

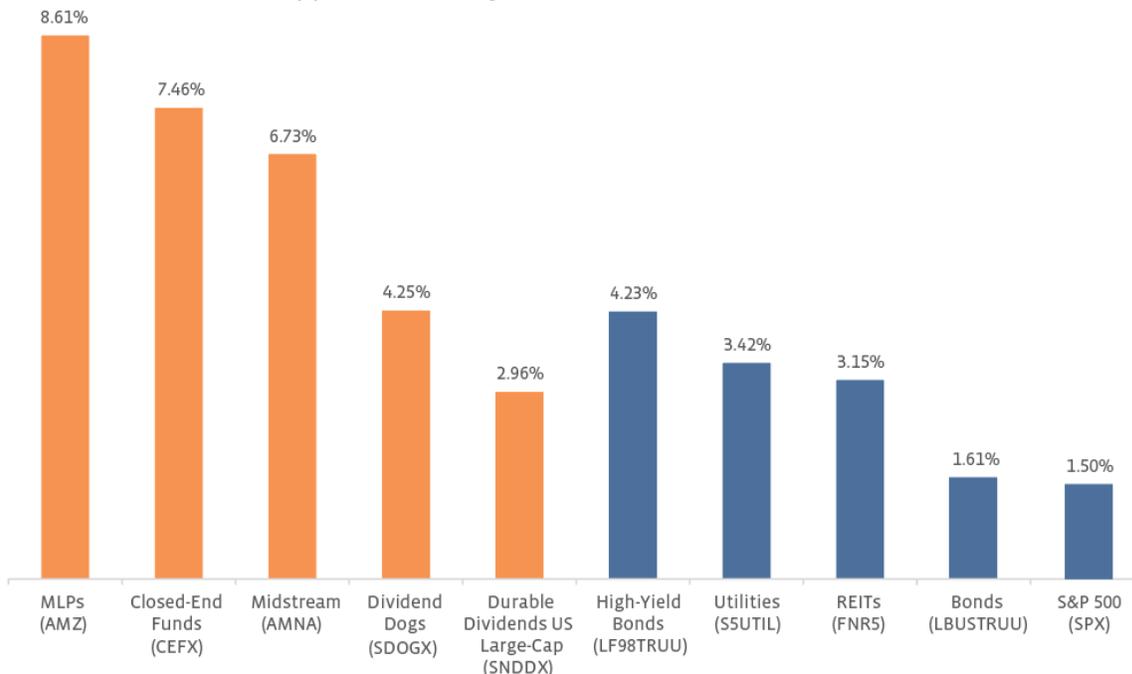
## Finding Income and Value in a Robust Economic Recovery

April 6, 2021

After many years of underperformance relative to growth-oriented stocks, value names have regained some lost ground, outperforming growth-oriented stocks since November on the back of an improving economic outlook. Companies in cyclical sectors, such as energy and industrials, stand to reap the benefits of stronger earnings outlooks after facing precipitous headwinds in 2020. While renewed lockdowns and setbacks with vaccine deployment in certain countries continue to bear watching, strong economic data from the US remains encouraging. For example, last week's [job report](#) far exceeded expectations as nonfarm payrolls increased by the largest absolute number since August 2020. Furthermore, the Institute for Supply Management's services index [rose](#) to an all-time high of 63.7% in March<sup>1</sup>, marking the tenth consecutive month of growth.

Value names remain attractively positioned to benefit from the ongoing macroeconomic recovery and positive outlook. Importantly, the growth-to-value rotation remains in early stages relative to historical cycles. The construction of the S-Network Sector Dividend Dogs Index (SDOGX) allows investors to gain exposure to the value trade while enjoying a yield well above broad market indexes. Specifically, the index has a value tilt by selecting the five stocks in ten sectors (real estate is excluded) with the highest yields and using an equal-weighting scheme, which results in overweight exposure to economically sensitive sectors like energy, materials, and industrials ([read more](#)). SDOGX, which uses the S&P 500 as its starting universe, is up over 16% year-to-date through March on a total-return basis compared to the S&P 500's 6.17% gain. For investors desiring greater income and anticipating continued momentum in value, MLPs and midstream stand to benefit given their energy exposure and discounted valuations relative to history ([read more](#)).

Alerian/S-Network Indexes Showcase Attractive Income Opportunities Beyond Bonds, REITs, and Utilities



AMZ and AMNA yields are calculated by Alerian. All other yields are Bloomberg data.

1. A reading above 50 indicates expansion in the services sector, which accounts for more than two-thirds of U.S. economic activity.

## Current Yields vs. History

Midstream continues to offer yields above historical averages. For the MLP indexes below (AMZ and AMZI), yields are slightly below the 5-year average but more than 100 basis points above the 10-year average.

