Contrarian Approaches to Index Filtering with High Dividend Yield Securities

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Abstract

This whitepaper presents a contrarian, rules-based dividend portfolio strategy using a modular values-aligned filter applied to the S&P 500 Dividend Aristocrats (a "Vegan Aristocrats" model excluding companies in animal agriculture or testing). This passive activist approach employs a price-weighted index overlay and is evaluated through historical benchmarking, volatility metrics, and dividend behavior analysis. Results indicate that implementing a narrowly focused ethical exclusion as structured financial metadata can preserve the portfolio's income-oriented characteristics while aligning with personal principles. The model illustrates how modular index filtering can serve as a form of passive activism. This hypothetical framework is for educational purposes only and does not represent actual investment results. Past performance is not indicative of future outcomes.

Introduction

All Eyes on Retail

Market participation has become a baseline expectation for long-term capital accumulation in the early 21st century. What was once gated by high-fee institutional intermediaries—advisors, custodians, and fund boards—is now directly accessible to any individual investor with a mobile device. Commission-free trading, fractional shares, and automated order routing have flattened technical barriers to entry. The retail investor class in developed nations—a segment whose influence on markets rose from just above 10% in 2011 to over 22% by 2021[1] —has swelled in both visibility and consequence. Prior to this shift, retail investors faced steep trading fees and structural account minimums. Buying fewer than 100 shares often

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[1]Jeremy Salvucci, "What Are Retail Investors? Definition & Market Impact," *TheStreet*, originally published March 10, 2023, last updated September 19, 2023. https://www.thestreet.com/dictionary/retail-investors.

triggered commissions of $70 or more, and opening a brokerage or cash management account typically required $2,500 to $5,000.[2] Money market mutual funds and CMA-linked brokerage accounts frequently imposed similar minimums.[3]

As digital infrastructures have rendered complex investment vehicles more liquid and readily available, the simplicity of access has enabled a wave of retail gamification.[4] This shift has not only outpaced investor understanding but has also revealed a deeper issue—*filter failure*, where challenge lies not in the volume of information, but in the erosion of contextual clarity.[5] In response, many investors have sought refuge in managed, diversified ETFs[6], though these too are subject to structural entropy and passive momentum distortions. As such, it becomes essential to reexamine portfolio design, resisting the distortions and reversing the trend of imagining financial markets to primarily be instruments of speculation.

There are a cacophony of voices with recommendations for the growing retail investor class. One of the wealthiest of these voices, Warren Buffett, has consistently advised that "for most people, the best thing to do is own the S&P 500 index fund… and do it consistently and at very, very low cost".[7] While this may constitute a sound heuristic for certain long-horizon investors, it conceals deeper structural ambiguities. Which S&P 500 product should one own? What weighting mechanisms are embedded? Which sectors are systematically overweighted? And what are the consequences of mass capital flowing passively into the same benchmarks? These uncertainties can open a direct line of manipulation for the low information retail investor.[8] Notably, Buffett himself does not strictly follow this guidance. As of 2025, Berkshire Hathaway stock has outperformed the S&P 500 by a wide margin—rising 16% while the index declined by 2%. Since 2018, Buffett has authorized $77.8 billion in share repurchases—twice the amount Berkshire has ever invested in a single company—demonstrating a preference for concentrated ownership and internal capital allocation over passive indexing.[9]

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[2] Jean Chatzky, "How to Buy Stocks," *Money 101*, CNN Money, 2003. https://money.cnn.com/pf/101/plus/lessons/5/page5.html.

[3] Jean Chatzky, "Alternatives to Traditional Bank Accounts," *Money 101*, CNN Money, 2003. https://money.cnn.com/pf/101/plus/lessons/3/page5.html.

[4] Par Chadha, "The Gamification Dilemma: To Play, Or Not To Play?" *Forbes*, February 19, 2025. https://www.forbes.com/sites/forbesbusinesscouncil/2025/02/19/the-gamification-dilemma-to-play-or-not-to-play/.

[5] Clay Shirky, "It's Not Information Overload. It's Filter Failure," keynote presentation at Web 2.0 Expo, New York, NY, September 2008. https://www.youtube.com/watch?v=LabqeJEOQyI.

[6] Jack Pitcher, "A Record-Shattering $1 Trillion Poured Into ETFs This Year," *The Wall Street Journal*, January 3, 2025. https://www.wsj.com/finance/investing/investing-exchange-traded-funds-2024-4e047e8b.

