

# Gain Exposure to International Dividends

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Following the expanded usage of QE by Central Banks after the financial crisis in 2008, market participants have had to search for new ways when looking to add yield to a portfolio. Even as the Federal Reserve recently announced plans to unwind the balance sheet, yields on US Treasuries continue to remain at historically low levels. One of the ways investors can go about adding yield is searching for individual equities or indexes which continue to allocate towards those securities which have looked to maintain a high dividend rate. The NASDAQ International Dividend Achievers Total Return Index (DATTR) is comprised of non-US incorporated securities with at least five consecutive years of increasing regular dividend payments. Furthermore, gaining exposure to international equities can help provide diversity to a portfolio and improve risk management.

A good example of this is occurring thus far in 2017 with Emerging Market equities having been one of the diamond in the rough stories for the year having outperformed US equities to date. This outperformance thus far into the year has proved very beneficial for those who have allocated money towards equities outside of the US. However, single stock risk always exists but those money managers who diversify into an index which eliminates that type of exposure have certainly benefited. The [NASDAQ International Dividend Achievers Total Return Index](#) also has a low correlation to domestic equities. The five year dividend growth screen in the methodology is also a symbol of quality, generally selecting names with stable earnings and positive cash-return to shareholders.

## Index Rebalancing

The NASDAQ International Dividend Achievers Total Return Index (DATTR) employs a dividend yield weighted methodology. At each quarter, the Index is rebalanced based on the trailing 12 months dividend yield of each security as compared to the dividend yield of all Index Securities as of the last trading day in February, May, August and November. At each quarter, the Index is rebalanced such that the maximum weight of any Index Security does not exceed 4%. The excess weight of any capped security is distributed proportionally across the remaining Index Securities. The changes are effective after the close of trading on the third Friday in March, June, September and December.

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BY CHRIS MOYER, NASDAQ GLOBAL INFORMATION SERVICES

## Eligibility

Below are the eligibility requirements to become and/or maintain a component of the NASDAQ International Dividend Achievers Total Return Index:

- Be listed on The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange, NYSE MKT
- The issuer of the security must be incorporated outside of the United States and not in a country of beneficial interest as defined by the Nasdaq Global Index (NQGI) methodology
- Have a minimum three-month average daily dollar trading volume of \$1 million
- Have at least five consecutive years of increasing annual regular dividends based on ex-date of the underlying security. If no underlying security exists, then the depository receipt will be reviewed
- One security per issuer is permitted. If an issuer has multiple securities, the security with the highest three-month average daily dollar trading volume will be selected for possible inclusion into the Index

