lumen) is not currently growing their dividend. Verizon and AT&T have suggested that stock buybacks may be more of a priority for any surplus FCF in the future once leverage targets are met. We are hopeful that industry cash flows will expand as capex moderates and spectrum auctions are in the rear view mirror.

We expect solid dividend growth to continue for the Communications Infrastructure stocks, particularly the Tower operators. Crown Castle (**CCI**) yields well over 3% while delivering consistently on its goal of growing dividends at least 7-8% per year. American Tower (**AMT**) and **SBAC** should grow dividends even faster off a lower base, as payout ratios rise as NOLs expire. Data Center operators should also deliver solid dividend growth, but face a little more uncertainty with heavy capex requirements and more exposure to Energy and other cost pressures.

Key Risks to Dividends

The Telecom industry is a mature and competitive industry and a severe recession and/or a more aggressive pricing environment as well as rising rates and costs could pressure industry cash flows and dividend growth. We are currently forecasting a 75% dividend cut at Lumen with 4Q22 earnings in February 2023. Leverage is elevated, revenues are still declining, and capex is ramping as part of an aggressive Fiber build program. The company is currently evaluating Capital Allocation priorities under a new CFO in conjunction with the completion of some asset sales.

Top Pick(s)

AT&T offers a c. 6.3% dividend yield, among the highest in the S&P 500, backed by an IG Balance sheet. The dividend represents a c. 50% payout on our 2023 FCF estimates. Capex should peak in 2023 and start to drop significantly thereafter as 5G buildouts are completed. The company is growing revenues modestly driven by strong wireless net adds and a growing consumer Fiber business.

At Risk Stock(s)

We expect Lumen to reduce their dividend by 75% (or potentially eliminate it entirely) in February 2023 in conjunction with 4Q22 earnings. Rising capex and the impact of divestitures leads us to forecast free cash flow of just c. $400m next year compared to an annual dividend of some $1bn. Note Lumen has cut their dividend payout twice before and the company is assessing their Capital Allocation priorities under a new CFO.

Real Estate

Ronald Kamdem, Adam Kramer

Dividend Stability within Industry

We view the dividend outlook across REITs as mixed with REIT TTM free cash flow payout ratios increasing +400bps QoQ to +82% (Exhibit 53). Infrastructure, Storage, Data Centers, Manufactured Homes, SFRs and Lodging REITs have the healthiest payout ratios at 70% or below. Lodging has had the largest decline in FCF payout due to growth from a low base outpacing peers. Healthcare (+110%), Malls (+109%) and Office (+93%) remains the most at elevated. See Liquidity, Leverage and FCF 3.1: Dividend & Leverage Watch List.

Exhibit 53: REIT FCF Payout Ratios by Subsector

Subsector	Current FCF Payout Ratio	Previous Quarter FCF Payout Ratio	Delta
Healthcare	110%	105%	4%
Regional Malls	109%	102%	7%
Office	93%	90%	3%
Specialty	91%	89%	2%
Diversified	85%	86%	-1%
Shopping Centers	84%	82%	3%
Industrial	82%	81%	3%
Timber	82%	52%	30%
Apartments	81%	84%	-3%
Triple Net	78%	80%	-3%
Infrastructure	70%	64%	6%
Storage	68%	69%	-1%
Data Centers	66%	38%	28%
Man Homes	66%	65%	1%
SFR	58%	54%	4%
Lodging/Resorts	19%	59%	-40%
Total	**82%**	**78%**	**4%**

Source: Company Data, Refinitiv, S&P Global, Morgan Stanley Research.

Prospects for Dividend Growth within Industry (next 3-5 years)

We expect sectors with strong relative earnings growth and low maintenance capex levels to be in a relatively strong position to maintain dividend payments over the intermediate term. We are most positive on prospects for dividend growth in the **apartments**, **industrials**, **single family rental**, **towers** and select names in **triple net** sectors. We broadly expect dividend growth for these subsectors to remain in the high single digit to low double digit range over the next two years given the subsectors have not fully capitalized on the cash revenue upside from historically high rent growth over the past 18 months. We see flat dividend growth for healthcare and office REITs given the company's under coverage require larger capex reserves and typically utilize excess cash to fund external growth.

Key Risks to Dividends

We see office REITS (with average div yields of +7.5%) to have the largest relative challenges in maintaining dividends as we estimate recurring capex accounts for a ~20-25% of cash from operations on an annualized basis and we expect flat earnings growth over the next 18 months for the subsector. The largest risk to dividend growth for the subsector will come about if (1) internal growth does not pick up and (2) a slowdown in office transactions materialize given the sector's historic reliance on dispositions to fund operations.

Top Picks

We view **O**, **ADC**, **SPG**, **GLPI**, **INVH** and **AVB,** as the companies with the best prospects of maintaining and growing dividends. We particularly highlight SPG (6.7% yield) as the company's new quarterly dividend run-rate of $1.75 per share compares to 4Q19 dividend of $2.10 and we continue to expect the company to emphasize raising the quarterly dividend given cash flow generation is now near '19 levels.

At Risk Stocks

Office REITS (**VNO**, **OPI**, **SLG**) have the highest dividend risk in our view given elevated FCF payout ratios in the 90-105% range, deteriorating fundamentals, and elevated leverage (particularly for office REITs SLG and VNO with debt to EBITDA ratios above 10x).

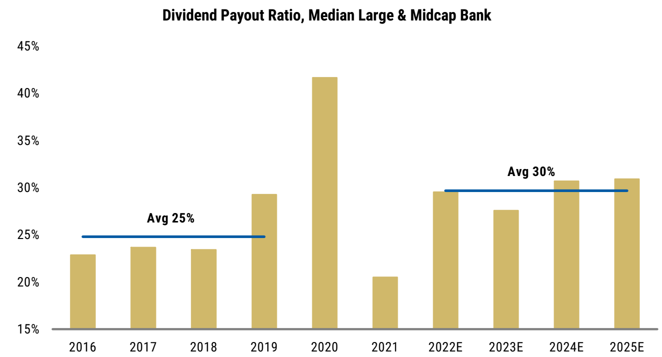
Banks

Betsy Graseck

Tight regulation post GFC kept a lid on dividend payouts for a decade. In 2021, the Fed enacted the new Stress Capital Buffer (SCB) approach to the annual Comprehensive Capital Analysis and Review (CCAR) process. This change gave banks more flexibility in determining their capital return. As a result, dividend payouts rose significantly, by a median ~500bps in 3Q21. We expect the next 3 years of dividend growth will be slower than the prior 3 given this dividend payout reset that occurred in 2021. Additionally, our expectation for a dividend payout of ~30% over the next 4 years reflects a prudent payout at a time when recession risk is rising. Once inflation declines back to more normalized levels, it's possible that bank payout ratios could rise back towards pre-GFC levels of the mid-30s% range.

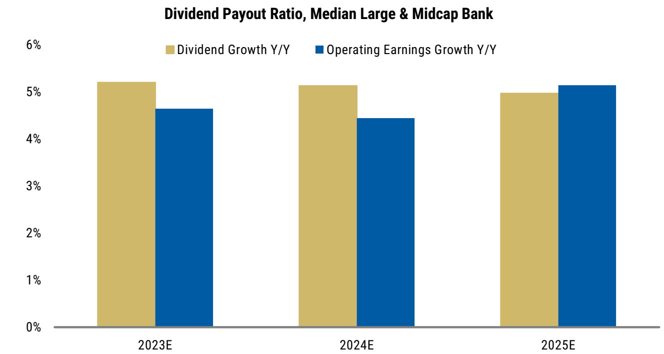
Dividend stability is a function of earnings stability. Banks are cyclically exposed to the credit cycle. In a recession, increasing level of loan losses pressures earnings. The question is whether it will pressure earnings enough where dividends have to be cut. Our expectation is that banks can increase their dividends 0-36% y/y in 2023 (median 8%) , even as credit losses rise, given that dividend payout ratios are modest and our base case scenario assumes a 4% unemployment rate, only modestly higher than today's 3.7%. In a bear case recession outcome with unemployment at 6%, we anticipate the dividends could hold flat although the payout ratios could rise significantly for banks with a greater credit risk skew.