[7] Aditi Ganguly, "Warren Buffett Believes in S&P 500 Index Funds—But Are They Really Worth It?" *Yahoo Finance*, May 14, 2024. https://finance.yahoo.com/news/warren-buffett-believes-p-500-170220804.html.

[8] Johannes Hagen and Amedeus Malisa, "Financial Fraud and Individual Investment Behavior," *Journal of Economic Behavior & Organization*, vol. 203, 2022, pp. 1–20. https://doi.org/10.1016/j.jebo.2022.09.015.

[9] Anthony Di Pizio, "Warren Buffett Has Spent $77.8 Billion Buying This Trillion-Dollar Stock Since 2018, and It's Crushing the S&P 500 in 2025," *The Motley Fool*, March 27, 2025. https://www.

Disassociated Semiotics of Allocation

Poststructuralist philosopher Jean Baudrillard stated, "We live in a world where there is more and more information, and less and less meaning."[10] Nowhere is this more evident than in modern retail finance, where automated systems are increasingly made substitutes for interpretive agency, reinforcing the illusion that optimized outputs are equivalent to informed judgment.[11] Retirement accounts often onboard users with abstract risk assessments and lifecycle formulas that discourage scrutiny, resulting in passive allocations that consistently underperform the market. Simultaneously, these same investors are pushed to engage in hyperactive speculation via gamified mobile platforms, executing complex trades—cryptocurrency, options, leveraged ETFs—without equivalent informational orientation.[12] Gambling addiction centers increasingly report cases tied not to casinos, but to the interfaces of commission-free brokerages. The division between long-term capital allocation and short-term speculation has collapsed; asset class stability is now obfuscated by the gamified hyperliquidity of interface-driven markets.

All the while, the same investor demographics—Millennials and Gen Z—overwhelmingly express a desire for values-based investing, particularly around sustainability and climate. According to a 2024 deVere Group survey, 72.8% of investors under 45 report a clear preference for ESG-aligned portfolios.[13] Yet ESG frameworks themselves are frequently vague, internally inconsistent, and often allow inclusion of fossil fuel firms or agribusiness giants through opaque scoring methodologies. As the UN warns, greenwashing delays climate action and misdirects capital allocation.[14] What could be called irrational behavior is better understood as a rational response to an era of investing where what was once difficult to access is now the default expectation—yet a lack of evolved context has introduced dangerous new risks that betray the promise of that evolution: systems in which risk, ethics, and control are distributed unevenly across identical infrastructures. A world ruled by a new kind of entropy, in which marketing and advertising nullify education.

This whitepaper investigates whether a single, contrarian exclusion criterion—

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fool.com/investing/2025/03/27/warren-buffett-778-billion-buying-trillion-stock/.

[10]Jean Baudrillard, *Simulacra and Simulation*, trans. Sheila Faria Glaser (Ann Arbor: University of Michigan Press, 1994), https://doi.org/10.3998/mpub.9904.

[11]Travis C. Studdard, "Riling Up as Recommendation: How Commission-Free Brokerages Recommend Active Investing to the Public," *PIABA Bar Journal*, vol. 29, no. 1, 2022, pp. 67–69. https://www.sec.gov/comments/s7-10-21/s71021-9218141-250190.pdf.

[12]Gunjan Banerji, "More Men Are Addicted to the 'Crack Cocaine' of the Stock Market," *The Wall Street Journal*, updated December 20, 2024. https://www.wsj.com/finance/stocks/stock-market-trading-apps-addiction-afecb07a.

[13]Piyasi Mitra, "Millennials and Generation Z Demand ESG Criteria in Investment Portfolios," *Funds Europe*, May 24, 2024. https://funds-europe.com/millennials-and-generation-z-demand-esg-criteria-in-investment-portfolios/?utm_source=chatgpt.com.

[14]United Nations Climate Programme, "Greenwashing – The Deceptive Tactics Behind Environmental Claims," *UN.org*, 2023. https://www.un.org/en/climatechange/science/climate-issues/greenwashing.

veganism—can support a high-dividend passive allocation approach without distorting core portfolio mechanics. Baseline analytical methods include price-weighted portfolio construction, time series normalization against benchmark indices, and comparative evaluation of return characteristics using volatility decomposition, heatmaps, and boxplot distribution analyses.

