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# The Power of Dividends

## Equity Dividend Fund

**Tony DeSpirito**

Managing Director, Portfolio Manager

December 2017



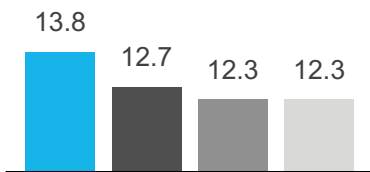
BLACKROCK®

# Dividend Investing is a Time Tested Strategy

- ▶ Focusing on companies that pay and grow their dividend has delivered investors strong returns with less risk over time

## Higher returns...

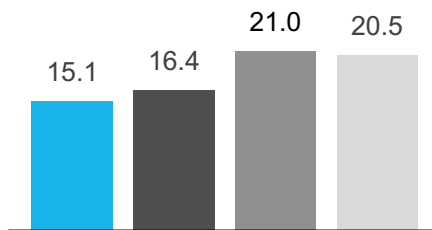
Historical average returns (%) of dividend categories since 1979<sup>1</sup>



■ Dividend Initiators & Growers  
■ Non-Dividend Payers

## ...with less risk

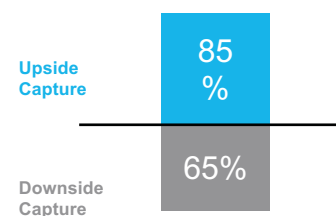
Standard deviation (%) since 1979<sup>1</sup>



■ No Change Dividend Payers  
■ Dividend Cutters & Eliminators

## Strong positioning across market scenarios

Historical upside/downside capture of dividend growth stocks<sup>2</sup>



\* Dividends are not guaranteed and a company's future ability to pay dividends may be limited.

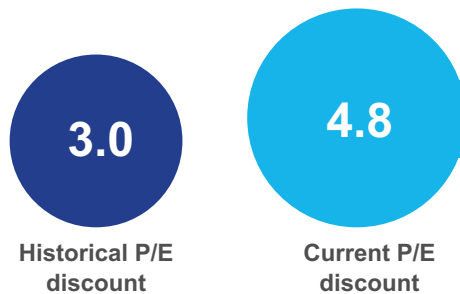
<sup>1</sup> Source BlackRock. Data from 1/1/1979 through 12/31/2016. The investment universe is the 500 largest U.S. stocks by market cap. Dividend policy constituents are calculated on a rolling 12-month basis and are rebalanced monthly. Category returns are calculated on a monthly basis. Shown for illustrative purposes only. Past performance is not indicative of future returns. The Dividend Growers & Initiators category ("Dividend Growers" in the chart) represents performance for companies which either increased or initiated their dividend distribution. The No Change category represents performance for companies which pay a dividend but have not increased nor decreased their dividend distribution. The Nonpayers category represents performance for companies which do not pay a dividend. The Dividend Cutters & Eliminators category ("Dividend Cutters" in the chart) represents performance for companies which either cut or eliminated their dividend distribution. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. <sup>2</sup> Upside/downside capture for the Russell 1000 Dividend Growth Index (since inception 7/1996) versus the Russell 1000 index. Up/down-capture measures relative performance in up and down markets. Up-capture shows how much one index gains relative to a benchmark when the benchmark rose. Down-capture shows how much one index lost relative to a benchmark when the benchmark declined.

# Dividend Growers Are Attractively Priced

- ▶ Markets are reaching historic highs and stock valuations are stretched, making it harder to find value. However, the market has overlooked dividend growers, which are trading at historically low valuations versus the S&P 500.

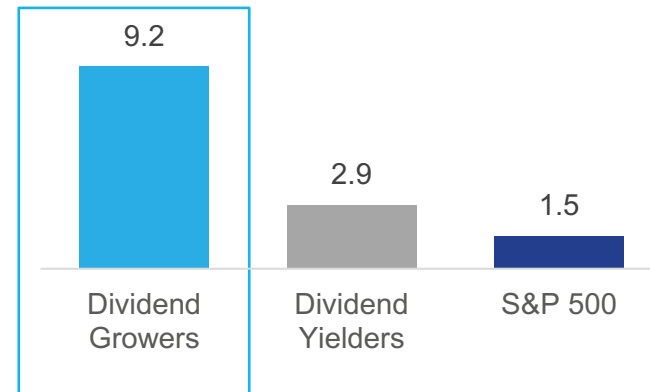
## Dividend growers are attractively valued

Dividend growers forward P/E vs. S&P 500<sup>1</sup>



## Dividend growers have outperformed when market valuations are higher<sup>2</sup>

3 year performance when the S&P 500 P/E Ratio is greater than 21\*



\*S&P 500 P/E as of 9/30/2017 is 21.6

<sup>1</sup> Source: BlackRock as of 12/31/16. Graphic illustrates the long-term median discount of dividend growth forward Price-to-earnings ratio to the S&P 500. Long-term median discount average is -3.05. <sup>2</sup> Source: BlackRock, Bloomberg, Morningstar as of 9/30/2017. Past performance does not guarantee or indicate future results. Dividend yielders are represented by the MSCI USA High Dividend Yield NR index and dividend growers are represented by the Russell 1000 Dividend Growth TR index.

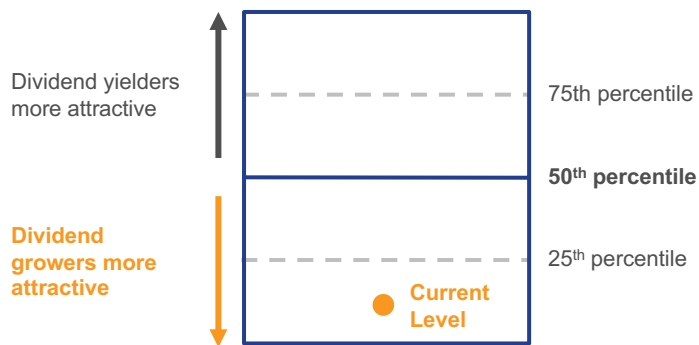
Past performance is no guarantee of future results.

# Dividend Growers Look Well Positioned Relative to High Dividend Yielders

- ▶ High dividend yield stocks look expensive relative to dividend growth stocks after a bid up in price in recent years. At the same time, dividend growers have historically outperformed while high dividend yielders have underperformed the broader market during periods of rising rates.

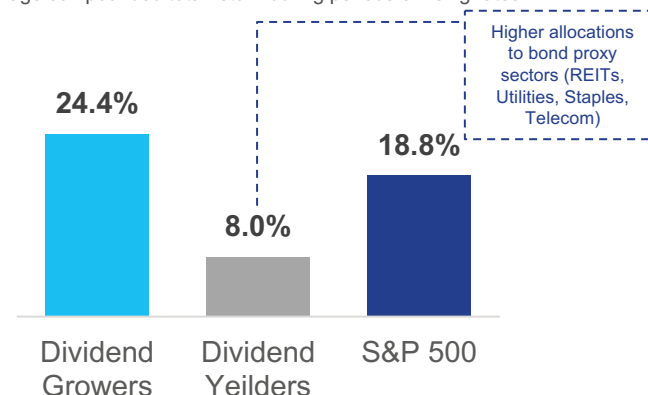
## Dividend growers are cheaper than dividend yielders<sup>1</sup>

Relative valuation between high dividend yield stocks and dividend growers based on dispersion between trailing P/E ratios since 1952



## Dividend growers have outperformed when rates rise<sup>2</sup>

Average compounded total return during periods of rising rates



Corporate Reports, Empirical Research Partners Analysis. Data from Jan 1952 – September 2017.

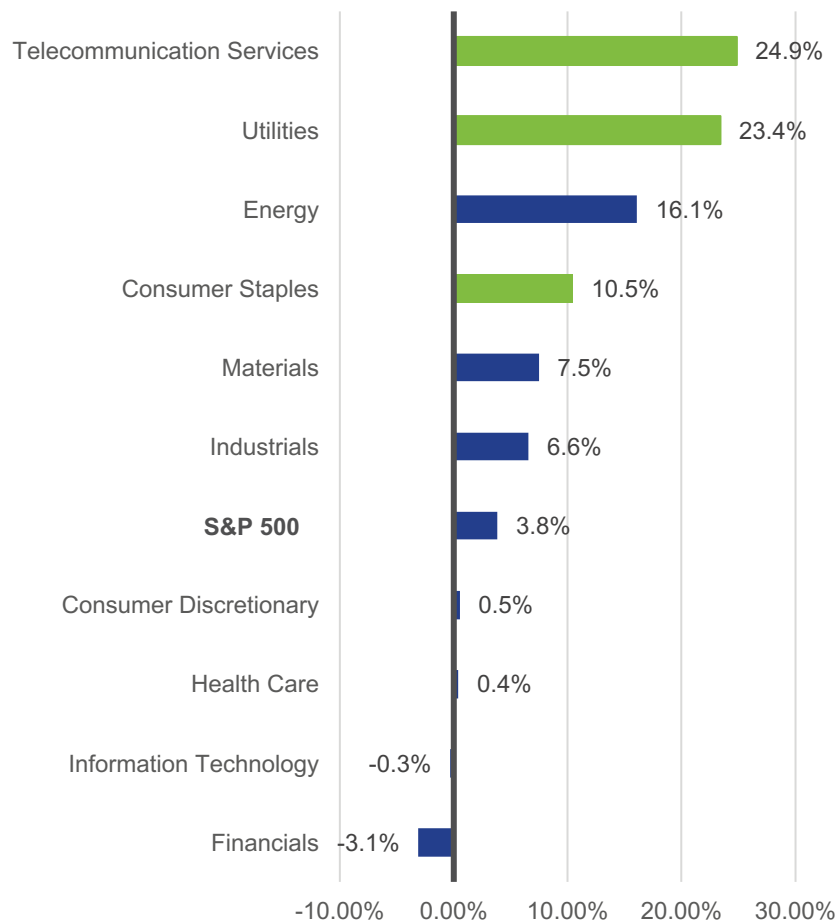
<sup>1</sup> The investment universe includes the 750 largest U.S. stocks by market cap, as well as any S&P 500 Index constituents that are not already included. The Trailing P/E Ratio is capitalization-weighted data, and depicts the trailing P/E of the highest quintile of dividend growth stocks versus the trailing P/E of the highest quintile of dividend yield stocks.

<sup>2</sup> Standard deviation: Standard deviation is a measure of the dispersion of a set of data from its statistical average, or central tendency. Sources: BMO Capital Markets Investment Strategy Group, FactSet, CompuStat, IBES, Bloomberg, Federal Reserve as of 12/31/2016. Analyzed all periods beginning in 1990 where the 10-year Treasury note yield rose for a year or longer. Six total periods were identified; compound total returns were calculated for each period. BMO Dividend Growth Stocks screening methodology: No dividend cuts in each of the past five completed fiscal years; Latest one-year dividend growth per share greater than the S&P 500; Current dividend yield greater than the S&P 500; Free cash flow yield greater than the dividend yield; and Dividend payout ratio lower than the S&P 500.

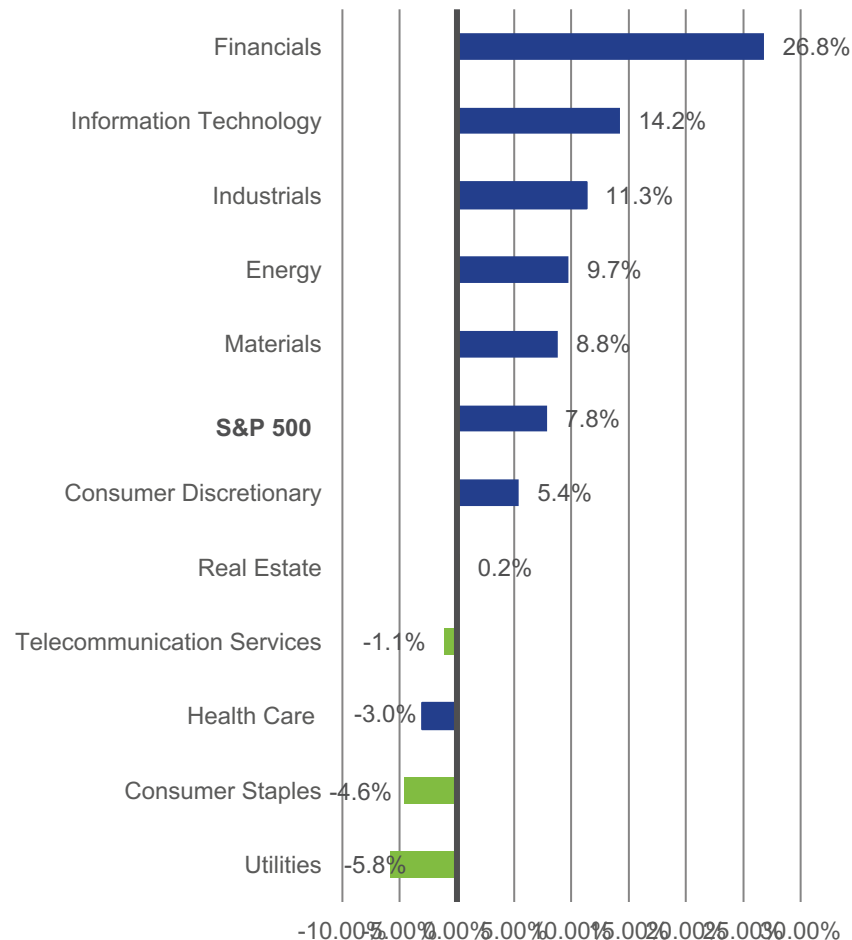
Past performance is no guarantee of future results.

# U.S. Equity Market Performance in 2016:

S&P 500 sector performance (12/31/2015 - 6/30/2016)