Exhibit 54: Tight regulation post GFC kept a lid on dividend payouts for a decade. In 2021, the Fed allowed the banks more flexibility in determining their capital return



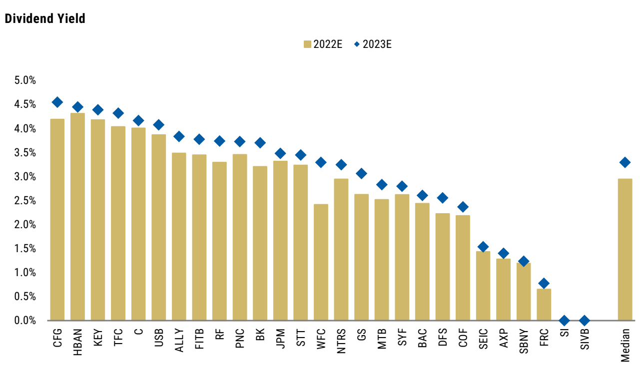
Source: Company data, Morgan Stanley Research estimates

Exhibit 55: We expect dividend growth will be a function of earnings growth



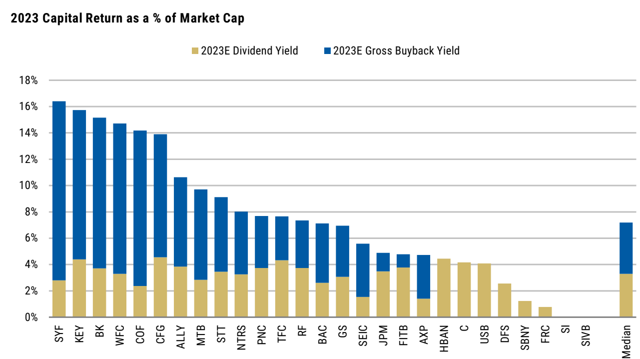
Source: Morgan Stanley Research estimates

Exhibit 56: Bank dividend yields are attractive relative to the market, at median 3.3%



Source: Refinitiv, Morgan Stanley Research estimates

Exhibit 57: In a riskier economic scenario, banks will look to cut buybacks first, which are a cushion against dividend risk

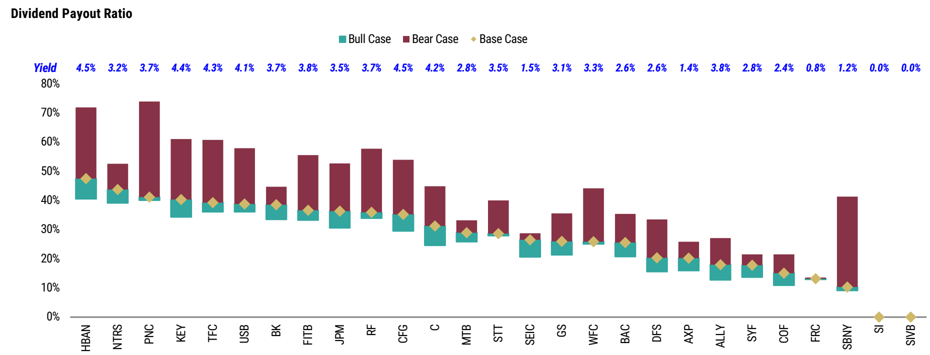


Source: Refinitiv, Morgan Stanley Research estimates

Top Picks

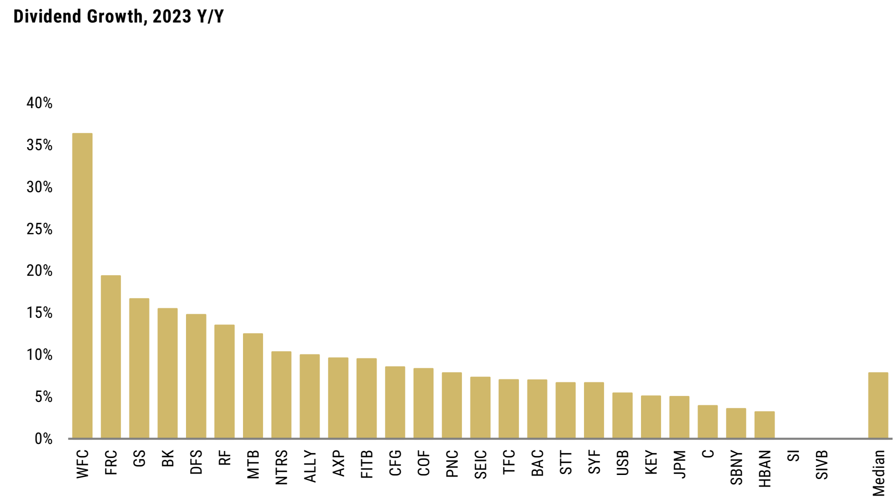
We view ALLY, BK, CFG, MTB, NTRS, RF, STT and WFC as the banks best positioned to deliver attractive returns to dividend investors. We are triangulating between dividend yield, dividend growth and risk. The banks on this list with lower yields have higher dividend growth, like ALLY and WFC. The banks on this list with higher dividend payout ratios have lower risk in a bear case scenario, like NTRS and BK. Also, these are the only two Equal-weight rated bank stocks on this list.

Exhibit 58: Stability of dividends is a function of stability of earnings, as banks are cyclically exposed to the credit cycle. We see relatively low credit and earnings risk at NTRS, BK and STT



Note: Assumes dividend per share in bull, base, and bear case are the same
Source: Company data, Morgan Stanley Research estimates

Exhibit 59: WFC has the highest dividend growth in our coverage



Source: Company data, Morgan Stanley Research estimates

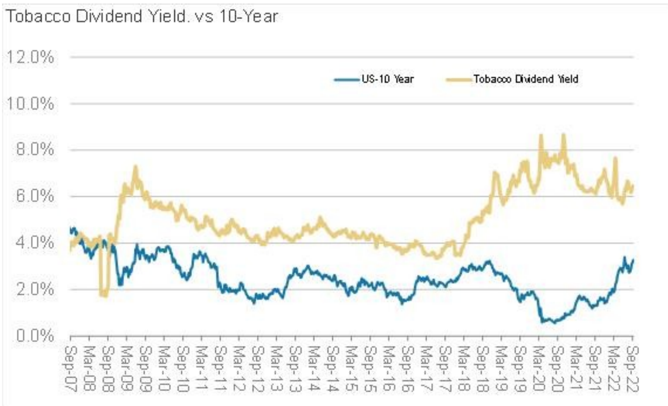
Tobacco and Packaged Food

Pamela Kaufman

Tobacco: Attractive Cash Flow Generation Supports Dividend Growth

Within Tobacco, we view dividends as secure as the industry is highly cash generative, has limited capex needs, has relatively low leverage, and prioritizes dividends as a use of capital. Tobacco dividend yields are above historical averages as the current dividend yield for US and Global Tobacco stocks within our coverage is 6.5%, above the 5% average between 2007 and 2022 and also above the 10-year average of 5.2%. Since 2007, the dividend yield ranged from 1.7% to 8.7%. Tobacco dividend yields reflecting increasing investor concerns around the long-term growth outlook for the industry and have been impacted by an increasing focus on ESG, which has weighed on sector valuations. Notably, Tobacco yields are ~120 bps higher than the broader Staples group's 5.3% (including tobacco), slightly narrower than their historical premium of ~200 bps. Tobacco dividend yields are ~320 bps above Treasuries, close to one standard deviation above the average 250 bps spread between 2007 and 2022.

Exhibit 60: Tobacco Dividend Yields Roughly 320bps Above Treasuries



Source: Company data, Morgan Stanley Research

Exhibit 61: US Tobacco EV/EBITDA Below Historical Average

Source: Company data, Morgan Stanley Research

In US tobacco, MO targets an 80% dividend payout ratio and has historically grown its dividend by 8.5% over the last ten years, in-line with its average annual EPS growth. However, we expect slower EPS growth of 5% annually through 2025 reflecting accelerating cigarette volume declines (MSe -8.0% from 2022-2025E) and increasing investment needs behind reduced risk products. As a result, we expect softer dividend growth of 5% annually as the company maintains its dividend payout ratio. We do not see risk to MO's ability to pay dividends as the company has a 10% levered FCF yield. MO generates ~$1.5 bn in excess cash, post dividends.

PM offers an attractive high single digit earnings growth outlook, which supports it ability to sustain a steady dividend growth rate. The company offers an 5.4% dividend yield and has grown dividends at 3.5% annually. The primary risk to PM's dividend is FX due to the strengthening USD as the entirety of its business is outside of the US, but the company pays dividends in USD. We expect the company to continue to support its dividend, despite FX headwinds and views its 83% payout ratio as manageable, particularly given it has averaged at 88% over the last five years. The impending Swedish Match acquisition will provide a USD cash flow stream, mitigating PM's sensitivity to the USD, as SWMA derives about two-thirds of its revenue from the US.