Philosophical Filtering as Contrarian Consolidation

Modular Exclusion

In constructing a portfolio that coheres with ethical convictions, a philosophical filter operates as a rule-based exclusion mechanism—not for alpha generation, but for ideological alignment. Rather than optimize for risk-adjusted returns or sector balance, such filters foreground intention: they align capital with belief systems, and can transform passive allocation into declarative ownership.

Philosophical filtering, as used here, refers to the application of rule-based exclusion criteria rooted in defined belief systems rather than performance optimization. Unlike conventional ESG methodologies, which often rely on biased third-party scoring and weighted compromises—allowing fossil fuel firms, defense contractors, or agribusiness conglomerates to meet inclusion thresholds—philosophical filters can be categorical. A vegan-aligned filter, for example, excludes companies involved in animal-based food and beverage production, animal testing, the use of leather or fur, or the commercial breeding of animals, following clear evaluative benchmarks derived from publicly available data.[15]

This framework does not discard traditional metrics such as dividend yield or payout ratio; rather, it applies an additional layer of constraint atop them. In this case, the S&P 500 Dividend Aristocrats serves as a pre-screened universe, already filtered for dividend consistency and longevity.[16] The application of a further exclusionary screen—based on vegan-aligned criteria—demonstrates the modular potential of index consolidation through exclusion. By layering a contrarian philosophical filter onto an already screened segment of the S&P 500, this exercise shows how passive mechanics can accommodate ideological specificity without introducing unnecessary complexity.

Principled Deviation

Veganism offers a unique case study in contrarian screening. Though statistically rare—only 3% of Americans identified as vegan in 2024—it is increasingly visible in younger demographics and the broader consumer economy. A 2021 Bloomberg Intelligence report projected the plant-based food market to exceed $160 billion

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[15]"About Us," *Cruelty Free Investing*, accessed April 2, 2025. https://crueltyfreeinvesting.org/about-us/.

[16]"S&P 500 Dividend Aristocrats ETF (NOBL)," *ProShares*, accessed April 2, 2025. https://www.proshares.com/our-etfs/strategic/nobl.

globally by 2030.[17] Despite this growth, research shows that vegans are viewed more negatively than nearly all other dietary outgroups—including those with food allergies or restrictions—and even less favorably than many historically stigmatized social groups.[18] This asymmetry reinforces the screen's status as a contrarian tool: one that isolates a specific set of ethical exclusions while remaining orthogonal to mainstream ESG norms.

Yet at the heart of vegan-aligned screening are ESG-aligned metrics that are often difficult to message: livestock accounts for 14.5% of global greenhouse gas emissions and 77% of farmland use, while providing less than 20% of global calories.[19] Studies such as Andrews and Birch (2023) also affirm the likely consciousness of a broad spectrum of animals, reframing species-based harm as an increasingly untenable investment externality.[20] Importantly, these conditions need not be universally accepted—or even personally endorsed—to be appreciated by investors as the basis for a valid allocation approach. As a modular exclusion criterion, veganism consolidates a values-defined company subset that can serve as a diversification layer within a broader index strategy.

Constructing a Price-Weighted Portfolio

A price-weighted portfolio allocates capital based on share count rather than market capitalization, meaning each stock contributes equally in unit terms, regardless of its valuation. While this can overweight higher-priced equities, it establishes a transparent and intuitive structure—each holding contributes equally in share count, providing the investor with a consistent and comprehensible view of their portfolio's composition. The Dow Jones Industrial Average remains the most notable example of this methodology, illustrating that such an approach, while somewhat anachronistic, still holds relevance as a heuristic for building compact, rule-bound baskets.[21]

Price-weighted portfolio structure offers interpretability. It allows the passive investor to engage directly without introducing complex financial alchemy such as rebalancing by dollar weight or active concentration on volatility or liquidity.

[17]Bloomberg Intelligence, "Plant-Based Foods Market to Hit $162 Billion in Next Decade," July 7, 2021. https://www.bloomberg.com/company/press/plant-based-foods-market-to-hit-162-billion-in-next-decade-projects-bloomberg-intelligence/.

[18]Cara C. MacInnis and Gordon Hodson, "It Ain't Easy Eating Greens: Evidence of Bias Toward Vegetarians and Vegans from Both Source and Target," *Group Processes & Intergroup Relations* 20, no. 6 (2017): 721–744. https://doi.org/10.1177/1368430215618253.

[19]Silje Kristiansen, James Painter, and Meghan Shea, "Animal Agriculture and Climate Change in the US and UK Elite Media: Volume, Responsibilities, Causes and Solutions," Environmental Communication (2021). PMCID: PMC7929601. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7929601/.

[20]Dan Falk, "Insects and Other Animals Have Consciousness, Experts Declare," Quanta Magazine, April 19, 2024. https://www.quantamagazine.org/insects-and-other-animals-have-consciousness-experts-declare-20240419/.

[21]"Dow Jones Industrial Average®," *S&P Dow Jones Indices*, accessed April 2, 2025. https://www.spglobal.com/spdji/en/indices/equity/dow-jones-industrial-average/#overview.

Table 1: Vegan Aristocrats Portfolio: Current Prices, Dividend Yields, and Weighting (Price-Weighted Model)

	Ticker	Name	Price	Div.	Weight
GWW	GWW	Grainger	923.85	0.93%	29.68
SPGI	SPGI	S&P Global	438.31	0.87%	14.08
ADP	ADP	Automatic Data Processing	281.22	2.3%	9.03
CB	CB	Chubb Ltd.	274.32	1.59%	8.81
ESS	ESS	Essex Property Trust	262.39	4.3%	8.43
IBM	IBM	IBM	225.78	4.3%	7.25
DOV	DOV	Dover Corp.	151.47	1.47%	4.87
CINF	CINF	Cincinnati Financial	126.60	2.94%	4.07
BRO	BRO	Brown & Brown	112.67	0.7%	3.62
GPC	GPC	Genuine Parts Co.	110.34	2.68%	3.54
EXPD	EXPD	Expeditors Intl.	105.66	1.17%	3.39
AFL	AFL	Aflac Inc.	100.00	2.09%	3.21

From a diversification vantage point, such filtering inevitably reduces the number of constituents, raising concerns about concentration risk. But there are numerous arguments pointing to the diminishing marginal utility of diversification past a certain point. As early as 1968, empirical evidence showed that 15–20 stocks can eliminate the vast majority of unsystematic risk.[22] More recent analyses echo this sentiment, suggesting that portfolios with as few as 10–30 strategically selected stocks can achieve robust risk-adjusted performance.[23]

The Vegan Aristocrats model builds on this pre-screened dividend cohort by applying a modular exclusionary filter and implementing a price-weighted allocation structure. The resulting 12-stock portfolio preserves sector diversity, maintains competitive dividend yields, and aligns with cruelty-free criteria without introducing active management or distortions of structural asymmetry.

Backtesting Methodology and Portfolio Benchmarking

Time Series Construction for Portfolio Backtesting

To assess the long-term behavior of the Vegan Aristocrats portfolio, a historical simulation is constructed from public equities data using a comparative time series

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[22]J. L. Evans and S. H. Archer, "Diversification and the Reduction of Dispersion: An Empirical Analysis," *The Journal of Finance* 23, no. 5 (1968): 761–767.

[23]CFA Institute, "Peak Diversification: How Many Stocks Best Diversify an Equity Portfolio?" *Enterprising Investor*, May 6, 2021. https://blogs.cfainstitute.org/investor/2021/05/06/peak-diversification-how-many-stocks-best-diversify-an-equity-portfolio/.

method. This simulation models the aggregate price behavior of a cruelty-free, price-weighted dividend portfolio alongside the benchmark S&P 500 Dividend Aristocrats ETF (NOBL). Both time series are normalized to a common starting value to facilitate visual and statistical comparison.

Let $\mathcal{T} = \{t_1, t_2, \ldots, t_n\}$ be the ordered set of trading dates beginning on October 10, 2013, corresponding with the inception of NOBL. Let $S = \{s_1, s_2, \ldots, s_{12}\}$ represent the selected tickers comprising the Vegan Aristocrats portfolio.

Data Retrieval and Preparation

For each security $s_i \in S$, define its adjusted closing price time series as:

$$P_i(t) : \mathcal{T} \to \mathbb{R}_{\geq 0}$$

where $P_i(t)$ is the adjusted closing price of stock s_i on date t, retrieved from the Yahoo Finance API and stored as a discrete vector indexed by $t \in \mathcal{T}$.

The portfolio value at each time t is constructed as a price-weighted aggregate:

$$V_{portfolio}(t) = \sum_{i=1}^{12} P_i(t)$$

This implies a single share of each equity $s_i \in S$ is held, reflecting a unit-weighted exposure model. Missing price data points (due to trading halts or holidays) are filled using a **last observation carried forward** (LOCF) method:

$$\forall t_k \text{ where } P_i(t_k) = \text{NA}, \quad P_i(t_k) := P_i(t_{k-1})$$

Following LOCF imputation, the resulting multivariate time series is truncated to the intersection of all defined dates across equities and NOBL.

Benchmark Normalization

Let $N(t)$ denote the adjusted closing price of the NOBL ETF on date t. Let the initial value for benchmarking be:

$$V_0 := V_{portfolio}(t_1)$$

The NOBL time series is then normalized:

$$N_{norm}(t) = \frac{N(t)}{N(t_1)} \cdot V_0$$

This ensures both time series begin at the same origin point and any divergence over time reflects pure price performance delta.

Smoothing and Rolling Averages

To reduce high-frequency noise, both the portfolio and benchmark time series are smoothed using a centered moving average operator over a 60-day window. Define the smoothed functions:

$$\bar{V}_{portfolio}(t) = \frac{1}{2w+1} \sum_{j=-w}^{w} V_{portfolio}(t+j), \quad w = 30$$

$$\bar{N}_{norm}(t) = \frac{1}{2w+1} \sum_{j=-w}^{w} N_{norm}(t+j)$$

These rolling means approximate a three-month average return trend, reducing short-term volatility and highlighting broader structural behaviors in the portfolios.

Visualization and Interpretation

The resulting vectors $V_{portfolio}(t), \bar{V}_{portfolio}(t), N_{norm}(t), \bar{N}_{norm}(t)$ are rendered as a multi-line comparative time series. The chart reveals periods of outperformance, mean reversion, and drawdown correlation between the vegan-screened basket and the S&P 500 Dividend Aristocrats benchmark.

The simulation confirms the feasibility of implementing a cruelty-free dividend strategy with low tracking error and relatively stable behavior when compared to existing index products. Further modeling (e.g., volatility, drawdown, Sharpe ratio) may baree explored in subsequent sections.

Temporal Stability and Seasonality Analysis

This section evaluates the time-structured behavior of the Vegan Aristocrats portfolio by segmenting returns into discrete fiscal quarters. The objective is to quantify intra-annual variability and inter-annual consistency across a fixed observational window. Quarterly segmentation allows for the detection of volatility clustering, structural patterns, and outlier behavior within a uniform temporal framework. Results are presented in matrix form and visualized using a heatmap to illustrate the distribution and magnitude of returns over time.

Return Volatility and Periodic Risk Distribution

A matrix of quarterly arithmetic returns was constructed from adjusted closing price data spanning Q1 2008 to the present, providing the basis for heatmap visualization of intra-year variability and inter-year consistency.
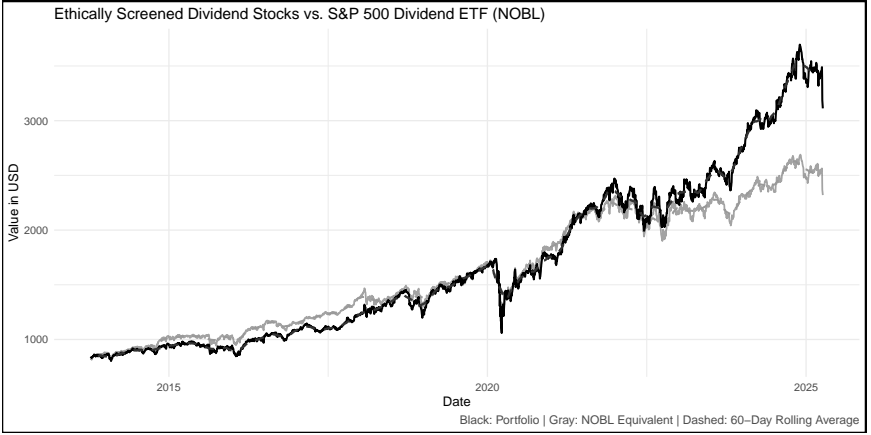
Figure 1: Ethically Screened Dividend Stocks vs. S&P 500 Dividend ETF (NOBL). The cumulative return series shows the Vegan Aristocrats portfolio closely tracking NOBLs performance from 2013 to present. Despite filtering out sectors traditionally favored in dividend strategies—such as fossil fuels and agribusiness—the portfolio maintains directionally similar growth with comparable volatility. Smoothing via rolling average reveals periods of minor outperformance without significant drawdown divergence.

Let $\mathcal{T}_q = \{t_{q_1}, t_{q_2}, \dots, t_{q_n}\}$ be a discrete time series of trading days indexed by fiscal quarter. Define $V_{portfolio}(t)$ as the cumulative price-weighted portfolio value on day t, where:

$$V_{portfolio}(t) = \sum_{i=1}^{12} P_i(t)$$

and $P_i(t)$ is the adjusted closing price of stock $i \in \{1, \dots, 12\}$ at time t, sourced from publicly available historical equities data via Yahoo Finance. Data gaps are imputed via **last observation carried forward (LOCF)** prior to return computation.

Quarterly Return Estimation

For each quarter $q_j \in \mathcal{T}_q$, define the arithmetic return as:

$$R_q(j) = \frac{V_{portfolio}(t_{end_j}) - V_{portfolio}(t_{start_j})}{V_{portfolio}(t_{start_j})}$$

where t_{start_j} and t_{end_j} represent the first and last trading days within quarter j, respectively.

This produces a vector of quarterly returns $\mathbf{R}_q = \{R_q(1), R_q(2), ..., R_q(n)\}$, where each element maps to a specific (Year, Quarter) coordinate.

Matrix Reshaping for Heatmap Analysis

Define $Y = \{y_1, y_2, ..., y_k\}$ as the set of all unique years in the return period, and $Q = \{Q1, Q2, Q3, Q4\}$ as the fiscal quarters.

Construct a matrix $M \in \mathbb{R}^{k \times 4}$ such that:

$$M_{i,j} = R_q(y_i, Q_j)$$

This matrix is constructed by pivoting the return vector $\mathbf{R}_q$ into a grid indexed by year (rows) and quarter (columns). Any missing cells are considered undefined and omitted from visualization. The resulting structure is then reshaped into a long-form vector with entries $(\text{Year}, \text{Quarter}, \text{Return})$, which serves as the basis for a two-dimensional heatmap used to examine seasonal and structural return patterns.
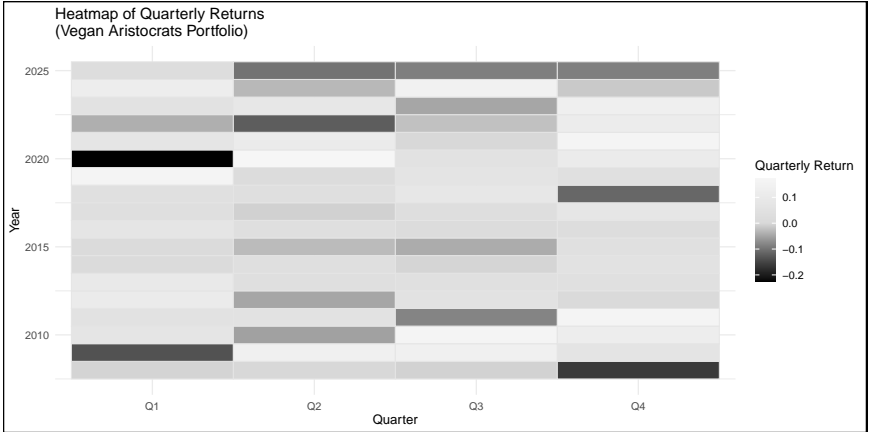

Figure 2: The quarterly return heatmap reveals a generally stable pattern of seasonal performance. Years such as 2016, 2019, and 2021 exhibit consistent positive returns across multiple quarters, with volatility clustering limited to occasional isolated quarters. Notably, no single quarter appears structurally underperforming, indicating that the price-weighted vegan dividend construction is not seasonally biased. This supports a hypothesis of return neutrality relative to traditional high-dividend structures, even under ethical constraints.

Distributional Characteristics of Quarterly Returns

In order to assess the periodic volatility structure and identify potential seasonal return asymmetries within the Vegan Aristocrats portfolio, a box-and-whisker

analysis was conducted across quarterly arithmetic returns from 2008 through the present.

Let $V_{portfolio}(t)$ represent the aggregated, price-weighted portfolio value as previously defined, where:

$$V_{portfolio}(t) = \sum_{i=1}^{12} P_i(t)$$

Quarterly arithmetic returns are computed using:

$$R_q(j) = \frac{V_{portfolio}(t_{end_j}) - V_{portfolio}(t_{start_j})}{V_{portfolio}(t_{start_j})}$$

for each quarter j, where t_{start_j} and t_{end_j} denote the first and last trading days of quarter j, respectively.