Midstream & MLPs			Yield		
Index Name	Ticker	YTD Total Return	Current	5-Year Average	10-Year Average
Alerian Midstream Energy Index	AMNA	20.88%	6.73%	6.56%	N/A
Alerian MLP Index	AMZ	21.95%	8.61%	8.77%	7.57%
Alerian MLP Infrastructure Index	AMZI	21.85%	8.69%	8.72%	7.44%
Alerian Midstream Energy Dividend Index	AEDW	21.56%	7.97%	7.58%	N/A
Alerian Midstream Energy Select Index	AMEI	20.72%	6.56%	6.34%	5.34%

Source: Alerian as of March 31, 2021

Among the Sector Dividend Dogs, SDOGX stands out for its strong performance year-to-date benefitting from its value tilt and equal-weighting scheme, while EDOGX is the only index in the suite to offer a current yield above the 5-year average.

Sector Dividend Dogs			Yield	
Index Name	Ticker	YTD Total Return	Current	5-Year Average
S-Network Sector Dividend Dogs Index	SDOGX	16.33%	4.25%	4.43%
S-Network International Sector Dividend Dogs Index	IDOGX	5.88%	5.01%	5.18%
S-Network Emerging Sector Dividend Dogs Index	EDOGX	2.60%	5.48%	4.88%
S-Network REIT Dividend Dogs Index	RDOGX	8.54%	5.03%	5.99%

Source: S-Network Global Indexes, Bloomberg as of March 31, 2021

Multiple screens for dividend durability, including evaluating cash flows, EBITDA, and debt-to-equity ratios, help ensure reliable income from the durable dividend indexes. While current yields are below the 5-year average, the income profile is more attractive than a broad equity market index like the S&P 500.

Durable Dividends			Yield	
Index Name	Ticker	YTD Total Return	Current	5-Year Average
S-Network Durable Dividends US Large-Cap Index	SNDDX	12.98%	2.96%	3.73%
S-Network Durable Dividends US Mid-Cap Index	SNDDMX	13.40%	2.46%	3.42%
S-Network Durable Dividends Developed International Index	SNDDIX	8.33%	4.02%	4.62%

Source: S-Network Global Indexes, Bloomberg as of March 31, 2021

Though current yields are below historical averages, closed-end funds continue to represent an attractive option for enhancing the yield of an income-oriented portfolio.

Closed-End Funds			Yield			
Index Name	Ticker	YTD Total Return	Current	Tax-Equivalent <sup>1</sup>	5-Year Average	10-Year Average
S-Network Composite Closed-End Fund Index	CEFX	5.52%	7.46%	N/A	8.16%	8.46%
S-Network Municipal Bond Closed-End Fund Index	CEFMX	1.44%	4.45%	7.06%	5.04%	N/A
S-Network Option Income Closed-End Fund Index	CEFOIX	6.71%	6.84%	N/A	8.56%	N/A

<sup>1</sup> Calculated using a 37% federal tax rate.

Source: S-Network Global Indexes, Bloomberg as of March 31, 2021

## Related Research:

- [Will Your Equity Allocation Miss Out on the Value Trade?](#)
- [2021 Midstream Guidance Reassures; Upward Revisions Possible](#)
- [Insights at a Glance: Midstream/MLP Buyback Update](#)
- [A Smarter Approach to Closed-End Funds](#)

### Underlying Index

#### Midstream/MLPs

[Alerian Midstream Energy Index \(AMNA\)](#)

[Alerian MLP Index \(AMZ\)](#)

[Alerian Midstream Energy Dividend Index \(AEDW\)](#)

[Alerian MLP Infrastructure Index \(AMZI\)](#)

[Alerian Midstream Energy Select Index \(AMEI\)](#)

#### Sector Dividend Dogs

[S-Network Sector Dividend Dogs Index \(SDOGX\)](#)

[S-Network International Sector Dividend Dogs Index \(IDOGX\)](#)

[S-Network Emerging Sector Dividend Dogs Index \(EDOGX\)](#)

[S-Network REIT Dividend Dogs Index \(RDOGX\)](#)

#### Closed-End Funds

[S-Network Composite Closed-End Fund Index \(CEFX\)](#)

[S-Network Municipal Bond Closed-End Fund Index \(CEFMX\)](#)

### Associated Product

ETRACS Alerian Midstream Energy Index ETN (AMNA)

JP Morgan Alerian MLP Index ETN (AMJ), ETRACS Alerian MLP Index ETN Series B (AMUB), ETRACS Quarterly Pay 1.5X Levered Alerian MLP Index ETN (MLPR)

ETRACS Alerian Midstream Energy High Dividend Index ETN (AMND), Alerian Midstream Energy Dividend UCITS ETF (MMLP)

Alerian MLP ETF (AMLP), ETRACS Alerian MLP Infrastructure Index ETN Series B (MLPB)

Alerian Energy Infrastructure ETF (ENFR)

ALPS Sector Dividend Dogs ETF (SDOG)

ALPS International Sector Dividend Dogs ETF (IDOG)

ALPS Emerging Sector Dividend Dogs ETF (EDOG)

ALPS REIT Dividend Dogs ETF (RDOG)

Invesco CEF Income Composite ETF (PCEF), ETRACS 1.5X Leveraged Closed-End Fund ETN (CEFD)

VanEck Vectors CEF Municipal Income ETF (XMPT)

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