
2022: THE YEAR OF DIVIDENDS AROUND THE WORLD

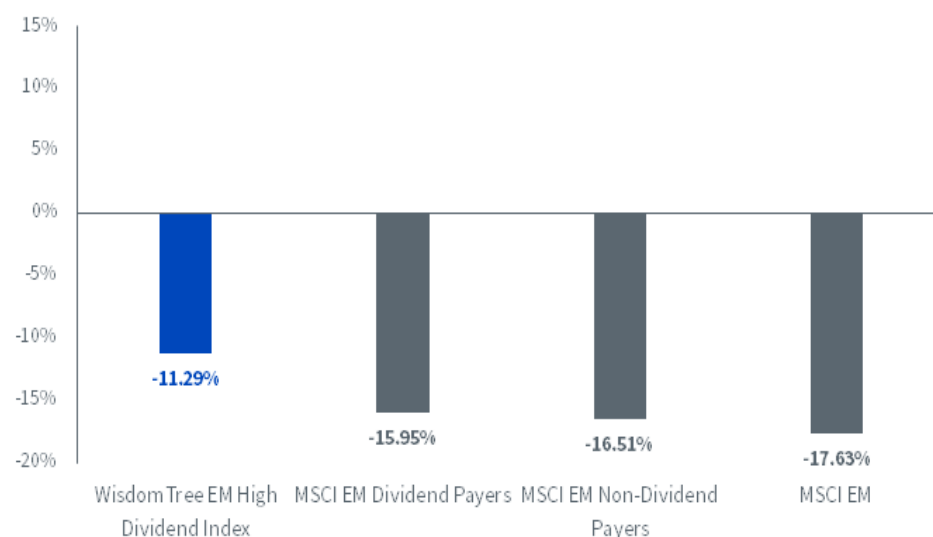
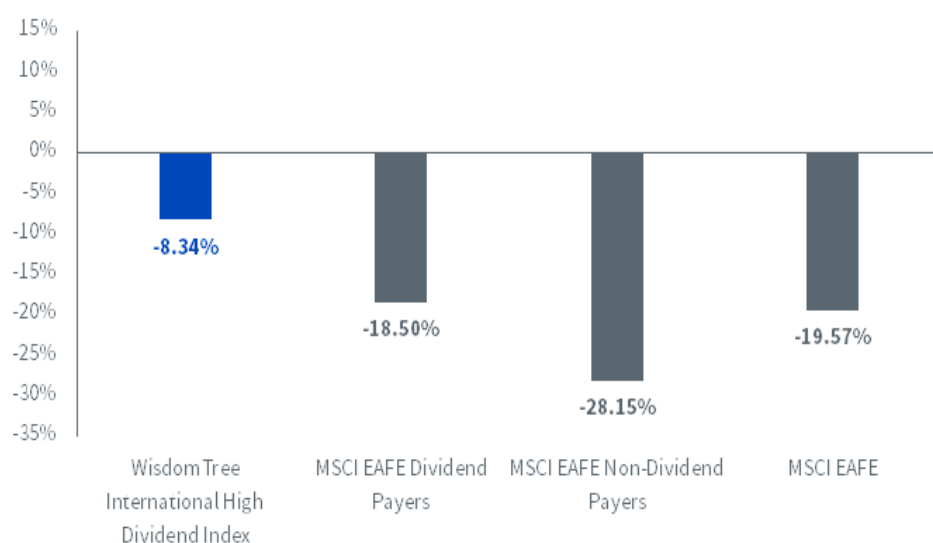
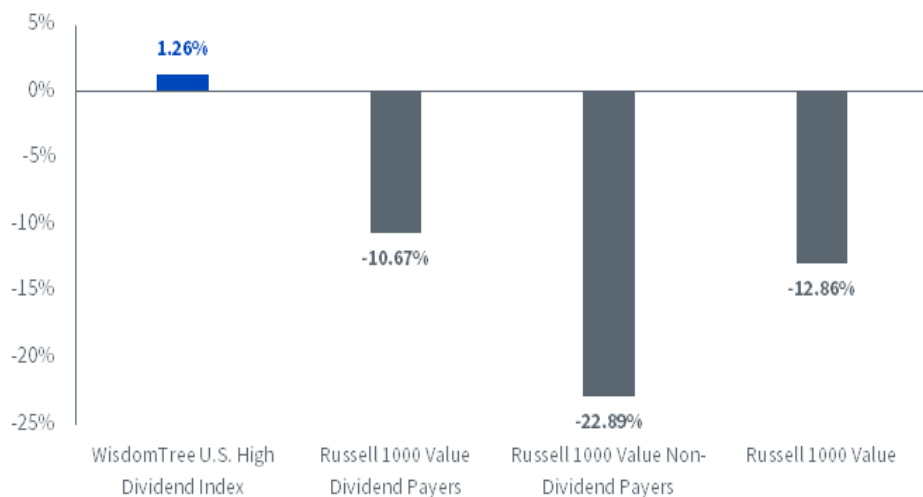
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If there was only one global investment theme over the last five years, it was a focus on technology and [consumer discretionary](#) sectors. Not having meaningful exposure to tech or the consumer almost guaranteed underperformance versus the benchmark over that period.