These quarterly returns $R_q(j)$ are then grouped by **calendar quarter** $Q \in \{Q1, Q2, Q3, Q4\}$, with each group treated as a sample distribution $\mathcal{R}_Q = \{R_{Q,1}, R_{Q,2}, ..., R_{Q,n}\}$.

Boxplot Construction

For each quarterly group $\mathcal{R}_Q$, the following statistical descriptors are calculated:

- Median $\tilde{R}_Q$
- Interquartile range (IQR)
- Upper and lower quartiles Q_1, Q_3
- Whisker bounds:

$$\text{Lower} = Q_1 - 1.5 \cdot \text{IQR}, \quad \text{Upper} = Q_3 + 1.5 \cdot \text{IQR}$$

- Outliers: defined as observations outside the whisker bounds.

The boxplot visualizes the dispersion and skew of returns for each fiscal quarter. Outliers—highlighted distinctly—represent quarters with significant deviation from the median growth pattern. This visualization supports comparative assessment of seasonal volatility and return anomalies.
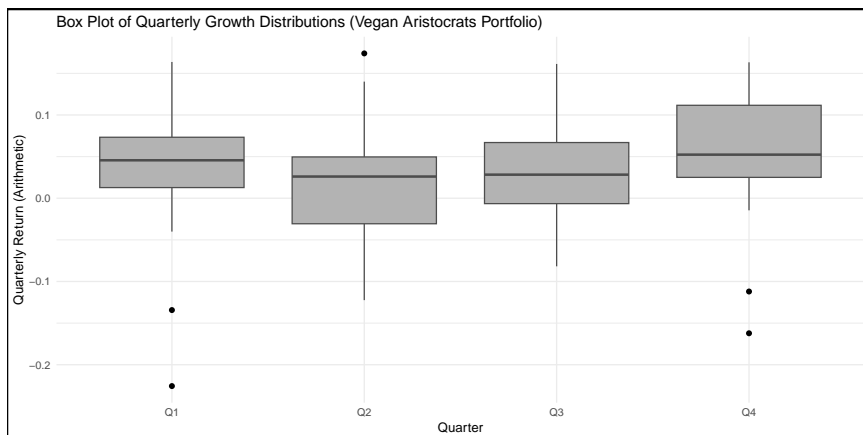

Figure 3: The boxplot illustrates a median-centered distribution of quarterly returns across all four fiscal quarters. While Q2 and Q3 show marginally wider IQRs and slightly more negative outliers, overall dispersion is modest. Q1 and Q4 present tighter clustering and higher medians, suggesting minor seasonal tailwinds. These characteristics indicate that the portfolio delivers income-like behavior with constrained volatility, aligning with expectations for low-risk, dividend-based strategies, despite being constructed with ethical filters.

Dividend Behaior in a Filtered Portfolio Context

Portfolio allocations can serve a range of objectives beyond return maximization. These may include inflation tracking, tax burden management, sector tilting, or the application of non-financial screening criteria. In the present case, a values-based overlay has been applied to a subset of the S&P 500 Dividend Aristocrats, excluding sectors and companies that do not meet ethical or environmental criteria.

While the primary analytical focus of this paper is not dividend productivity, dividend continuity remains a relevant secondary metric for evaluating the effects of portfolio filtering. The following visualizations present (1) the average annual dividend per share and (2) the cumulative dividend income over time, based on the assumption of a static 1-share allocation per security. These figures provide a historical reference for income behavior in the presence of screening constraints.

