

Macro Roundup Article

Headline: [Total Shareholder Return: Linking The Drivers of Total Returns to Fundamentals](#)

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Tweet: Between 2012-21, the total shareholder return for the S&P 500 was 16.6%, with 44% of the return driven by earnings per share growth, and multiple expansion contributing 42%. @mjmauboussin

Summary: Exhibit 2 shows the total shareholder return (TSR) for the S&P 500, an index that tracks the results of the stocks of the 500 largest companies listed in the U.S., on an annualized basis from 2012 through 2021. The annual TSR over that period was 16.6%. We can see how the drivers contribute to the total. Net income growth was 6.7% and the reduction in shares outstanding was 0.7%, leading to EPS growth of 7.4%. The P/E multiple expanded during this period, adding 6.9pp. The combination of EPS growth and multiple expansion led to price appreciation of 14.3%. The dividend yield averaged 2.0% and reinvesting the dividend chipped in an additional 0.3pp. The sum of 14.3 percent from price appreciation and 2.3% from dividends and dividend reinvestment is 16.6%. The right column in Exhibit 2 shows the percentage contributions of each of the drivers. Earnings per share growth was 44%, multiple expansion 42%, and dividends and dividend reinvestment 14%.

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