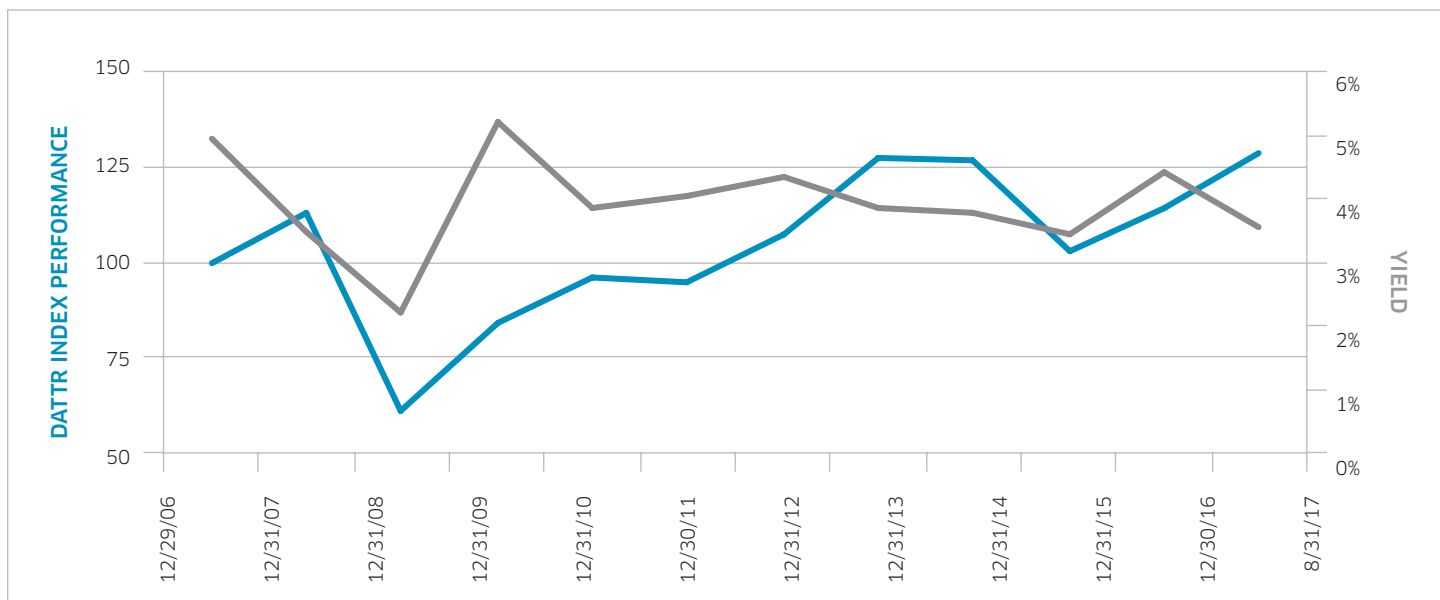
## Performance

During our time frame studied (Dec 29, 2006 – August 31, 2017), DATTR has produced a cumulative return of 28.57%. This amounts to an annualized return of 2.38%. Thus far in 2017 (as of August 31, 2017), the Index has produced a double digit return of 12.58%.

## Strong Yield

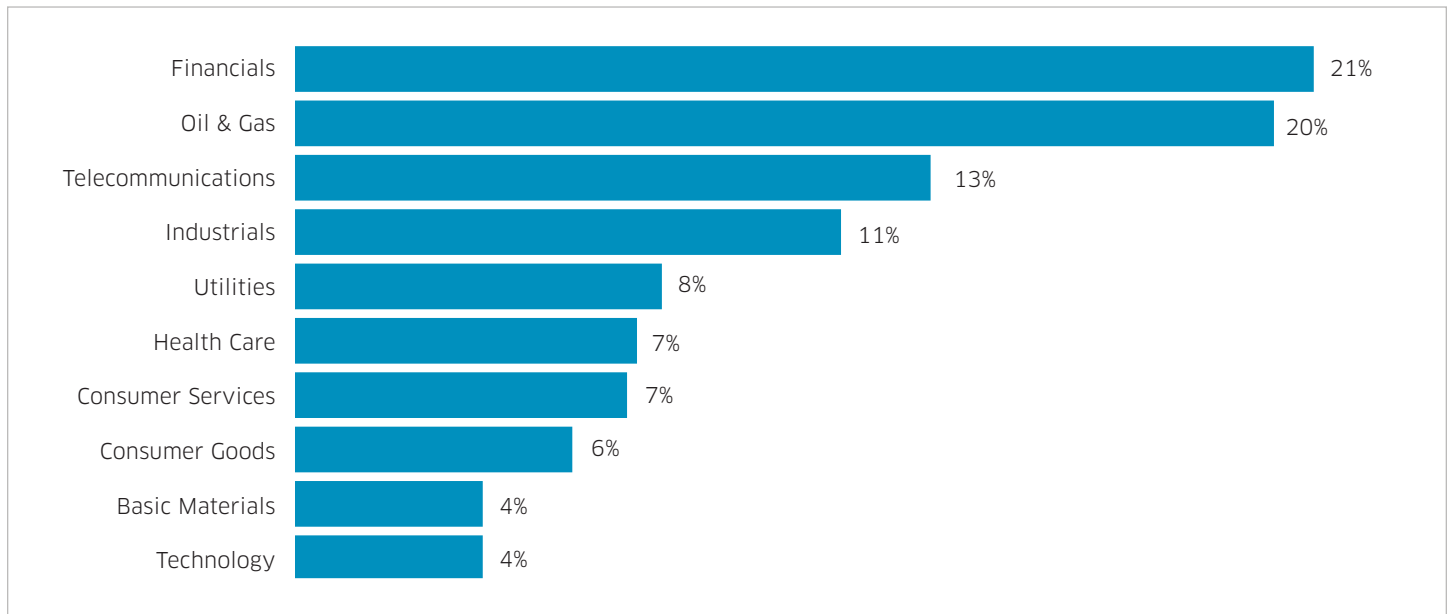
On an annual basis, DATTR has continued to maintain a dividend yield of around 4% with the exception being in 2008 where it briefly dipped below 3%. In 2009, it achieved a yield just over 5% which was the best yield on an annual basis during our time frame analyzed.