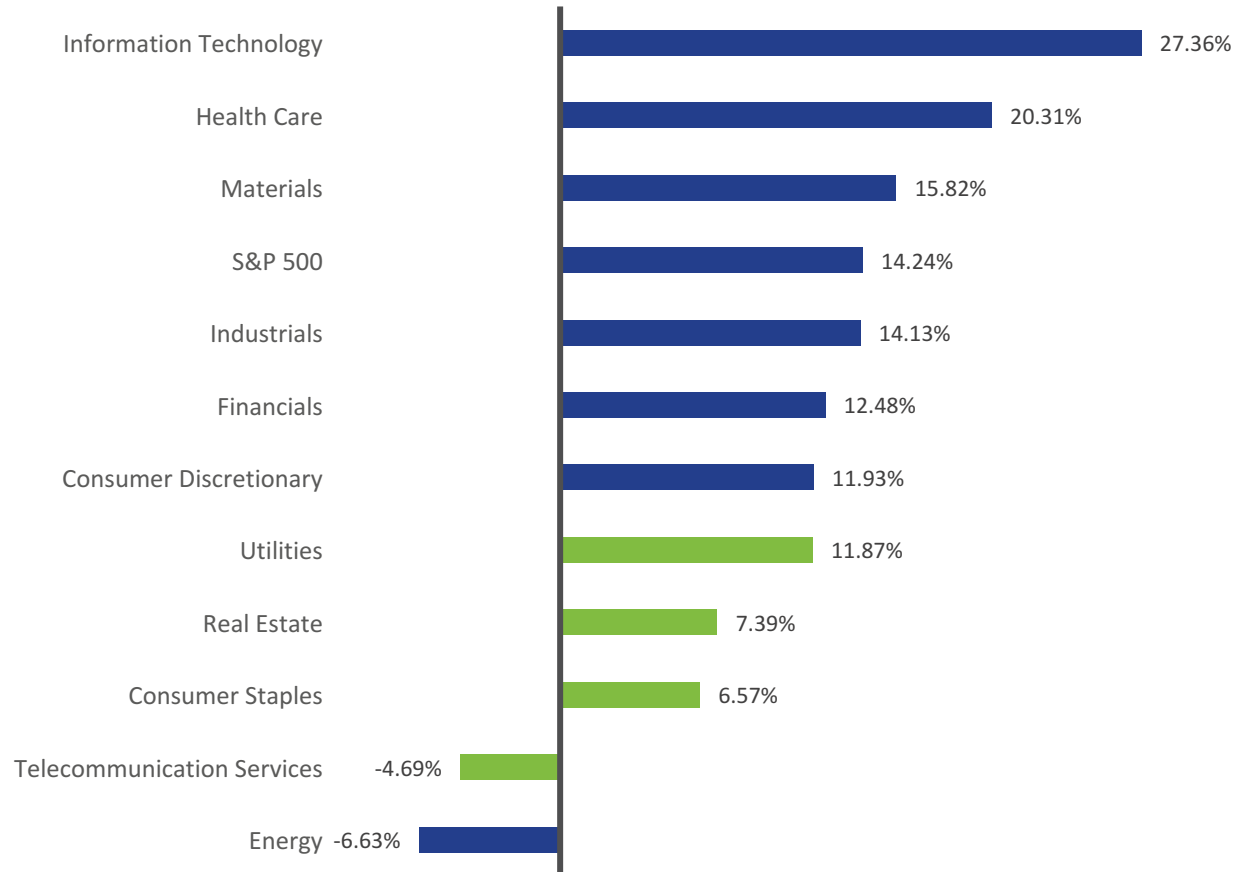
S&P 500 sector performance (6/30/2016 - 12/31/2016)



Source: BlackRock, Prism. As of 31 December 2016. **Past performance is not a guide to current or future performance and should not be the sole factor of consideration when selecting a product.** Sectors of traditional income stocks, which have historically offered the highest dividend yields, are highlighted in green.

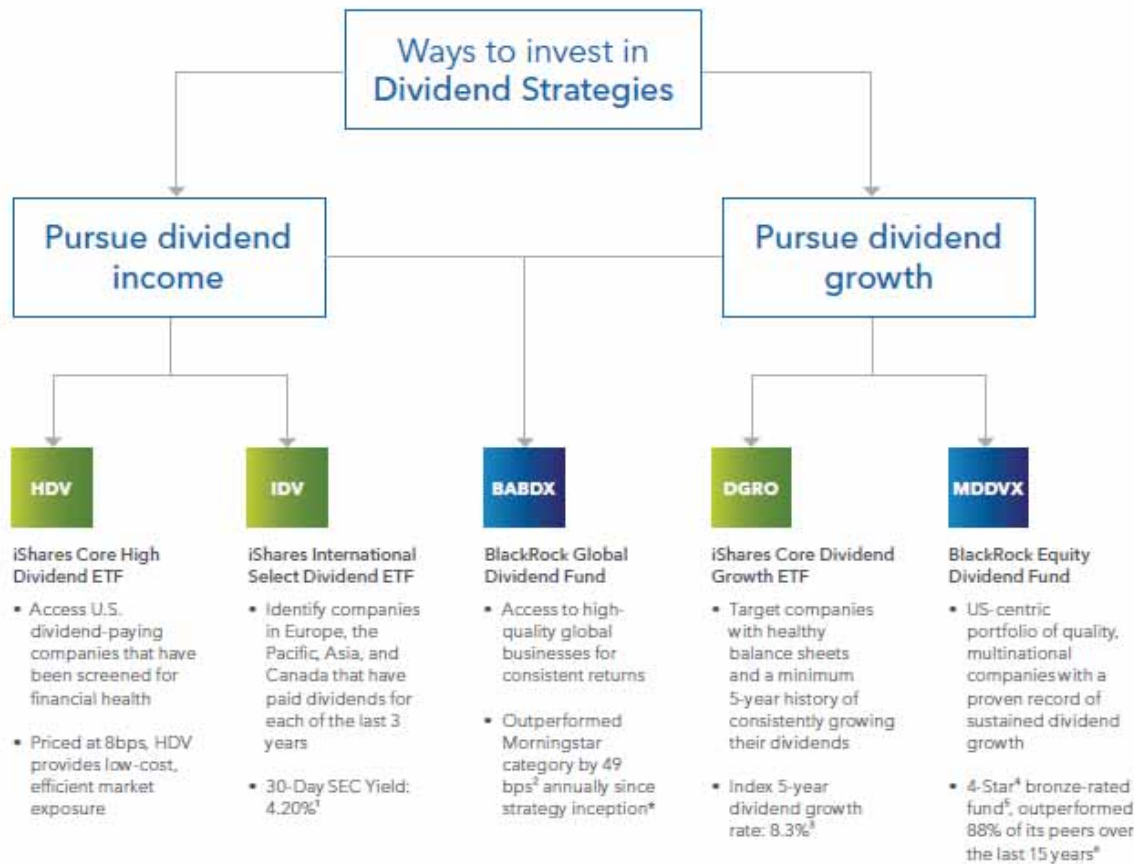
# U.S. Equity Market Performance - YTD

## S&P 500 Sector Returns (1/1/2017 - 9/30/2017)



Source: BlackRock, Prism. As of 30 September 2017. **Past performance is not a guide to current or future performance and should not be the sole factor of consideration when selecting a product.** Sectors of traditional income stocks, which have historically offered the highest dividend yields, are highlighted in green.

# Ways to Invest in Dividend Strategies



1. Unsubsidized yield shown as of 9/30/2017. Unsubsidized yield as of 10/31/2017 is 4.19%. Distribution yield, the yield an investor would receive if the most recent fund distribution and fund price remained the same going forward, is 3.10% as of 10/31/2017. Past performance does not guarantee future results. For standardized fund performance, see slide 13.

2. Outperformance for A-shares of BlackRock Global Dividend Fund over the Morningstar World Large Stock peer group (comprised of 581 funds). Source: BlackRock and Morningstar. As of 9/30/2017. \*Strategy Inception is 11/1/2010

3. Morningstar US Dividend Growth Index as of 9/30/2017.

4. & 5. Please see Important Notes slides (slide 12)

Note: There is no guarantee that companies will continue to pay dividends. Past performance does not guarantee future results.

The performance quoted represents past performance and does not guarantee future results. For standardized returns, see slide 13. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index performance does not represent actual iShares Fund performance. For actual fund performance, please visit [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com).**



# BlackRock Equity Dividend Fund

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# A Conservative Large Cap Equity Holding

## A Portfolio of Established Companies with the Ability to Grow Their Dividends

- ▶ We believe attractively valued, quality companies with histories of dividend growth can potentially deliver strong risk-adjusted returns over the long-term.



