



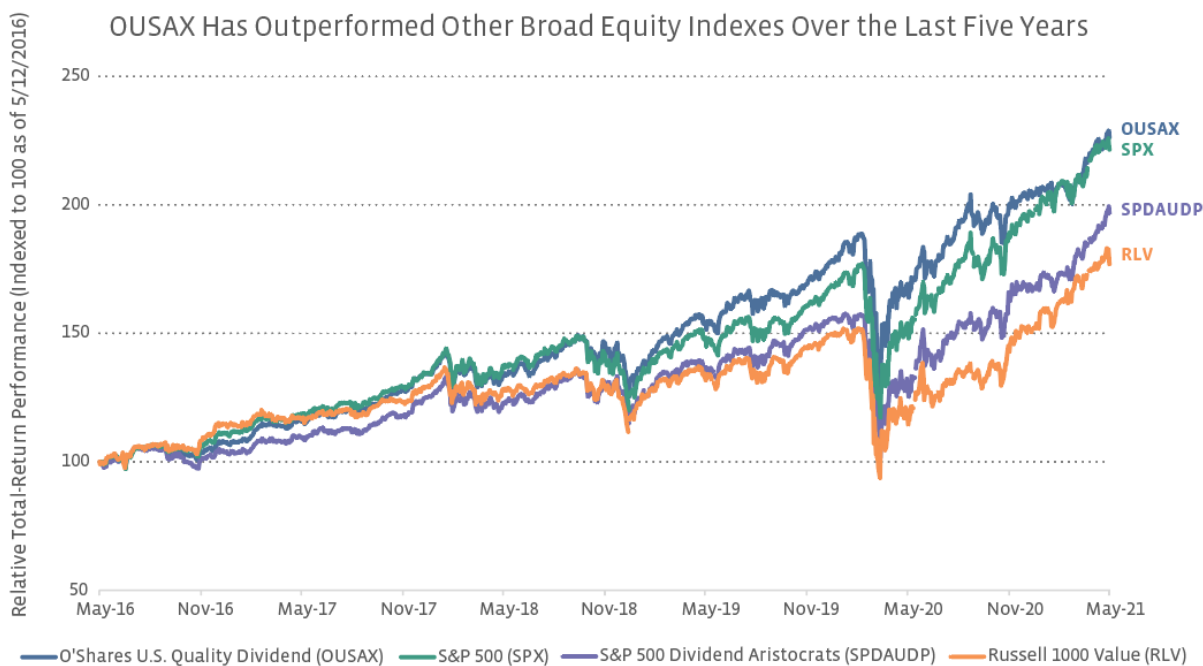
## Equity Income: Emphasizing Quality Can Pay Dividends

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Author: Stacey Morris, CFA

While sector rotations, cycles, and opportunistic trades can come and go, investing with an emphasis on quality and minimizing risk can be a perennially sound approach. This is particularly true for investors desiring or depending on dividend income. Quality companies are better positioned to navigate potential market headwinds, such as those seen in the first half of 2020, and are less likely to announce dividend cuts. As its name implies, quality is core to the construction of the [O'Shares U.S. Quality Dividend Index \(OUSAX\)](#), which is owned by O'Shares ETF Investments and calculated by S-Network Global Indexes. OUSAX is the underlying index for the O'Shares U.S. Quality Dividend ETF. By applying a series of screens to a select universe of US equities, OUSAX identifies quality, large-cap companies expected to provide reliable income and relatively less risk compared to other equity investments.

As with all O'Shares indexes, OUSAX was designed with an emphasis on income, wealth preservation, and capital appreciation. The index is constructed from a starting universe of the 500 largest US stocks by market capitalization. Notably, companies in the real estate, energy, and materials sectors are excluded as these sectors tend to be more volatile. A series of metrics are calculated for each company, including return on assets, leverage, volatility, dividend coverage and dividend growth. Applying a scoring system using the metrics [specified in the methodology](#), the top 100 companies are selected for inclusion in the index and weighted by modified market capitalization, with a greater weighting given to those companies that score more highly based on the metrics used. The fundamental weighting scheme for OUSAX reinforces its quality focus and differentiates it from other indexes. As shown in the chart below, this approach has resulted in outperformance by OUSAX on a total-return basis relative to the S&P 500 Index (SPX), the Russell 1000 Value Index (RLV), and the S&P 500 Dividend Aristocrats Index (SPDAUDP) over the last five years. The trailing twelve-month dividend yield for OUSAX of 2.05% as of May 12 also compares favorably to SPX at 1.40% and RLV at 1.91%, while modestly below the 2.31% for SPDAUDP. The rigorous screening embedded in the OUSAX Index has proven effective over time in providing solid performance while mitigating risk, underscoring the utility of a quality focus in any market environment.



OUSAX is the underlying index for the O'Shares U.S. Quality Dividend ETF.

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### Alerian

alerman.com  
info@alerman.com // 972.957.7700  
3625 N. Hall St., Suite 1200, Dallas, TX 75219

### S-Network Global Indexes

snetworkglobalindexes.com  
info@snetworkinc.com // 646.467.7928  
267 Fifth Avenue, Suite 508, New York, NY, 10016