	<b>DATTR</b>
Cumulative Return	28.57%
Annualized Return	2.38%



## Industry Weights

As of August 31, 2017, the index remains largely allocated to Financials (21%), Oil & Gas (20%), and Telecommunications (13%). The smallest allocations remain in Basic Materials and Technology (both at 4%). In total, the Index had 71 components during our time frame studied.



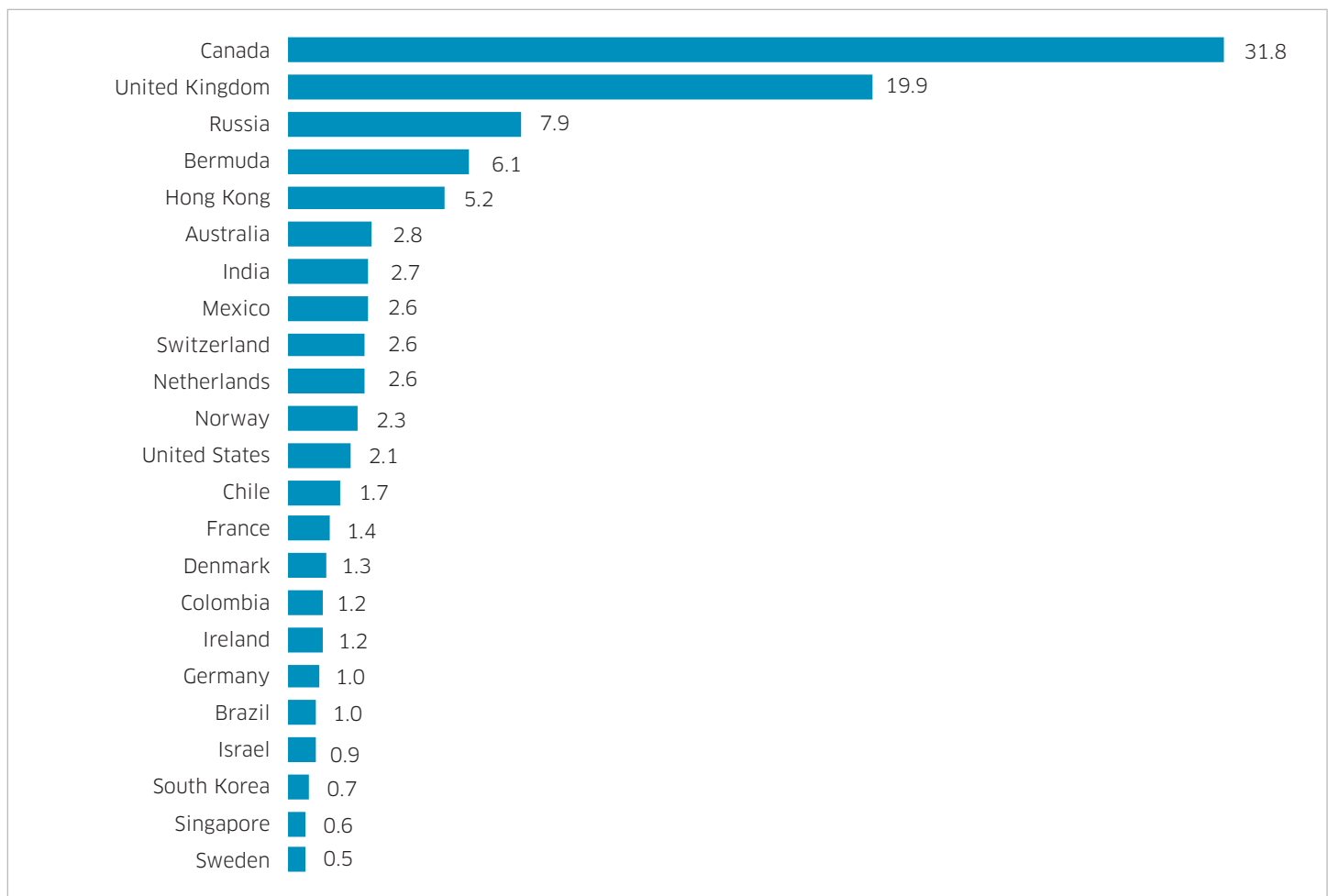
## Top 10 Allocations & Dividend Yields

Below we've listed the top 10 largest allocations (on an individual security basis) as well as the corresponding dividend yield. The two securities with the best dividend yields within the top 10 most heavily allocation are Mobile Telsys PJSC (10.40%) and Golar LNG Partners LP (10.51%). Season Corporation, which has the largest allocation of 5.24%, had a 7.00% yield as of August 31, 2017.