Packaged Food: Stable Dividend Growth Outlook

The packaged food industry offers a stable dividend growth outlook given steady demand, high margins, strong FCF generation, and modest leverage. Packaged Food companies offer an 2.8% dividend yield on average and we forecast mid to high single digit EPS growth that supports the outlook for dividend growth. Within our coverage we recommend companies with higher long-term topline growth trajectories supported by attractive category exposure and strong execution. We believe companies with exposure to snacking, better-for-you categories, and emerging market are likely to see sustained strong topline growth. Within the large cap group, MDLZ is our key OW recommendation as it offers an attractive topline and EPS growth outlook, supporting its dividend growth. MDLZ has consistently raised its dividend annually over the last 5 years by 13% on average. With an expected ~6.2% EPS growth through 2025, predictable capital expenditure forecast, and a FCF yield of 5.2%, we see the payout ratio of nearly 50% as stable and predictable.

Top Pick(s)

PM: PM (OW) offers an attractive long-term growth prospects supported by its peer-leading MSD topline and double-digit EPS growth (11.9% through 2024) through its shift to IQOS, expansion into new reduced risk product categories and price points, and cost savings. We see compelling strategic and financial benefits from PM's impending SWMA acquisition.

MDLZ: We are OW MDLZ given our outlook for accelerating topline growth driven by positive strategic changes, improved market share performance, a balance between volume vs. pricing growth, and a recovery in gum/candy/travel retail post-COVID. MDLZ's topline/EPS growth profile is similar to higher growth mega-cap CPG peers (KO/PEP/PG/CL), and valuation looks compelling at an ~18% CY23 EV/EBITDA discount.

Beverages and Household Products

Dara Mohsenian

Dividend Stability within Industry

High Dividend Stability: We view dividends for large cap beverages and HPC companies as highly secure given generally predictable demand for everyday use products and cash generative business models. While commodities and FX have been headwinds to EPS growth, most our coverage has relatively low leverage and ample dividend coverage. KO/PEP/PG, for example, have raised their dividends for 60/50/66 consecutive years, through economic and commodity cycles, M&A, internal restructuring programs, wars, and other exogenous events. Management and the Board of Directors of these companies understand the importance of the dividend to a large portion of their investor bases. KO and PEP both call out paying and growing the dividend as their second priority for free cash flow, after investing in the business. Cap-ex is generally low and predictable, at only ~3.5% of sales for KO due to its franchise bottling system, and 5.5-6.0% of sales for PEP, up from ~4% several years ago, due to capacity increases particularly on the snacks side.

Prospects for Dividend Growth within Industry (next 3-5 years)

Dividend Growth to Track Earnings and Cash Flow Over Time: We generally expect dividend growth to track earnings and free cash flow growth over the next 3-5 years, which we estimate is in the HSD% annual range over the medium term for KO/PEP/PG. We don't expect any step-changes in payout ratios for the mega cap companies over the next several years. KO was able to acquire BODYARMOR for $5.6 billion and PEP was able to increase capex and make several bolt-on acquisitions, both while continuing their streaks of 50-60 years of consecutive dividend increases. KO also targets continuing to grow its dividend while still prudently maintaining balance sheet flexibility to absorb any cash potential outflows related to its tax dispute with the IRS, the bulk of which could take years to play out. Commodity pressure, FX and macro uncertainty could keep dividend growth relatively muted in the short-term, however.

Continue to Prefer Beverages Over HPC, Supported by Stronger Pricing Power, More

Limited Demand Elasticity, and a Post COVID Away From Home Volume Recovery

Top Pick(s) With Strong Dividend Support:

PEP: Top Line Momentum Building With Market Share Inflection on the Horizon; Sustainably Higher LT Growth. Accelerating near-term US scanner data provides even greater visibility of our call for forward topline upside vs an assumed decelerating forward consensus topline forecast that looks clearly too low. Topline upside should extend to EPS upside even with assumed reinvestment, which should also set PEP up for above consensus EPS in FY23. In addition, weak corporate market share results have been a fair sentiment drag for PEP in recent quarters, but share is poised to inflect going forward as comparisons ease, which should drive more favorable sentiment. Beyond strong corporate scanner data, the even more pronounced acceleration at FLNA (Frito-Lay North America) should also drive greater LT appreciation for robust snacks business prospects, and the greater corporate impact as mix continues to shift to snacks, with snacks/food now at an estimated more than two-thirds of corporate profit. **We also see longer-term topline growth upside** beyond short-term upside, as we believe PEP has sustainably accelerated organic sales growth with favorable execution changes, greater capacity additions in the last few years, reinvestment in marketing, a mix shift to the higher growth snacks/international business, and higher growth M&A contribution. PEP's 2-Yr average organic sales growth has now been consistently above 4% in each of the last 11 quarters (excluding the COVID impacted Q2 of 2020) for a 6.0% average (again ex Q2 of 2020) as relatively new CEO Laguarta's strategy changes took hold, vs seven straight quarters of below 3.5% growth before his arrival for a 2.9% average. These results clearly show PEP is now at a higher and sustained organic sales growth level, which we still don't believe is priced into valuation, with PEP at a HSD CY23 EV/EBITDA discount vs KO/PG/CL.

KO: Strong Pricing Power, Limited Demand Elasticity, Improved Execution, and Continued Away-From-Home Recovery. We remain OW KO, with continued expected topline (and EPS) upside vs. consensus on a greater than expected post-COVID away from home topline recovery, higher pricing than peers, limited volume demand elasticity to higher pricing, and strong underlying growth with execution changes under a relatively new management team. We also see Coke as very well positioned margin wise vs. CPG peers with strong pricing power and limited commodity exposure given costs accrue more to its bottlers, as well potential execution benefits and cost savings from its recent restructuring. We see room for multiple expansion as upside plays out and strong underlying LT growth is more factored into valuation.

PG: We are OW PG longer-term, as we believe favorable execution and strategy changes the last few years will continue to bear fruit and drive MSD LT topline growth above HPC peers, with PG gaining share within the HPC industry. We view valuation as compelling with PG trading at a discount to US-centric HPC peers despite greater growth potential, as well as higher visibility, and we see recent concern over PG US scanner data market share weakness as overdone given PG is cycling very difficult comparisons near-term, and should still be able to drive corporate share gains with solid pricing, better performance in US untracked channels, and international share gains.

Utilities

David Arcaro

Utility dividends are highly stable and predictable. We consider regulated electric and gas utilities to have stable businesses with limited major downside risks that would put ongoing pressure on the ability to pay a consistent and growing dividend. Pricing levels are regulated, there are generally moderate year-to-year fluctuations in revenue from changes in sales volume (for weather, customer growth, increased usage), cost escalation gets recovered through higher customer rates, and payout ratios are in the 60-70% range. Utilities invest significant capex into growing the asset base such that we expect free cash flow to be consistently negative, but balance sheets are broadly healthy (almost all investment grade) and capital markets are accessible through low cost debt and moderate equity issuances needed across the group.

We expect 6% dividend growth annually, in-line with EPS growth over time. The average EPS growth rate is ~6% through 2024, with many utilities generally expecting a 5-7% annual growth rate range for earnings. Rate base growth is ~100-200bps faster than this rate to support the growth in earnings when considering a modest financing drag. Such growth is driven by asset maintenance and replacement, energy transition initiatives to shut coal and build renewables, transmission grid expansion and storm hardening investments. This asset growth is generally low risk in nature, with much of the capital plan necessary to maintain the existing system, most projects moderately sized and repeated often with low operational risk, and cleared in advance with the regulator. Utility dividend payout ratios are generally in the same 60-70% range as the historical norm, and we don't foresee any major changes in utility dividend strategy. As a result, we would expect dividends to grow around 6% annually. We see a long runway for the renewables buildout, gas pipe replacement, and transmission grid expansion so this growth rate appears sustainable over the long-term.

Key risks. Downside risks to the current dividend would stem from individual company-specific risks: major wildfires for CA utilities, divestitures (though the dividend is often prioritized), or significantly unfavorable regulatory treatment (generally a rare occurrence). A key risk to the growth outlook is the affordability of utility bills which typically grow at a 2-4% annual rate but with the higher commodity price backdrop and inflation in labor and equipment many utilities are experiencing 20%+ rate increases. This could result in regulators slowing the growth in utility investment to make bills more affordable for customers.

