



THE DIVIDEND CORNER

The Future Became More Expensive

AI, Higher Rates, and the Burden of Proof

3Q2026 Review & Outlook

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What Is \$1 Received 20 Years From Now Worth Today?

The higher the discount rate, the lower the present value.

5% discount rate	8% discount rate	12% discount rate
\$0.38	\$0.21	\$0.10

Higher rates → lower present value → higher hurdle for investment

A dollar expected far in the future becomes less valuable today as the discount rate rises.

THIS QUARTER

- Long-term interest rates moved higher
- Enthusiasm surrounding artificial intelligence regained momentum
- The hurdle for new investments rose

Higher rates and AI enthusiasm can coexist – but the burden of proof rises.

Source: Bahl & Gaynor calculations. Present-value calculations assume annual compounding and discount \$1 received in 20 years at rates of 5%, 8%, and 12%. For illustrative purposes only. The illustration does not represent the performance or expected return of any investment, account, or strategy.

Today's AI investment cycle offers a large-scale illustration.

\$800B

expected US
hyperscaler 2026
capital expenditures

+94%

Increase in capital
expenditures from
2025

What evidence should we require that capital committed today is earning an attractive return on investment?

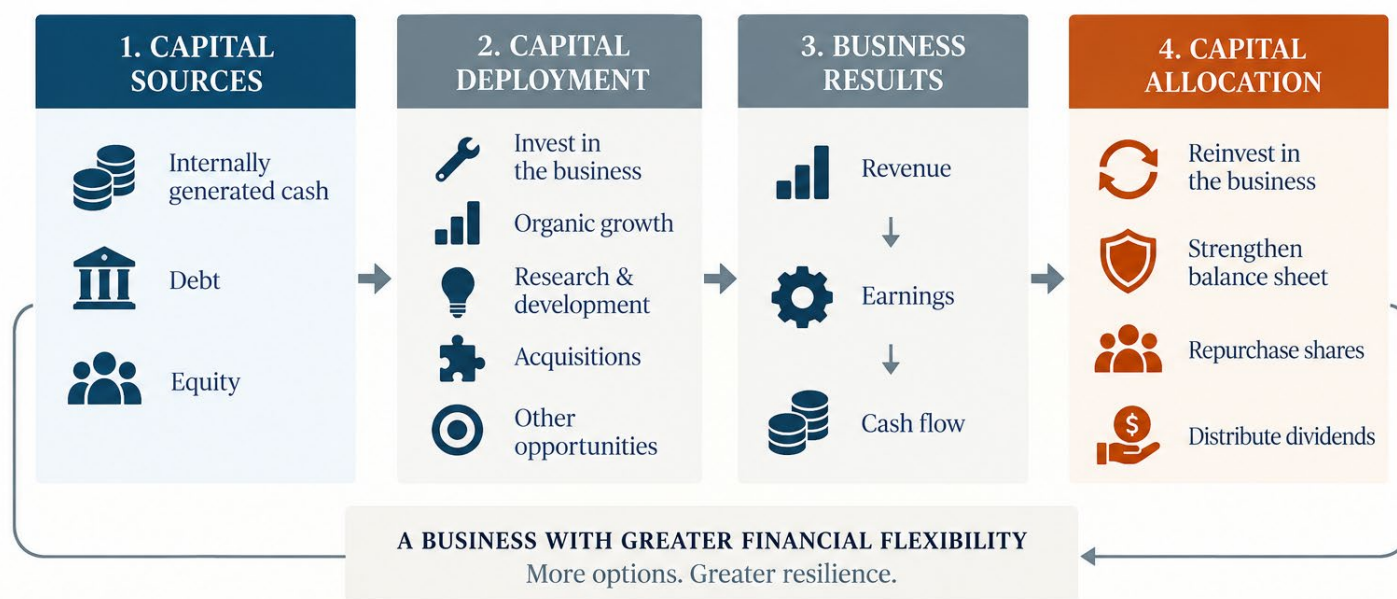
Capital expenditure creates *capacity* and *opportunity*. Value is created when the eventual economics justify the resources consumed.

Eventually, capital going into a business must produce something observable coming out.

Source: Goldman Sachs Research, "Can AI Investment Drive S&P 500 Earnings Even Higher?", September 23, 2026.

The Business Economic Cycle

Turning capital into opportunity — and opportunity into cash flow.



Disciplined capital allocation can support reinvestment, financial flexibility and the potential for long-term shareholder value creation.

Dividend growth as a recurring test

We do not view the dividend as the source of a company's economic value, but as one piece of evidence about the economic engine producing that value.

After funding what is necessary to sustain and grow the business, can it return more cash to its owners than it did before?

A growing dividend does not guarantee future success, nor does the absence of one make a business unattractive.

For illustrative purposes only. Outcomes are not guaranteed. Capital investments may not generate expected returns and dividends may be reduced or discontinued.

A sound process cannot eliminate uncertainty, but it can be deliberate about which uncertainties it accepts.

Distance from Evidence Matters



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For illustrative purposes only. The factors shown are examples and are not intended to be exhaustive. Investing involves risk, including the possible loss of principal. Past performance is not indicative of future results. No investment strategy can guarantee positive returns or eliminate risk.

Client objectives extend well beyond any single quarter or market cycle.

Growing income

can help support spending
needs that tend to rise over
time

Financial flexibility

can help businesses navigate
changing economic and market
environments

Observable evidence

helps ground the process when
future outcomes are difficult to
forecast

Our response is not to predict how the value assigned to future cash flows will change, but to remain focused on businesses that can invest for tomorrow while generating cash and maintaining financial flexibility today.

"The further markets ask investors to look into the future, the more valuable evidence about the present becomes."

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Capital expenditures (capex) are funds a company uses to acquire, upgrade, or maintain long-term physical assets such as property, equipment, and technology infrastructure. **Discount rate** is the rate of return used to convert expected future cash flows into a present value. A higher discount rate reduces the present value of cash flows received further in the future. **Federal Funds Rate** is the interest rate at which depository institutions lend reserve balances to one another overnight. The Federal Open Market Committee establishes a target range for the federal funds rate as part of U.S. monetary policy. **Long-term interest rates** are yields on debt with longer maturities, such as the 10-year U.S. Treasury note. They reflect market expectations for inflation, growth, and future short-term rates. **Present value** is the current worth of a future sum of money or stream of cash flows, given a specified discount rate.