SYMBOL	COMPANY NAME	INDEX WEIGHT (%)	DIV YIELD (%)
SSW	SEASPAN CORPORATION	5.24	7.00
MBT	MOBILE TELSYS PJSC	4.32	10.40
GMLP	Golar LNG Partners LP	4.24	10.51
NGG	NATIONAL GRID PLC	2.95	5.93
WBK	WESTPAC BANKING CP	2.79	5.72
HSBC	HSBC HLDGS PLC ADS	2.75	4.13
LKOD	Lukoil Sp ADR	2.74	7.96
BP	BP PLC	2.69	6.91
STO	STATOIL ASA	2.31	4.67
CM	CANADIAN IMP BK COMM	2.16	5.05

## Country Allocations

On a country by country basis, the largest allocations are geared towards Canada (31.8%), the U.K. (19.9%) and Russia (7.9%). The smallest allocations were geared towards Singapore and Sweden (both at 0.4%).



## Correlations

The below table confirms the low correlation DATTR has to both the Nasdaq Global Ex US Index (NQGXUST) and S&P 500 (SPXT). As we stated earlier, the main the point to drive home here is the ability to help diversify a portfolio which enables better risk management and reduce drawdowns.

	NQGXUST	DATTR	SPXT
NQGXUST	1		
DATTR	0.664214	1	
SPXT	0.539096	0.909665	1

## Additional Performance

### Blending Index Exposure

Additional performance analysis blends DATTR with both the Nasdaq Dorsey Wright Emerging Markets Tech Leaders Net Total Return (DWAEMNTR) and Nasdaq Dorsey Wright Developed Markets Tech Leaders Net Total Return (DWADMNTR) Indexes in a number of different static allocations for the year ending December 31, 2008 through August 31, 2017. While developed markets have significantly outperformed international markets through much our time period studied, the story thus far in 2017 has been far different with emerging markets taking the lead.

## DATTR/DWAEMNTR

Below is a performance table with a number of blended portfolio allocations between DATTR and DWAEMNTR which rebalances each year-end back to the stated allocation objective. The left half of the table has a larger allocation to DATTR, while the right half does just the opposite. The top performing allocation was a 70/30 split in favor of DATTR in which the portfolio had a cumulative return of 14.70% and an annualized volatility of 24.27%. Note also the blended portfolios ability to reduce drawdowns during 2008 as opposed to when the portfolio was more heavily weighted towards emerging markets. The impressive YTD performances thus far into 2017 for each portfolio should also be noted. In the final column, we've also added performance stats for NQGXUST over the same time frame.

DATE	90%/10%	80%/20%	70%/30%	60%/40%	50%/50%	40%/60%	30%/70%	20%/80%	10%/90%	NQGXUST
12/31/08	-47.37%	-48.62%	-49.87%	-51.12%	-52.37%	-53.63%	-54.88%	-56.13%	-57.38%	-45.84%
12/31/09	41.10%	44.23%	47.36%	50.49%	53.62%	56.75%	59.89%	63.02%	66.15%	45.66%
12/31/10	15.84%	17.27%	18.71%	20.15%	21.59%	23.02%	24.46%	25.90%	27.34%	14.26%
12/30/11	-2.23%	-2.88%	-3.53%	-4.18%	-4.84%	-5.49%	-6.14%	-6.79%	-7.45%	-14.13%
12/31/12	13.48%	13.85%	14.21%	14.57%	14.94%	15.30%	15.67%	16.03%	16.39%	20.12%
12/31/13	17.30%	15.42%	13.53%	11.65%	9.77%	7.88%	6.00%	4.11%	2.23%	15.81%
12/31/14	-0.64%	-0.67%	-0.70%	-0.73%	-0.76%	-0.79%	-0.82%	-0.84%	-0.87%	-2.96%
12/31/15	-18.10%	-17.47%	-16.83%	-16.20%	-15.57%	-14.94%	-14.31%	-13.68%	-13.04%	-3.79%
12/30/16	9.83%	8.90%	7.96%	7.02%	6.09%	5.15%	4.21%	3.27%	2.34%	5.13%
8/31/17	14%	16%	17%	19%	20%	22%	24%	25%	27%	19%
<b>CUMULATIVE</b>	14.23%	14.57%	14.70%	14.62%	14.32%	13.81%	13.07%	12.13%	10.97%	25.85%
<b>ANNUAL</b>	1.38%	1.42%	1.43%	1.42%	1.39%	1.35%	1.28%	1.19%	1.08%	2.41%
<b>VOLATILITY</b>	22.60%	23.41%	24.27%	25.19%	26.16%	27.17%	28.22%	29.29%	30.40%	23.18%