Top Pick(s)

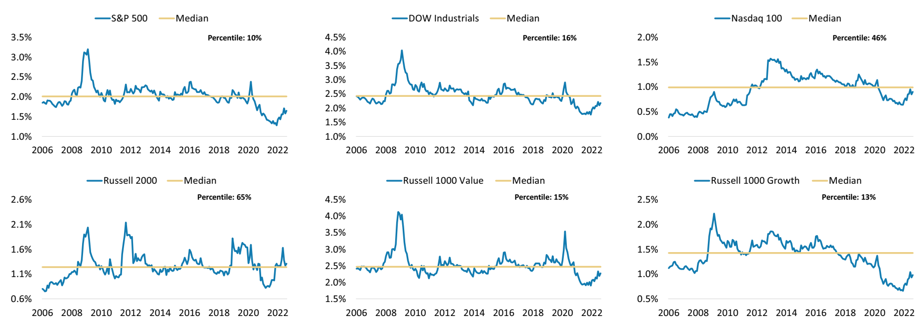
NEE: The passage of the Inflation Reduction Act (IRA) brings faster solar, wind, and storage growth over the next decade and NEE, as the renewables development leader in the US, is poised to be one of the biggest beneficiaries. We factor in ~20% greater volumes of wind/solar/storage in aggregate through 2035 as a result of the legislation, and the long-term visibility into policy support and favorable renewables economics merits a 100bp lower discount rate on future growth in our view. A further underappreciated opportunity is the green hydrogen market, which in the 2030s could add an incremental 20% higher renewables demand along with higher returns for NEE. The company also has limited regulatory activity ahead, which lowers risk in the current inflationary backdrop. The stock prices in 9 years of renewables growth, while we see substantial further value, especially with hydrogen ramping up next decade. NEE is also trading well below its prior P/E peaks, and we think the unprecedented strong renewable backdrop merits an expanding premium.

DTE: Constructive regulatory backdrop, top notch operational execution, and upside to 2023 EPS. We expect the company to file a plan for significantly increased renewables deployment over the next 10 years and accelerate coal plant closures. This offers upside to the capex plan driving faster rate base growth and we think the company is likely to raise its EPS growth range from 5-7% to 6-8% in the coming months.

Dividend Yield

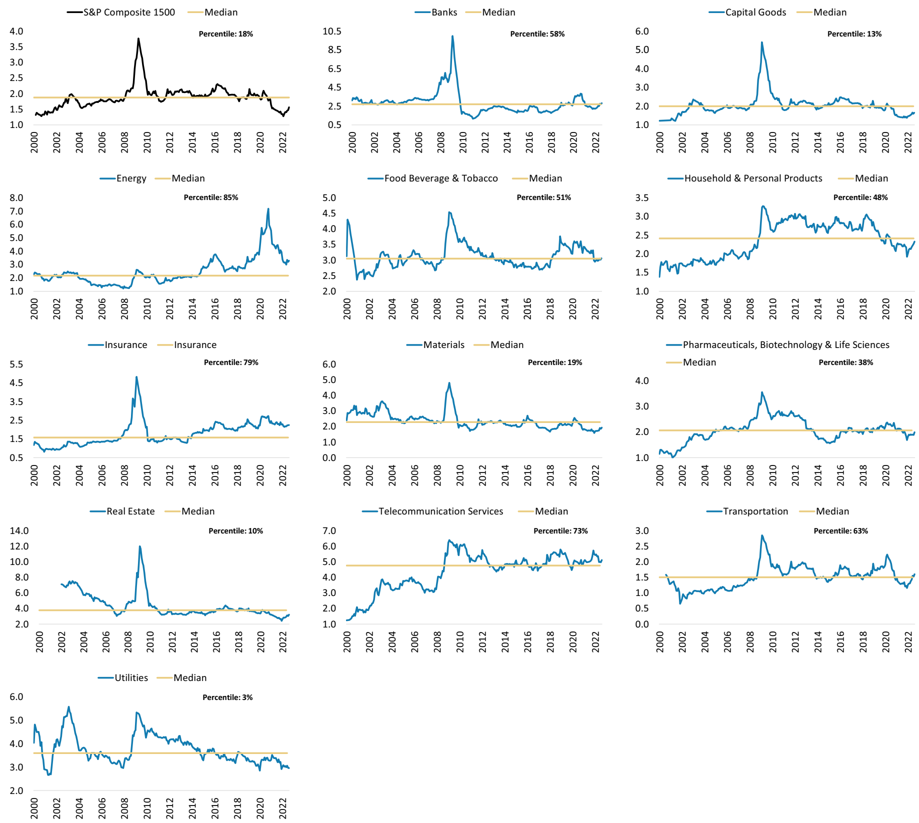
Dividend yields are historically low across major indexes. The majority of trailing dividend yields are below median levels with the S&P 500 currently yielding a 1.7% dividend yield, marking the 10th percentile since 2006. The Russell 2000 is the exception with an above median dividend yield as post-Covid performance and valuations are not as high as large cap peers. Large cap value historically has the highest dividend yield at 2.5% on median and is closely following by Dow Industrials at 2.4%. The Nasdaq 100 and Russell 1000 growth historically have the lowest dividend yields at 1.0% and 1.4%, respectively. We further expand our scope from headline indexes in Exhibit 62to the S&P 1500 industry groups that pay above index level dividend yields in Exhibit 63. MLPs, Telecom, Real Estate, and Utilities historically have paid the highest dividend yields.

Exhibit 62: Dividend Yield by Index



Source: Bloomberg, Factset, Morgan Stanley Research

Exhibit 63: S&P 1500 Dividend Yield - Groups with Greater than Average Dividend Yields

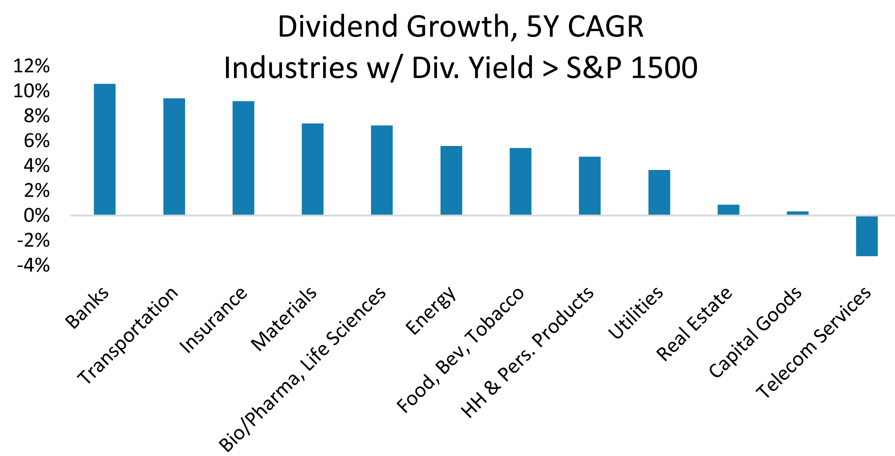


Source: Bloomberg, Morgan Stanley Research

Dividend Growth & Volatility

Consistent dividend growth is the sign of a quality dividend stock. Below we rank the S&P 1500 industry groups in focus by their 5-year dividend growth. We see that Banks, Transportation, and Insurance have provided high dividend growth since 2017 while Real Estate, Capital Goods, and Telecom Services have had near flat or negative growth. As a caveat, we use the S&P 1500 to get a broader sample size than the S&P 500 but some sectors (i.e. Telecom Services) are still highly concentrated among a few members.