**JPMorgan:** A leading global provider of financial and banking services



**Anthem:** A prominent health benefits operator in the U.S.



**Microsoft:** A mature, global technology software and services firm

### What We Own

- ▶ Quality, dividend-paying, blue-chip equities
- ▶ Global market leaders, primarily based in the US
- ▶ Quality management teams, good stewards of capital
- ▶ Strong balance sheets – high cash flow and low debt
- ▶ Consistent and stable revenue and earnings growth

### What We Don't Own

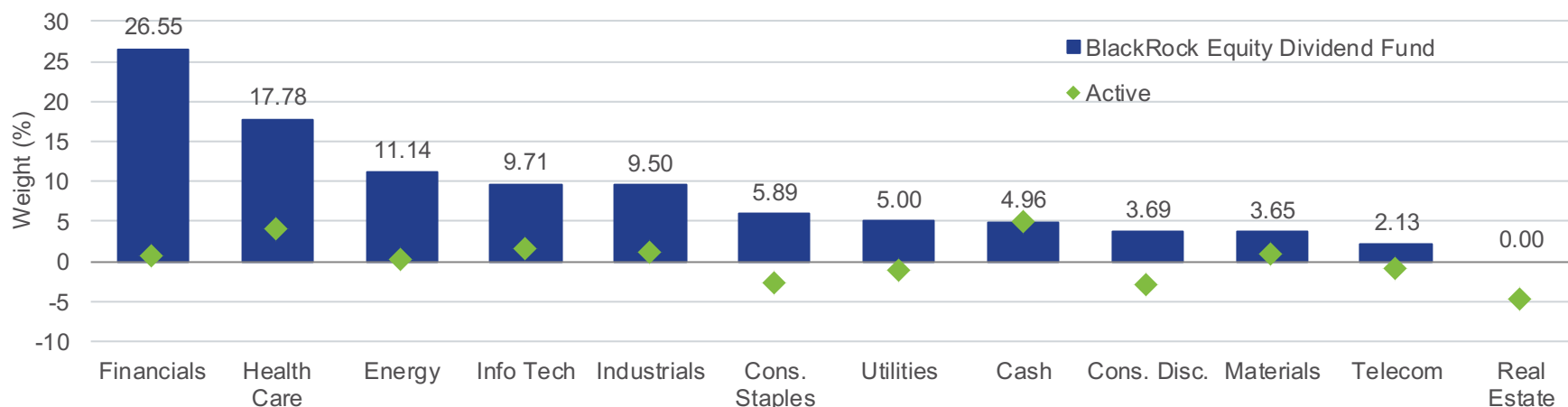
- ▶ Companies in industries with weak fundamentals
- ▶ Highly leveraged companies
- ▶ High-risk “concept” stocks
- ▶ Deep value, turnaround stories
- ▶ Fixed Income, convertibles or covered calls to increase yield

Source: BlackRock. All information as of 30 September 2017. This is not a recommendation to buy or sell any particular security and should not be viewed as a solicitation to buy. Positions can change at any time without notice. Information is subject to change. See a list of the Fund's top ten holdings on slide 25.

# Equity Dividend Fund Characteristics

Characteristics	Portfolio	Russell 1000 Value	Top 10 Holdings (% of net assets)
Number of Holdings	88	717	JPMORGAN CHASE & CO 4.05
Return on Equity (5-year)	15.9%	11.1%	CITIGROUP INC 3.74
EPS Growth (FY1)	7.4%	6.6%	BANK OF AMERICA CORP 3.62
Price / Earnings (FY1)	16.2x	17.0x	PFIZER INC 3.54
Wtd. Avg. Market Cap	\$137.5 bil.	\$118.9 bil.	ORACLE CORP 2.92
			WELLS FARGO 2.64
			DOWDUPONT INC 2.42
			ANTHEM INC 2.26
			AETNA INC 2.07
			SUNCOR ENERGY INC 1.99

## Sectors (% of net assets)



Data as of 30 September 2017 unless otherwise noted. Sources: BlackRock, FactSet, Bloomberg. Portfolio subject to change. The Fund is actively managed and its characteristics will vary. Holdings are provided for informational purposes only and do not represent a recommendation to buy or sell any particular security or invest in any particular sector