In 2022, the theme that is emerging around the world is not simply [value](#) versus [growth](#), but rather dividend versus non-[dividend](#) payers.

Outside of [commodities](#) and the U.S. dollar, investors are struggling to generate positive total returns in 2022. As of June 30, the U.S. market is down 19.96%. International and emerging markets are trailing closely behind with negative returns of 19.57% and 17.63%, as represented by the [MSCI EAFE](#) and [MSCI Emerging Markets Indexes](#). While many attribute this to a shift from growth to value, focusing on dividend payers rather than non-dividend payers actually generated even higher returns, even within the value segment.

Year-to-Date Returns, as of 6/30/22



Sources: WisdomTree, Bloomberg, 12/31/21-6/30/22. Dividend portfolios rebalanced monthly and market cap weighted. You cannot invest directly in an index. Past performance is not indicative of future returns.

For definitions of terms and indices in the chart, please visit our [glossary](#).

Year-to-Date Attribution

Year-to-date, WisdomTree High Dividend strategies outperformed comparable cap-weighted indexes by over 1000 [basis points](#) in developed and over 600 basis points in emerging markets.

- WisdomTree strategies had approximately two-thirds of their portfolio weight allocated to the top dividend yield quintile versus less than 20% for the market cap-weighted indexes, a significant differential.
- An underweight allocation to the non-dividend paying segment of the market was another large contributor to performance. Cap-weighted indexes allocated from 5% to 16% to this segment. In contrast, WisdomTree Indexes allocated less than 1%, as our strategies only include dividend payers at annual reconstitution.

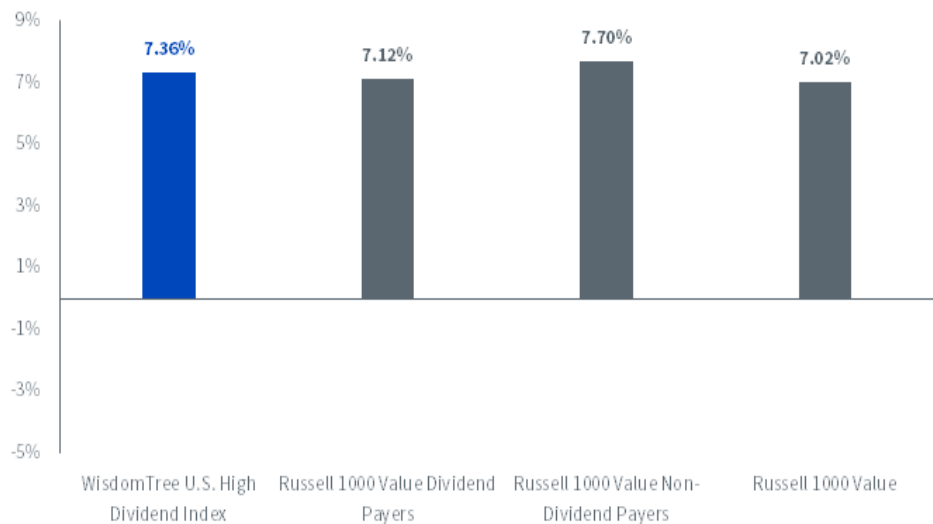
Put another way, allocating to dividend payers has dampened volatility and resulted in higher total returns in both developed and emerging markets. In addition to adding value by what you own, you also added value by what you didn't own.