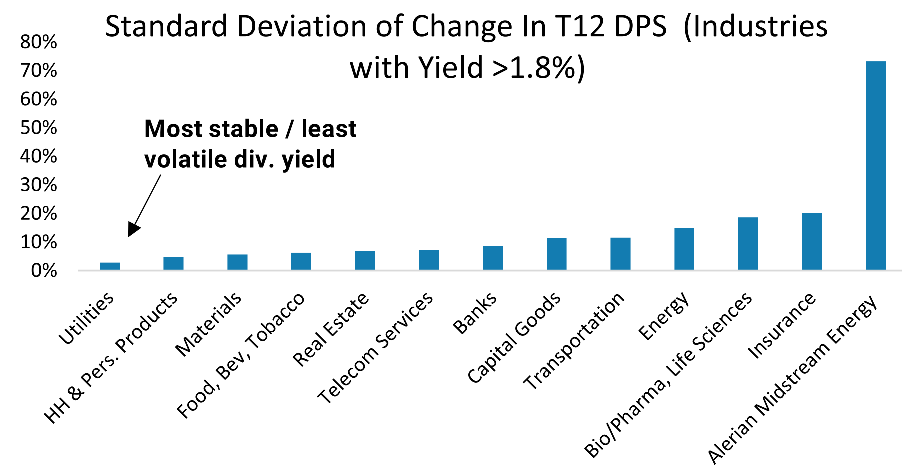
Exhibit 64: 5Y Dividend Growth



Source: Factset, Bloomberg, Morgan Stanley Research

The most stable industry groups in terms of actual dividend per share paid are Utilities, Household & Personal Products, and Materials. Dividend growth is important but is point-in-time. We looked at the volatility of trailing dividends paid since 2000 and found that the highest dividend growers on a 5-year growth are not necessarily the most stable historically. Combining both high dividend growth and lower DPS volatility, Materials and Food, Beverage & Tobacco stand out.

Exhibit 65: Volatility of Dividend Yield

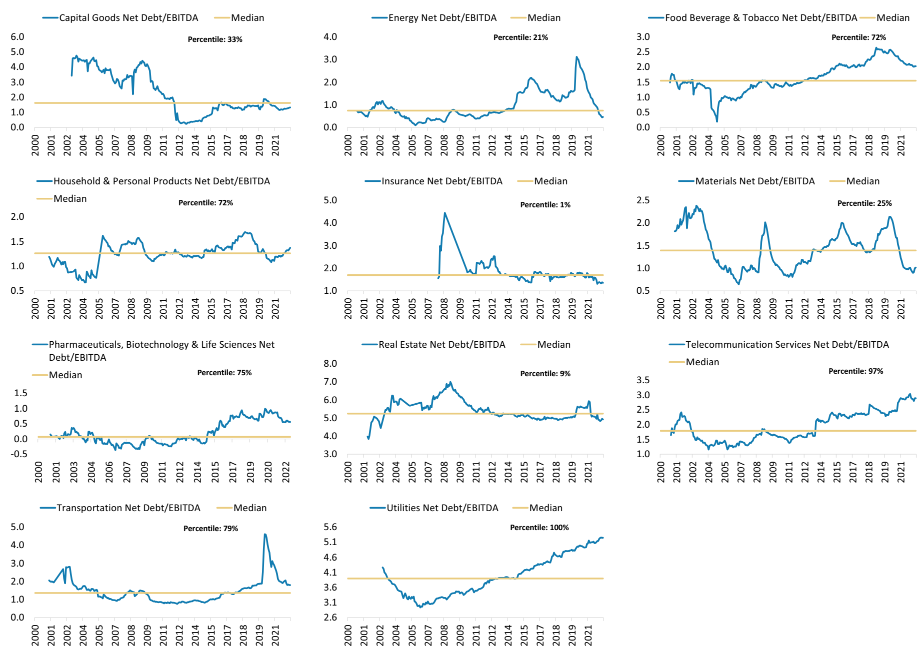


Source: Factset, Bloomberg, Morgan Stanley Research

Leverage & Valuation

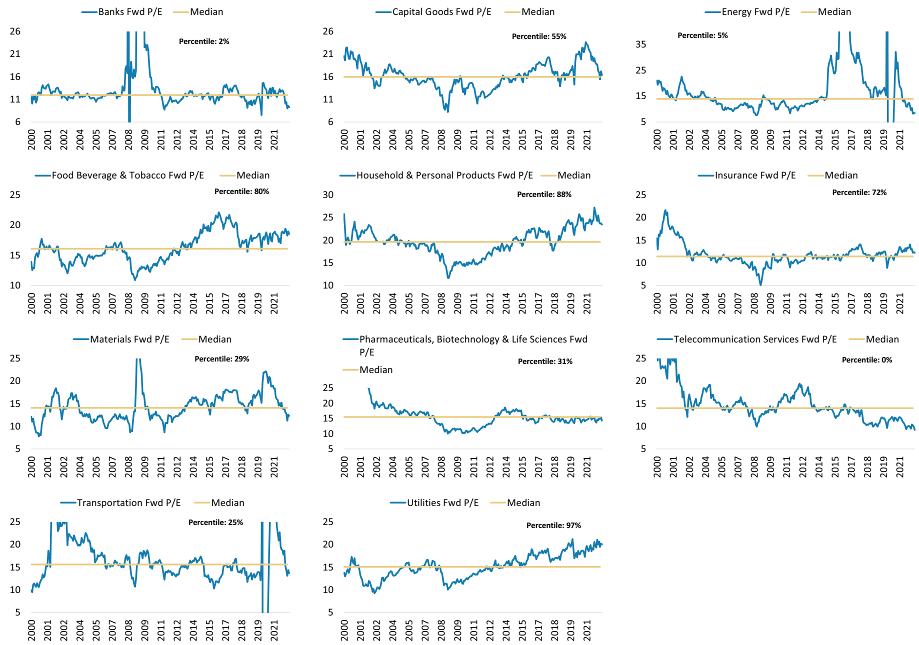
Below we place a repository of leverage and valuation stats across the industry groups covered in this note. Many of the industry groups covered have a preferred leverage or valuation statistic and some industry groups cannot use certain metrics given their business structure and have been removed. The goal is to provide a same-store view across leverage and valuation on the industry groups covered in this note but we encourage you to reach out to the coverage team for specifics on their industry group.

Exhibit 66: Leverage - Net Debt/EBITDA



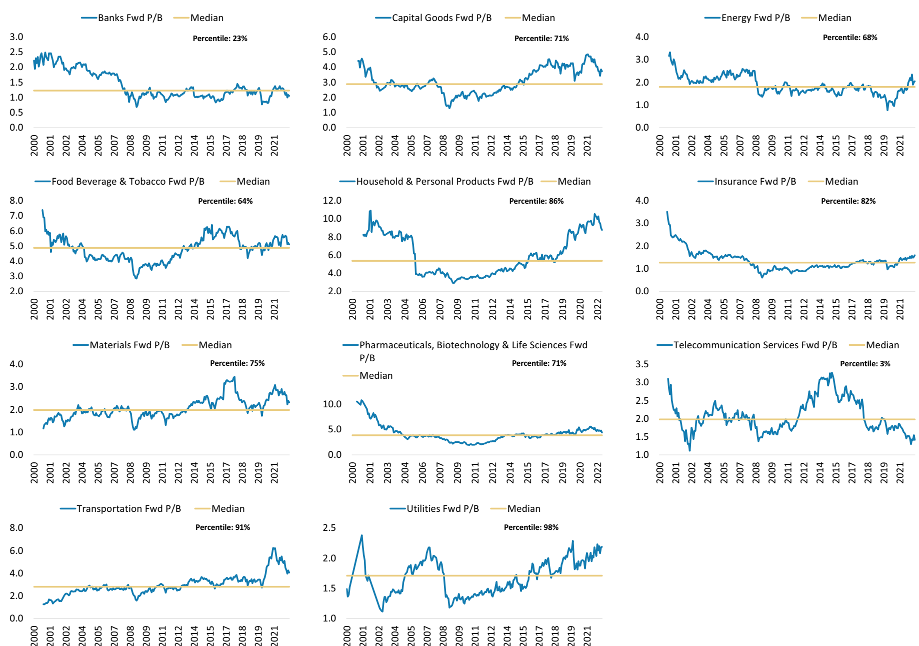
Source: Factset, Bloomberg, Morgan Stanley Research

