

Financial Analysts Journal >
Volume 59, 2003 - Issue 1358 | 3 | 0
Views CrossRef citations to date Altmetric

PORTFOLIO MANAGEMENT

Dividend-Yield Strategies in the Canadian Stock Market

Sue Visscher & Greg Filbeck

Pages 99-106 | Published online: 02 Jan 2019

Cite this article <https://doi.org/10.2469/faj.v59.n1.2506>

Sample our
Law
Journals

>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

References

Citations

Metrics

Reprints & Permissions

Read this article

Abstract

The “Dogs of the Dow” strategy has become an increasingly popular investment strategy for unit investment trusts, resulting in superior performance for U.S.-based investors. To examine its effectiveness for Canadian investors, we applied this high-dividend-yield strategy to the Toronto 35 Index for the first 10 years of the index's existence. The 10 top-performing portfolios' higher compound returns were sufficient to compensate for taxes and transaction costs. Perhaps more important, both the Sharpe ratio, which measures excess return to total risk, and the Treynor index, which

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

been investigated in international markets, with the Canadian market showing mixed results. In the study reported here, we investigated whether the Dow Dogs dividend-yield strategy is effective in the Canadian stock market.

We compared the performance of the 10 highest-dividend-yield stocks in the Toronto 35 Index with the performances of both the Toronto 35 and the Toronto Stock Exchange (TSE) 300 Index for the 1987–97 period. We obtained data on the constituent companies, as well as returns for both indexes, from the TSE Review. We collected dividend yields on all of the Toronto 35 companies for the last trading day of July 1987 through 1997 from Research Insight. The 10 companies with the highest dividend yields composed the equally weighted Top 10 portfolio each year. The monthly returns for each stock include the price change and dividends, divided by the beginning price. We calculated the Top 10 portfolio return by investing C\$10,000 in each stock on 1 August. Each C\$10,000 investment was increased by each individual stock's August return. We added the end-of-August stock values to determine the portfolio value. We used the percentage change in portfolio value during the month for the monthly portfolio return. We multiplied the Canadian dollar value of each stock investment at the end of August by each stock's September return, summed the 10 stock values, and calculated the September portfolio ending value and return. We repeated this process for each of the 12 months. Then, we repeated the process for the following year by investing C\$10,000 in each of 10 potentially new stocks on 1 August.

The Top 10 portfolios' compound returns were between 1.2 percentage points and 20.4 percentage points greater than those of the index in eight years and were lower than the index by relatively small amounts (2.8 pps and 3.6 pps) in the other two years. The Top 10 portfolios also beat the Toronto 35 in the six consecutive 5-year periods and over the entire 10-year period. The strategy was successful even after taxes and transaction costs were taken into account.

We also per unit investor When results. and all t diversifi index is the appropriate measure of risk. Calculating this measure, we found, again,

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).



Accept All

Essential Only

Settings

that the Top 10 portfolios outperformed the Toronto 35 in the same eight single years and all multiyear periods.

In addition, the strategy performed well against the broader, but similar, TSE 300 Index.

We would like to thank Ed Nelling and Dianna Preece for their helpful comments.

Related research

People also read

Recommended articles

Cited by
3



About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All 

Essential Only

Settings

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2024 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)



Taylor & Francis Group
an informa business

Registered in England & Wales No. 3099067
5 Howick Place | London | SW1P 1WG

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings