

Investment Insights

Dividends and Durability: Building Resilient Portfolios

Dividend-paying equities have demonstrated resilience in early 2026, providing downside protection and more stable total returns as markets reassess growth, rates and earnings quality.¹

Income-driven returns help reduce volatility and drawdowns, particularly when interest rates are high and equity valuations are under pressure.

As a strategic allocation, dividend equities complement growth, supporting risk management, investor behavior, and long-term compounding when focused on sustainable payouts and balance-sheet strength.

Market dynamics in early 2026 have reaffirmed the importance of equity income as a source of resilience and total-return stability. Amid interest-rate uncertainty, valuation compression, and heightened scrutiny of corporate fundamentals, dividend-paying equities have delivered relative stability while broader markets have struggled. From January 1 to March 31, 2026, the S&P 500 Dividend Aristocrats Index returned 2.42%, while the S&P 500 Index declined by 4.33% over the same period. This performance reflects durable structural advantages—cash-flow strength, capital discipline, and income generation—that persist across market cycles, supporting the role of dividend equities as a strategic portfolio allocation regardless of regime.

Cash-Flow Visibility, Quality, and Capital Discipline

Sustainable dividends require consistent free cash flow and disciplined capital allocation. This creates a natural quality bias, favoring companies with durable competitive positions, resilient earnings, and balance-sheet strength. In periods when confidence in long-term growth assumptions declines, markets tend to reward businesses with visible cash generation and a demonstrated commitment to shareholder returns.

From a portfolio perspective, this discipline has historically translated into lower volatility, smaller drawdowns during periods of stress, and improved risk-adjusted returns over full market cycles—making dividend-paying equities an effective stabilizing force within equity allocations.

Since 1973, companies that grow or initiate dividends have delivered the highest returns with notably lower volatility.

Average annual returns and volatility by dividend policy

	Returns	Standard deviation
Dividend growths & initiators	12.99%	15.97%
Dividend payers	12.71	16.67
No change in dividend policy	11.17	18.49
Dividend non-payers	11.54	21.99
Dividend cutters & eliminators	9.46	24.03

Source: Ned Davis Research as of 12/31/2025. Constituents of the S&P 500 Index. Past performance does not guarantee future results.

Lower Sensitivity to Interest-Rate and Valuation Shifts

Dividend-paying equities typically derive a greater portion of their total return from current income rather than distant earnings growth. As a result, their valuations are generally less sensitive to changes in discount rates and shifting risk premiums.

In today's restrictive rate environment, this characteristic has helped mitigate drawdown risk while providing diversification relative to higher-growth segments of the equity market. The outcome has been improved downside protection at the portfolio level when valuation multiples compress.

A Stable Source of Total Return and Behavioral Support

Dividends provide a continuous return stream independent of market price movements. In volatile or sideways markets, this income component reduces reliance on capital appreciation, supports reinvestment at more attractive valuations, and enhances long-term compounding.

Equally important, regular income can play a stabilizing role in investor behavior. Visible cash flows help soften the psychological impact of market drawdowns, discourage reactive decision-making, and support adherence to long-term strategic allocations—particularly for retirees and investors approaching retirement.

Participation in Long-Term Capital Appreciation

Dividend-paying companies—especially those with sustainable and growing payouts—are not solely defensive. Strong free cash-flow generation, balance-sheet strength, and disciplined reinvestment provide the foundation for durable earnings growth over time. As earnings and dividends compound, shareholder value can grow, allowing dividend-oriented strategies to participate in market upside while maintaining a focus on resilience and downside awareness.

Dividend Equities as a Strategic Portfolio Building Block

We believe dividend-paying equities are a strategic portfolio building block, complementing growth rather than competing with it. By emphasizing sustainable payouts backed by free cash flow and balance-sheet strength, dividend strategies can improve resilience when market regimes shift.

Dividend Income Investing at Invesco

These principles are reflected across our suite of actively managed, dividend-focused strategies, each designed to support total return through a combination of capital appreciation, current income, and capital preservation. Importantly, our investment process emphasizes companies with strong free-cash-flow generation, sound balance sheets, and a clear commitment to disciplined capital allocation, including sustainable and growing dividends. Together, the strategies provide flexibility in implementation while maintaining a consistent quality-first framework.

	Invesco Diversified Dividend Fund	Invesco Dividend Income Fund	Invesco Rising Dividends Fund	Invesco Diversified Dividend Opportunities ETF (DVVY)
AUM (\$B)	\$12.5	\$3.7	\$3.4	Inception date: 3/18/26
Investment objective	Total return: capital appreciation, current income and capital preservation	Current income & capital preservation and secondarily, capital appreciation	Capital appreciation & current income and secondarily capital preservation	Total return: capital appreciation, current income and capital preservation
Dividend profile	Dividend growers	Dividend yield	Dividend growers	Dividend growers
Distribution frequency	Quarterly	Monthly	Quarterly	Quarterly
Available wrappers	Mutual fund SMA Variable Insurance Collective Trust	Mutual fund	Mutual fund	Active ETF
Style box	Large value	Large value	Large blend	Large value
Benchmark index	Russell 1000 Value Index	Russell 1000 Value Index	Russell 1000 Index	Russell 1000 Value Index

Source: Invesco as of 3/31/2025.

1. The S&P 500 Dividend Aristocrats Index returned 2.42% between 1/1/2026-3/31/2026. The S&P 500 Index has returned -4.33% over the same time period.

The Russell 1000 Index tracks the performance of the 1,000 largest U.S. companies by market capitalization. The Russell 1000 Value Index tracks the performance of large-capitalization U.S. stocks from the Russell 1000 Index that exhibit strong value characteristics, meaning they have lower price-to-book ratios and lower historical/forecasted growth rates, serving as a benchmark for the large-cap value segment of the U.S. equity market.

S&P 500® Dividend Aristocrats® measure the performance of S&P 500 companies that have increased dividends every year for the last 25 consecutive years.

The Fund is subject to management risk because it is an actively managed portfolio. The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

Common stocks do not assure dividend payments. Dividends are paid only when declared by an issuer's board of directors and the amount of any dividend may vary over time.

The Fund's value may be affected by changes in the stock markets. Stock markets may experience significant short-term volatility and may fall or rise sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments.

Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

Stocks of small and mid-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty and management risks. An investment in a derivative could lose more than the cash amount invested.

The investment techniques and risk analysis used by the portfolio managers may not produce the desired results.

Securities that pay dividends as a group can fall out of favor with the market, causing such companies to underperform companies that do not pay dividends. Also changes in the dividend policies of the companies and the capital resources available for such companies' dividend payments may affect the Fund.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

A value style of investing is subject to the risk that the valuations never improve or that the returns will trail other styles of investing or the overall stock markets.

The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole.

An investment in an underlying fund involves risks similar to those of investing in any underlying fund of equity or fixed-income securities traded on exchanges. You should anticipate that the value of the shares will decline, more or less, in correlation with any decline in value of the underlying index of certain underlying exchange-traded funds.

The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risks associated with an investment in the Fund.

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Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 10,000, 20,000, 25,000, 50,000, 80,000, 100,000 or 150,000 Shares.

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional(s) for a prospectus/summary prospectus or visit [invesco.com/fundprospectus](https://www.invesco.com/fundprospectus).