Exhibit 67: Valuation - Price/Earnings



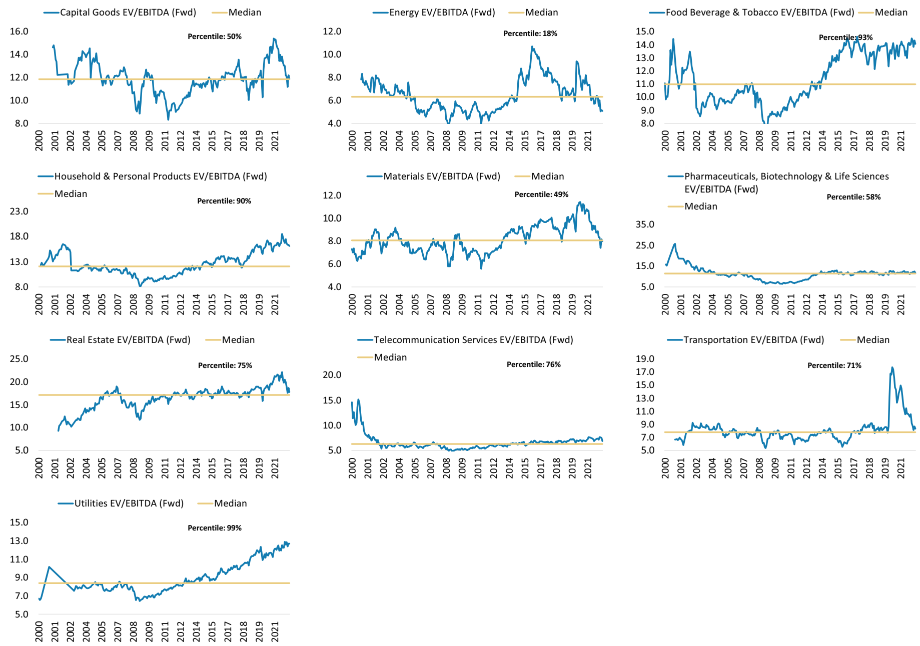
Source: Factset, Bloomberg, Morgan Stanley Research

Exhibit 68: Valuation - Price/Book



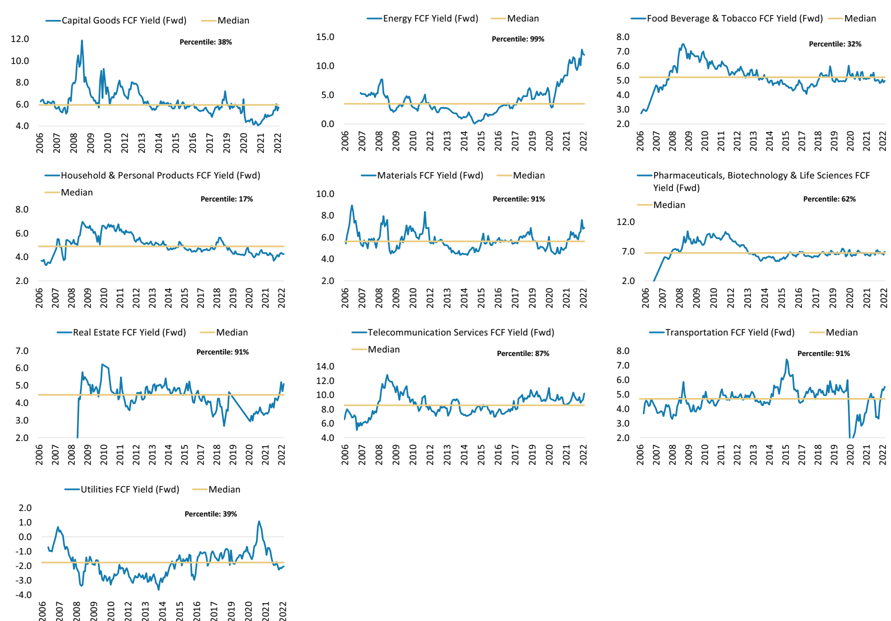
Source: Factset, Bloomberg, Morgan Stanley Research

Exhibit 69: Valuation - EV/EBITDA



Source: Factset, Bloomberg, Morgan Stanley Research

Exhibit 70: Valuation - FCF Yield



Source: Factset, Bloomberg, Morgan Stanley Research

Recent Dividend Raises

Exhibit 71: Recent S&P 500 Dividend Raises

Week Ending:	Stock	New Dividend ($ per share)	Previous Dividend ($ per share)	Dividend Raise (%)	Ex-Date
9-Sep	Verizon	0.6525	0.64	2	6-Oct
9-Sep	VICI Properties	0.39	0.36	8	21-Sep
26-Aug	Altria	0.94	0.9	4	14-Sep
26-Aug	Lam Research	1.725	1.5	15	13-Sep
19-Aug	CBOE	0.5	0.48	4	30-Aug
19-Aug	Tapestry	0.3	0.25	20	8-Sep
12-Aug	ResMed	0.44	0.42	5	17-Aug
12-Aug	International Flavors	0.81	0.79	3	22-Sep
12-Aug	Martin Marietta	0.66	0.61	8	31-Aug
12-Aug	Broadridge	0.725	0.64	13	14-Sep
12-Aug	Fox Corp Class B & A	0.25	0.24	4	30-Aug
12-Aug	Nordson	0.65	0.51	27	22-Aug
5-Aug	KLA Corp.	1.3	1.05	24	12-Aug
5-Aug	Pioneer Natural	8.57	7.38	16	2-Sep
5-Aug	Microchip	0.301	0.276	9	16-Aug
5-Aug	Devon	1.55	1.27	22	9-Sep
5-Aug	Simon Property	1.75	1.7	3	8-Sep
5-Aug	Coterra Energy Inc.	0.65	0.15	333	12-Aug
5-Aug	Dover	0.505	0.5	1	30-Aug
5-Aug	Skyworks	0.62	0.56	11	24-Aug
5-Aug	Host Hotels	0.12	0.06	100	29-Sep
5-Aug	Federal Realty Op LP	1.08	1.07	1	21-Sep

Source: Bloomberg, Morgan Stanley Research

Disclosure Section

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Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: David Arcaro, CFA; Diane Ding, Ph.D.; Simon Flannery; Betsy L. Graseck, CFA; Robert S Kad; Ronald Kamdem, CFA; Pamela Kaufman, CFA; Adam Kramer; Nicholas Lentini, CFA; Devin McDermott; Snehaja Mogre; Dara Mohsenian, CFA; Andrew B Pauker; Li Tao, CFA, CPA; Michelle M. Weaver, CFA; Michael J Wilson.

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Global Stock Ratings Distribution

(as of August 31, 2022)

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	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
STOCK RATING CATEGORY	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	**1356**	**38%**	**304**	**41%**	**22%**	**596**	**39%**
Equal-weight/Hold	**1589**	**45%**	**349**	**47%**	**22%**	**716**	**47%**
Not-Rated/Hold	**0**	**0%**	**0**	**0%**	**0%**	**0**	**0%**
Underweight/Sell	**610**	**17%**	**90**	**12%**	**15%**	**225**	**15%**
TOTAL	**3,555**		**743**			**1537**	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: MLPs & Midstream Energy Infrastructure

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Robert S Kad		
Antero Midstream Corp (AM.N)	U (03/19/2021)	$10.44
DT Midstream, Inc. (DTM.N)	U (01/07/2022)	$58.14
Enbridge (ENB.TO)	E (01/07/2022)	C$55.58
Energy Transfer LP (ET.N)	O (01/07/2022)	$12.01
EnLink Midstream LLC (ENLC.N)	E (01/07/2022)	$10.31
Enterprise Products LP (EPD.N)	E (01/07/2022)	$26.73
Equitrans Midstream Corp (ETRN.N)	U (03/19/2021)	$9.61
Hess Midstream LP (HESM.N)	E (01/07/2022)	$28.91
Kinder Morgan Inc. (KMI.N)	U (05/26/2021)	$18.53
Kinetik Holdings Inc (KNTK.O)	E (08/25/2022)	$40.39
Magellan Midstream Partners LP (MMP.N)	U (01/07/2022)	$52.24
MPLX LP (MPLX.N)	E (03/19/2021)	$33.17
Oneok Inc. (OKE.N)	E (05/26/2021)	$63.44
Plains All American Pipeline LP (PAA.O)	O (07/16/2021)	$12.36
Plains GP Holdings, L.P. (PAGP.O)	O (07/16/2021)	$12.90
Targa Resources Corp. (TRGP.N)	O (03/19/2021)	$72.45
TC Energy Corp (TRP.TO)	U (04/26/2022)	C$63.81
Western Midstream Partners LP (WES.N)	O (07/20/2021)	$28.64
Williams Companies Inc (WMB.N)	E (03/19/2021)	$33.45

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Integrated Energy

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Devin McDermott		
Canadian Natural Resources Ltd (CNQ.TO)	E (10/07/2021)	C$73.87
Cenovus Energy (CVE.TO)	O (10/07/2021)	C$25.57
Chevron Corporation (CVX.N)	E (03/14/2022)	$163.27
Exxon Mobil Corporation (XOM.N)	O (01/11/2021)	$97.67
Imperial Oil Ltd (IMO.TO)	E (10/07/2021)	C$63.95
Suncor Energy Inc (SU.TO)	O (10/07/2021)	C$42.38

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Telecom Services

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Landon Park		
Gogo Inc (GOGO.O)	U (10/06/2021)	$12.95
Iridium Communications Inc (IRDM.O)	O (08/03/2021)	$45.21
Viasat Inc (VSAT.O)	E (12/15/2017)	$38.80
Simon Flannery		
Anterix Inc (ATEX.O)	E (11/11/2019)	$36.55
AT&T, Inc. (T.N)	O (12/16/2021)	$16.77
BCE Inc. (BCE.TO)	E (03/05/2021)	C$61.09
Frontier Communications Parent, Inc. (FYBR.O)	E (05/26/2022)	$25.32
Globalstar Inc (GSAT.A)	U (01/22/2021)	$1.85
LUMEN TECHNOLOGIES INC (LUMN.N)	U (01/28/2021)	$8.95
Rogers Communications, Inc. (RCIb.TO)	E (12/17/2015)	C$54.07
Shaw Communications Inc (SJRb.TO)	E (10/23/2020)	C$34.03
Telephone & Data Systems (TDS.N)	E (04/19/2022)	$15.35
TELUS Corp. (T.TO)	E (07/16/2021)	C$28.54
T-Mobile US, Inc. (TMUS.O)	O (04/17/2020)	$141.93
US Cellular Corporation (USM.N)	E (04/19/2022)	$26.82
Verizon Communications (VZ.N)	E (12/12/2018)	$41.28

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Real Estate Investment Trusts

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Adam Kramer		
American Homes 4 Rent (AMH.N)	E (11/15/2018)	$36.14
AvalonBay Communities Inc. (AVB.N)	O (11/08/2021)	$205.08
Equity Residential (EQR.N)	E (12/12/2016)	$74.21
Essex Property Trust, Inc. (ESS.N)	E (04/01/2020)	$264.59
Invitation Homes Inc (INVH.N)	O (08/11/2020)	$38.21
Tricon Residential Inc (TCN.N)	E (11/01/2021)	$10.47
UDR, Inc. (UDR.N)	E (11/08/2021)	$45.67
Ronald Kamdem, CFA		
Agree Realty Corp. (ADC.N)	O (04/01/2022)	$73.47
American Assets Trust Inc. (AAT.N)	E (05/18/2020)	$27.00
Boston Properties, Inc. (BXP.N)	E (09/10/2019)	$83.72
Broadstone Net Lease, Inc. (BNL.N)	E (04/15/2021)	$19.04
Duke Realty Corp. (DRE.N)	++	$57.44
EastGroup Properties Inc. (EGP.N)	E (04/12/2017)	$163.11
Extra Space Storage Inc. (EXR.N)	U (09/16/2019)	$191.65
Healthpeak Properties Inc (PEAK.N)	E (03/20/2017)	$26.42
Highwoods Properties (HIW.N)	O (06/24/2020)	$30.35
Hudson Pacific Properties (HPP.N)	E (09/09/2022)	$13.73
Kimco Realty Corp. (KIM.N)	E (03/30/2022)	$20.82
Macerich Co (MAC.N)	U (09/14/2020)	$9.28
National Retail Properties Inc (NNN.N)	E (07/12/2022)	$44.11
National Storage Affiliates Trust (NSA.N)	E (08/07/2018)	$48.09
Office Properties Income Trust (OPI.O)	U (12/13/2019)	$17.49
Paramount Group Inc. (PGRE.N)	O (10/10/2019)	$7.02
Phillips Edison & Company, Inc (PECO.O)	E (03/09/2022)	$31.95
Physicians Realty Trust (DOC.N)	E (09/13/2021)	$16.08
Prologis, Inc. (PLD.N)	++	$121.08
Public Storage (PSA.N)	E (01/22/2021)	$324.68
Realty Income Corp (O.N)	O (05/04/2020)	$65.41
Regency Centers Corp (REG.O)	E (12/17/2019)	$58.90
Safehold Inc (SAFE.N)	++	$36.97
Simon Property Group Inc (SPG.N)	O (02/11/2021)	$100.03
Site Centers Corp (SITC.N)	E (04/27/2020)	$12.74
SL Green Realty Corporation (SLG.N)	E (05/28/2020)	$46.20
Spirit Realty Capital (SRC.N)	E (05/04/2020)	$41.09
STORE Capital Corp (STOR.N)	U (07/12/2022)	$26.79
Urban Edge Properties (UE.N)	U (12/17/2019)	$15.49
Ventas Inc (VTR.N)	E (10/04/2021)	$48.42
Vornado Realty Trust (VNO.N)	U (05/28/2020)	$26.49
Welltower Inc. (WELL.N)	O (08/31/2022)	$73.98

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Large Cap Banks & Consumer Finance

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Betsy L. Graseck, CFA		
Ally Financial Inc (ALLY.N)	O (05/28/2020)	$31.78
American Express Company (AXP.N)	E (07/12/2022)	$156.30
Bank of America (BAC.N)	E (03/28/2022)	$33.87
BNY Mellon (BK.N)	E (03/28/2022)	$43.72
Capital One Financial Corporation (COF.N)	E (07/12/2022)	$100.65
Citigroup Inc. (C.N)	U (03/28/2022)	$48.43
Discover Financial Services (DFS.N)	E (11/30/2020)	$99.05
Goldman Sachs Group Inc (GS.N)	E (12/06/2021)	$327.26
JPMorgan Chase & Co (JPM.N)	U (11/30/2020)	$116.12
Northern Trust Corp. (NTRS.O)	E (06/08/2020)	$94.67
PNC Financial Services (PNC.N)	U (12/06/2021)	$162.41
Regions Financial Corp (RF.N)	O (11/30/2020)	$22.13
State Street Corporation (STT.N)	O (11/30/2020)	$71.40
Synchrony Financial (SYF.N)	E (03/28/2022)	$31.74
Truist Financial Corp (TFC.N)	E (01/07/2018)	$47.35
U.S. Bancorp (USB.N)	E (11/30/2020)	$45.10
Wells Fargo & Co. (WFC.N)	O (12/06/2021)	$43.28
Jeffrey Adelson, CFA		
Bread Financial Holdings, Inc. (BFH.N)	E (03/28/2022)	$35.99
SoFi Technologies, Inc. (SOFI.O)	E (05/11/2022)	$6.17
Ryan Kenny, CFA		
SEI Investments Company (SEIC.O)	U (07/12/2022)	$55.39

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INDUSTRY COVERAGE: Tobacco

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Pamela Kaufman, CFA		
Altria Group, Inc. (MO.N)	E (06/24/2022)	$41.76
Philip Morris International Inc (PM.N)	O (03/31/2008)	$93.70

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INDUSTRY COVERAGE: Food

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Pamela Kaufman, CFA		
BellRing Brands Inc. (BRBR.N)	O (11/11/2019)	$24.65
Campbell Soup Co (CPB.N)	E (04/20/2020)	$47.34
Conagra Brands (CAG.N)	E (05/20/2019)	$33.35
General Mills Inc (GIS.N)	U (09/21/2021)	$74.42
Hershey Co (HSY.N)	E (04/20/2020)	$221.75
Hostess Brands Inc (TWNK.O)	O (09/21/2021)	$23.90
J. M. Smucker Co (SJM.N)	U (08/19/2020)	$139.04
Kellogg Co. (K.N)	E (09/17/2018)	$70.51
Kraft Heinz Co (KHC.O)	E (03/03/2019)	$34.96
Local Bounti Corp (LOCL.N)	E (04/20/2022)	$3.12
Mondelez International Inc (MDLZ.O)	O (08/07/2019)	$60.24
Simply Good Foods Co (SMPL.O)	E (05/18/2021)	$30.31
Vital Farms Inc. (VITL.O)	O (07/20/2022)	$13.22

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INDUSTRY COVERAGE: Beverages