## DATTR/DWADMNTR

Next, we constructed a performance table with a number of blended portfolio allocations between DATTR and DWADMNTR which rebalances each year-end back to the stated allocation objective. The left half of the table once again had a larger allocation to DATTR, while the right half of our table remains more heavily allocated towards developed markets. Interestingly enough, the top performing allocation was a 10/90 split in favor of DWADMNTR with the portfolio producing a cumulative return of 35.44%. Also, the outperformance came on only slightly heightened volatility which also speaks to the benefits of blending index exposure to help manage risk and take advantage of market flows. Each of these portfolios is also displaying impressive YTD figures as of 8/31/2017. Similar to the table above we've once again added performance stats for NQGXUST in the final column.

DATE	90% /10%	80% /20%	70% /30%	60% /40%	50% /50%	40% /60%	30% /70%	20% /80%	10% /90%	NQGXUST
12/31/08	-46.04%	-45.97%	-45.90%	-45.83%	-45.76%	-45.68%	-45.61%	-45.54%	-45.47%	-45.84%
12/31/09	38.45%	38.93%	39.42%	39.91%	40.39%	40.88%	41.36%	41.85%	42.33%	45.66%
12/31/10	15.01%	15.63%	16.24%	16.86%	17.47%	18.09%	18.70%	19.32%	19.93%	14.26%
12/30/11	-3.15%	-4.73%	-6.31%	-7.89%	-9.47%	-11.05%	-12.63%	-14.21%	-15.79%	-14.13%
12/31/12	13.50%	13.89%	14.27%	14.66%	15.04%	15.43%	15.81%	16.20%	16.58%	20.12%
12/31/13	21.04%	22.90%	24.75%	26.60%	28.46%	30.31%	32.17%	34.02%	35.87%	15.81%
12/31/14	-1.09%	-1.56%	-2.04%	-2.51%	-2.99%	-3.46%	-3.94%	-4.41%	-4.89%	-2.96%
12/31/15	-16.75%	-14.77%	-12.79%	-10.82%	-8.84%	-6.86%	-4.88%	-2.90%	-0.92%	-3.79%
12/30/16	8.94%	7.10%	5.27%	3.44%	1.60%	-0.23%	-2.06%	-3.90%	-5.73%	5.13%
8/31/17	13.7%	15%	16%	17%	18%	19%	21%	22%	23%	19.09%
<b>CUMULATIVE</b>	16.61%	19.43%	22.14%	24.72%	27.17%	29.48%	31.63%	33.62%	35.44%	25.85%
<b>ANNUAL</b>	1.60%	1.85%	2.09%	2.31%	2.52%	2.71%	2.88%	3.04%	3.19%	2.41%
<b>VOLATILITY</b>	14.89%	15.08%	15.37%	15.76%	16.25%	16.82%	17.46%	18.17%	18.94%	23.18%

## Conclusion

This research piece gives readers a basic background on the methodology and performance characteristics of DATTR from the time period between December 29, 2006, and August 31, 2017. Thus far into the year (as of month end of August 2017) the Index has established an impressive double digit gain of just over 12%. We also provided background on the benefits of gaining exposure to the Index through the corresponding ETF due to the fact that it's having a good year thus far in 2017 and also had low correlation to domestic equities which can help diversify a portfolio and improve risk management. Finally, we demonstrated how blending exposure of DATTR with indexes such as DWADMNTR and DWAEMNTR can help improve risk management and enhance performance during volatile markets.

Market participants looking to gain exposure to the [NASDAQ International Dividend Achievers Total Return Index](#) can do so through the corresponding ETF, which is the PowerShares International Dividend Achievers Portfolio (PID). Furthermore, investors can also gain access to the DWAEMNTR and DWADMNTR Indexes through their corresponding ETFs which are the PowerShares DWA Emerging Markets Momentum Portfolio ETF (PIE) and the PowerShares DWA Developed Markets Momentum Portfolio ETF (PIZ).

## More Information

For more information on the Nasdaq International Dividend Achievers Index, please visit [business.nasdaq.com/indexes](http://business.nasdaq.com/indexes), click on View Index Data, then search: DATTR.

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