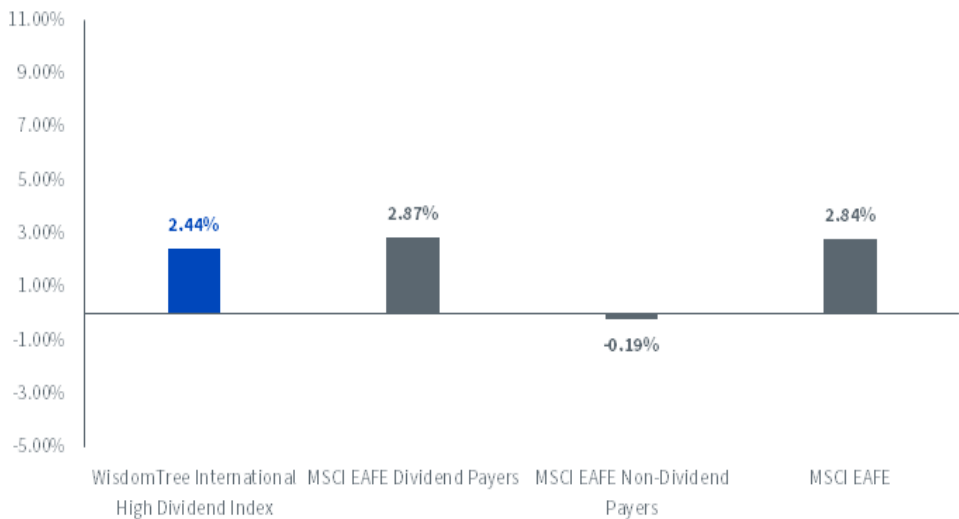
Sources: WisdomTree, FactSet, Russell, MSCI as of 6/30/2022. You cannot invest directly in an index. WisdomTree U.S. High Dividend Index vs. Russell 1000 Value Index; WisdomTree International High Dividend Index vs. MSCI EAFE Index; WisdomTree Emerging Markets High Dividend Index vs. MSCI Emerging Markets Index. Past performance is not indicative of future results.

While it may be easy to pass this off as a short-term fad, what's interesting is that we are starting to see a rotation in longer-term U.S. performance as well. While there has been a wider dispersion among non-dividend payers in broad-market cap-weighted indexes, we are also starting to see a more marked shift among the value segment. In the chart below, we show that since inception, non-dividend payers have historically outperformed. However, we think that this may be an area of opportunity as investors think about the characteristics they are looking for in value.

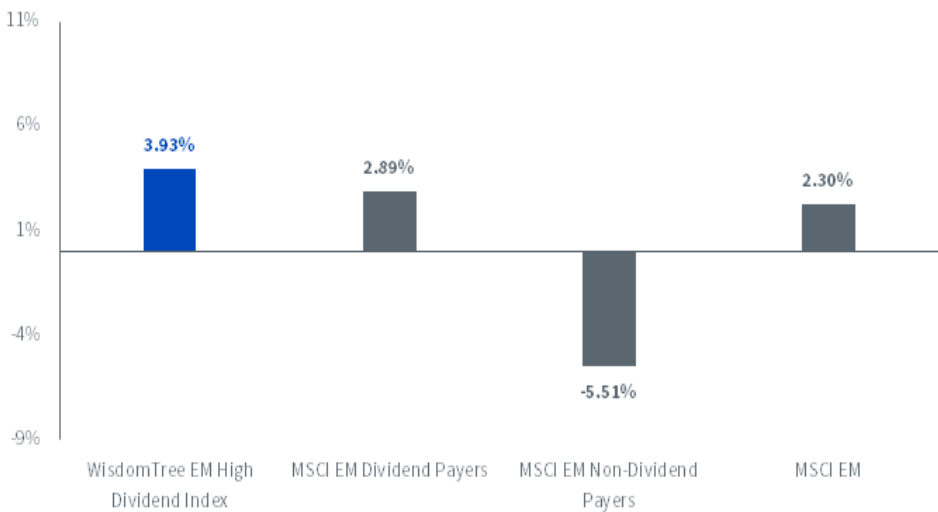
Since-Inception Returns, as of 6/30/22



Outside the U.S., a higher percentage of companies tend to pay dividends. By focusing on the highest-yielding segments of the market, meaningful performance can be added relative to cap-weighted peers.



In emerging markets, WisdomTree's high dividend approach has led to an annualized total return advantage of 9.4% per year over non-dividend payers in the MSCI Emerging Markets Index.



Conclusion

In sum, allocations to tech and consumer discretionary became the key differentiator in total returns over the last five years. As the market continues to look for global catalysts, we believe the rotation to value is still in its early days. Among this value rotation, we believe focusing on high dividends as opposed to low price-to-book may yield higher excess returns versus the market going forward.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

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You cannot invest directly in an index.

DEFINITIONS

Consumer Discretionary : A term for classifying goods and services that are considered non-essential by consumers, but desirable if their available income is sufficient to purchase them.

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Dividend : A portion of corporate profits paid out to shareholders.

Commodity : A raw material or primary agricultural product that can be bought and sold.

MSCI EAFE Index : is a market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan.

MSCI Emerging Market Index : The MSCI Em (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM) countries.