## Equity Dividend Fund: Performance Data

### % Average Annual Total Returns – As of (9/30/2017)

Average Annual Returns	YTD <sup>1</sup>	1 Year	3 Year	5 Year	10 Year
BlackRock Equity Dividend Fund (A)	10.54	20.16	9.99	11.65	6.48
BlackRock Equity Dividend Fund (@MSC)	4.73	13.85	8.03	10.45	5.91
BlackRock Equity Dividend Fund (I)	10.77	20.47	10.26	11.94	6.77
Russell 1000 Value Index	7.92	15.12	8.53	13.20	5.92
Lipper Equity Income Fund Average	9.46	14.31	7.68	11.13	6.07

*Performance data quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate. Shares when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Refer to website at [www.blackrock.com](http://www.blackrock.com) to obtain performance current to the most recent month-end. Investment returns reflect total fund operating expenses, net of all fees, waivers, and/or expense reimbursements. Returns also include reinvestment of dividends and capital gains. Lipper category returns are based on total return and do not reflect sales charges. Institutional Shares total annual operating expenses as of the most recent prospectus are 0.72%.*

<sup>1</sup>Year to Date (YTD) performance is cumulative.

Index returns are shown for illustrative purposes only. You cannot invest directly into an index.

## Important Notes (Ways to Invest in Dividend Strategies – Slide 7)

4. 4-star rating for A-shares of BlackRock Equity Dividend Fund. As of 10/31/2017. The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Other classes of shares with differing fees and expenses are available. BlackRock Equity Dividend Fund was rated against the following number of U.S.-domiciled Large Value funds over the following time periods: 1,237 in the last 3 years, 1,149 in the last 5 years and 973 in the last 10 years. With respect to these Large Value funds, BlackRock Equity Dividend Fund received a Morningstar Rating of 4 stars for the 3-year period, 3 stars for the 5-year period, and 4 stars for the 10-year period.

5. Effective as of 2/22/17. The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by Morningstar’s manager research group, which consists of various Morningstar, Inc. subsidiaries (“Manager Research Group”). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s conviction in a fund’s prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group’s overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar’s Analyst Rating, including its methodology, please go to [global.morningstar.com/manager-disclosures](http://global.morningstar.com/manager-disclosures). The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause Analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

6. The fund performance is ranked 85 out of 762 funds over the past 15 year period.

# Standardized Performance as of 9/30/2017

All Data as of 9/30/17

Fund Name	Fund Inception Date	Gross Expense Ratio	30-Day SEC Yield (With / Without Waiver)	Contractual Fee Waiver Expiration (If Applicable)	1-Year Returns		5-Year Returns		10-Year Returns		Since Inception	
					NAV	Mkt Price	NAV	Mkt Price	NAV	Mkt Price	NAV	Mkt Price
iShares Core High Dividend ETF (HDV)	3/29/2011	0.08%	3.40%	--	9.35%	9.35%	10.90%	10.89%	--	--	12.24%	12.24%
iShares International Select Dividend ETF (IDV)	6/11/2007	0.50%	4.20%	--	17.43%	17.04%	6.23%	6.23%	1.29%	1.15%	1.48%	1.47%
iShares Core Dividend Growth ETF (DGRO)	6/10/2014	0.08%	2.30%	--	20.25%	20.25%	--	--	--	--	10.77%	10.77%
BlackRock Equity Dividend Fund (MDDVX)	10/21/1994	0.97%	1.41%	--	20.16%	--	11.65%	--	6.48%	--	9.82%	--
BlackRock Global Dividend Fund (BABDX)	4/7/2008	1.03%	2.23%	--	13.22%	--	9.10%	--	--	--	6.45%	--

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com).

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times.

# Important Risks

*Important Risks of the Equity Dividend Fund: The fund is actively managed and its characteristics will vary. Any holdings shown are for information only and should not be deemed as a recommendation to buy or sell the securities mentioned. Stock and bond values fluctuate in price so the value of your investment can go down depending on market conditions. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. Investing in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and / or increase volatility.*

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International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.

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