Passive Activism and the Structure of Financial Metadata

Rule-based portfolio filters—such as the exclusion of companies based on environmental, ethical, or sector-specific criteria—can be constructed as structured data instances. Whether formatted as CSV files, spreadsheets, or database queries, these filters operate as overlays on existing indices. Applied to instruments that track SPY, the Russell, the Wilshire, or similar benchmarks, such overlays enable modular adaptations of conventional market baskets without altering their underly-
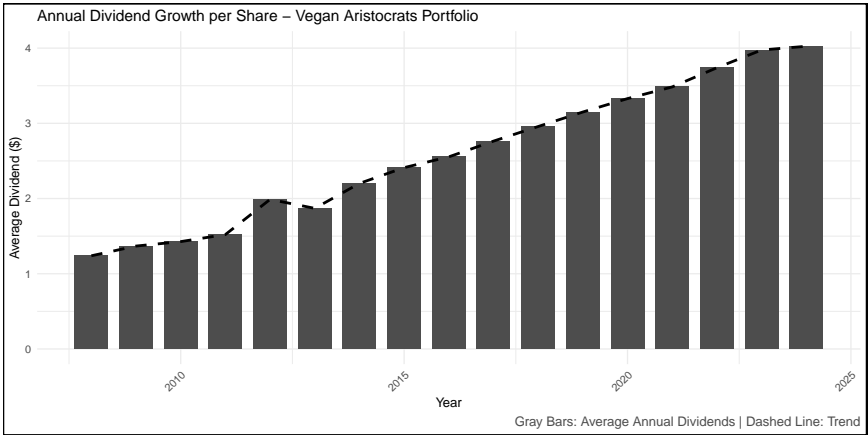
Figure 4: The bar chart above illustrates the annual average dividend payout per share for the Vegan Aristocrats portfolio between 2008 and 2024. Despite operating under a constrained filtering methodology, the dividend stream shows a persistent upward trajectory—suggesting that philosophical screening does not preclude income stability. The dashed line traces the trend in average income over time, with most years showing year-over-year increases and only minor contractions during economic stress periods. This empirical behavior supports the thesis that values-driven dividend strategies can coexist with long-term passive income generation.
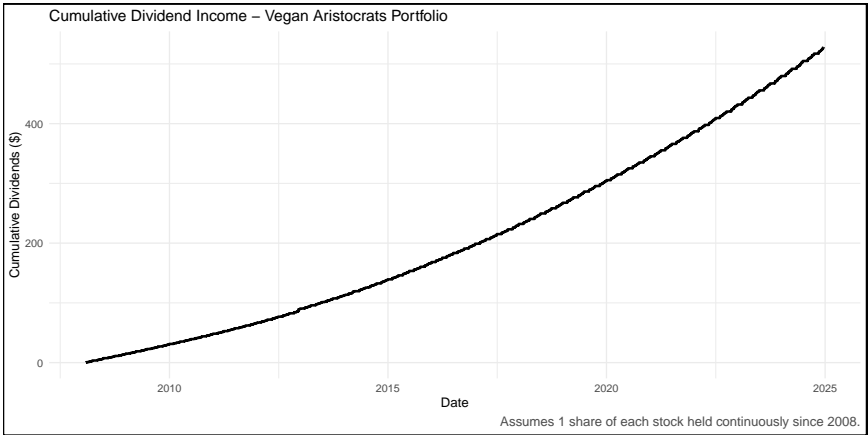

Figure 5: This chart presents the cumulative dividend income received by an investor holding one share of each stock in the Vegan Aristocrats portfolio since 2008. The stepwise growth reflects actual dividend disbursements over time, aggregating income across all constituents. Notably, the curve consistency and slope reinforce the portfolio income stability—even when constrained by ethical or philosophical filters. This representation further supports the proposition that passive activist investing need not forfeit long-term dividend productivity.

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ing mechanics. This creates a replicable, auditable method of passive customization that prioritizes alignment with investor-defined constraints over proprietary scoring systems or black-box ESG methodologies.

When these filters are deployed within dividend-oriented frameworks, the resulting portfolios retain their practical utility for retail investors. Dividend payouts function not only as return signals but also as real-time liquidity events. For individuals without access to actively managed solutions—or for whom flexibility and self-determination are central—filtered income portfolios offer a model of autonomy: capable of producing regular cash flow while remaining structurally passive. These architectures foreground predictability and transparency over tactical speculation.

Traditional valuation metrics—such as earnings per share, book value, and CAPM-based forecasts—remain essential to modeling asset performance. However, they do not fully account for the expressive or ideological dimensions of modern allocation decisions. In a financial environment increasingly shaped by algorithmic customization, open-source data pipelines, and machine-readable disclosures, there is growing demand for a new class of financial metadata: descriptive structures that encode not only quantitative characteristics, but also value-driven constraints, cultural positions, and user-level intent.

Passive activism, in this context, acts as an approachable framework. It enables individuals to participate in public markets without surrendering narrative agency. What was once the domain of institutional abstraction—screening, filtering, exclusion—can now be applied at the retail level, programmatically and at scale. The Vegan Aristocrats portfolio illustrates one instance of this broader shift: a programmable mechanism for portfolio construction that supports long-term participation aligned with both return goals and personal values. In this structure, investing becomes a form of ownership and the act of allocation reemerges as a site of expression for those unwilling to delegate their priorities to cryptic systems or intermediaries.

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