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Dara Mohsenian, CFA		
Brown-Forman Corporation (BFb.N)	U (03/08/2020)	$72.04
Coca-Cola Co. (KO.N)	O (07/22/2020)	$60.79
Coca-Cola Europacific Partners (CCEPC.AS)	E (06/12/2019)	€47.50
Constellation Brands Inc (STZ.N)	O (11/02/2020)	$240.93
Keurig Dr Pepper Inc (KDP.O)	E (03/11/2021)	$37.74
Molson Coors Beverage Company (TAP.N)	E (01/09/2018)	$50.65
Monster Beverage Corp (MNST.O)	O (11/02/2020)	$88.93
Oatly Group AB (OTLY.O)		$2.99
PepsiCo Inc. (PEP.O)	O (03/22/2020)	$168.68
Zevia PBC (ZVIA.N)	E (08/16/2021)	$4.76

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INDUSTRY COVERAGE: Household & Personal Care

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Dara Mohsenian, CFA		
Church & Dwight Co., Inc. (CHD.N)	U (04/19/2021)	$77.54
Clorox Co (CLX.N)	U (04/19/2018)	$141.63
Colgate-Palmolive Co (CL.N)	E (07/22/2020)	$76.06
Coty Inc (COTY.N)	E (11/07/2018)	$7.84
Edgewell Personal Care (EPC.N)	E (06/04/2015)	$37.26
elf Beauty (ELF.N)	O (12/16/2019)	$40.48
Energizer Holdings Inc. (ENR.N)	E (08/09/2022)	$28.32
Estee Lauder Companies Inc (EL.N)	O (08/21/2020)	$246.14
Honest Co Inc (HNST.O)	E (08/16/2021)	$4.10
Kimberly-Clark Corp (KMB.N)	E (01/24/2019)	$121.81
Newell Brands Inc. (NWL.O)	E (01/25/2018)	$16.99
Olaplex Holdings, Inc. (OLPX.O)	O (11/07/2021)	$12.17
Procter & Gamble Co. (PG.N)	O (12/13/2018)	$138.51

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INDUSTRY COVERAGE: Regulated Utilities

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
David Arcaro, CFA		
Algonquin Power & Utilities Corp (AQN.N)	++	$13.51
Ameren Corp (AEE.N)	E (04/14/2020)	$93.73
Atmos Energy Corp. (ATO.N)	O (12/15/2020)	$117.03
AVANGRID, Inc (AGR.N)	++	$49.96
CenterPoint Energy Inc (CNP.N)	O (02/17/2022)	$32.75
CMS Energy Corp (CMS.N)	E (07/31/2017)	$68.69
Consolidated Edison Inc (ED.N)	U (07/02/2020)	$99.97
Dominion Energy Inc (D.N)	E (08/31/2021)	$82.44
DTE Energy Co. (DTE.N)	O (01/06/2022)	$134.05
Duke Energy Corp (DUK.N)	E (08/25/2014)	$109.27
Edison International (EIX.N)	U (09/06/2022)	$69.49
Entergy Corp (ETR.N)	U (01/06/2022)	$118.71
Eversource Energy (ES.N)	E (10/19/2021)	$90.69
Exelon Corp (EXC.O)	O (08/27/2019)	$44.35
FirstEnergy Corp (FE.N)	O (03/23/2020)	$41.44
ONE Gas Inc (OGS.N)	E (01/06/2022)	$80.56
PG&E Corp (PCG.N)	E (11/15/2018)	$13.22
Pinnacle West Capital Corp (PNW.N)	E (03/23/2020)	$75.42
PPL Corp (PPL.N)	E (07/16/2013)	$29.62
Sempra Energy (SRE.N)	E (08/10/2018)	$173.70
Southern Company (SO.N)	U (08/13/2014)	$79.43
South Jersey Industries Inc (SJI.N)	E (05/28/2021)	$34.12
Spire Inc (SR.N)	E (09/01/2020)	$69.91
Xcel Energy Inc (XEL.O)	E (10/19/2021)	$75.31

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INDUSTRY COVERAGE: Diversified Utilities / IPPs

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
David Arcaro, CFA		
AES Corp. (AES.N)	O (03/23/2020)	$27.03
American Electric Power Co (AEP.O)	O (03/10/2020)	$103.32
Constellation Energy Corporation (CEG.O)	O (03/16/2022)	$88.05
MGE Energy, Inc. (MGEE.O)	U (11/17/2021)	$76.13
NextEra Energy Inc (NEE.N)	O (09/06/2022)	$88.88
NRG Energy Inc (NRG.N)	O (09/06/2019)	$44.31
Public Service Enterprise Group Inc (PEG.N)	O (07/02/2020)	$67.27
Vistra Corp (VST.N)	O (03/25/2019)	$25.36

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INDUSTRY COVERAGE: Exploration & Production

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Devin McDermott		
Antero Resources Corp (AR.N)	E (03/11/2021)	$41.87
APA Corp (APA.O)	O (03/11/2021)	$41.74
Callon Petroleum Company (CPE.N)	E (12/09/2019)	$44.60
ConocoPhillips (COP.N)	O (07/12/2018)	$117.71
Continental Resources Inc. (CLR.N)	U (03/16/2020)	$71.87
Coterra Energy Inc. (CTRA.N)	E (04/30/2020)	$32.23
Devon Energy Corp (DVN.N)	E (06/18/2021)	$72.17
Diamondback Energy Inc (FANG.O)	O (12/11/2020)	$140.17
EOG Resources Inc (EOG.N)	E (07/12/2018)	$126.73
EQT Corp. (EQT.N)	O (11/18/2021)	$50.60
Hess Corp. (HES.N)	O (07/12/2018)	$128.09
Marathon Oil Corporation (MRO.N)	E (06/18/2021)	$27.36
Murphy Oil Corporation (MUR.N)	E (12/11/2020)	$41.06
Occidental Petroleum Corp (OXY.N)	E (03/14/2022)	$67.20
Ovintiv Inc (OVV.N)	O (03/30/2021)	$53.64
Pioneer Natural Resources Co. (PXD.N)	E (02/08/2021)	$251.70
Range Resources Corp. (RRC.N)	U (11/18/2021)	$32.96
Southwestern Energy Co (SWN.N)	E (10/09/2020)	$8.06

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INDUSTRY COVERAGE: Diversified Natural Gas

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Devin McDermott		
Cheniere Energy Inc (LNG.A)	O (05/19/2020)	$174.17
Cheniere Energy Partners LP (CQP.A)	E (09/20/2019)	$56.81
Excelerate Energy Inc (EE.N)	E (05/09/2022)	$28.23
New Fortress Energy Inc (NFE.O)	O (05/12/2021)	$55.24
NextDecade Corporation (NEXT.O)	O (06/07/2021)	$6.89
Tellurian Inc (TELL.A)	E (06/07/2021)	$4.15

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INDUSTRY COVERAGE: Gaming & Lodging

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Ed Young		
DraftKings Inc (DKNG.O)	O (01/26/2022)	$18.40
Ronald Kamdem, CFA		
Gaming and Leisure Properties Inc (GLPI.O)	O (07/24/2018)	$48.63
VICI Properties Inc (VICI.N)	E (12/15/2021)	$33.22

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INDUSTRY COVERAGE: Communications Infrastructure

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Simon Flannery		
American Tower Corp. (AMT.N)	E (12/12/2018)	$251.82
Crown Castle Corp. (CCI.N)	O (11/11/2009)	$166.50
Digital Realty Trust Inc. (DLR.N)	E (06/24/2020)	$116.08
Equinix Inc. (EQIX.O)	E (05/13/2009)	$626.68
SBA Communications (SBAC.O)	O (06/02/2021)	$316.22
Uniti Group Inc (UNIT.O)	U (12/12/2018)	$8.86

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INDUSTRY COVERAGE: Midcap Banks

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/14/2022)
Betsy L. Graseck, CFA		
Citizens Financial Group, Inc (CFG.N)	O (11/24/2021)	$36.90
Fifth Third Bancorp (FITB.O)	E (03/28/2022)	$34.98
Huntington Bancshares (HBAN.O)	E (12/10/2015)	$13.87
KeyCorp (KEY.N)	E (04/07/2020)	$17.64
M&T Bank Corp. (MTB.N)	O (04/21/2022)	$183.25
Manan Gosalia		
First Republic Bank (FRC.N)	E (11/16/2016)	$147.49
Signature Bank (SBNY.O)	O (07/01/2019)	$177.27
Silvergate Capital Corp (SI.N)	E (06/09/2022)	$88.25
SVB Financial Group (SIVB.O)	O (12/06/2021)	$377.59

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