

# DEM'S DIVIDEND YIELD IS AT GLOBAL FINANCIAL CRISIS LEVELS

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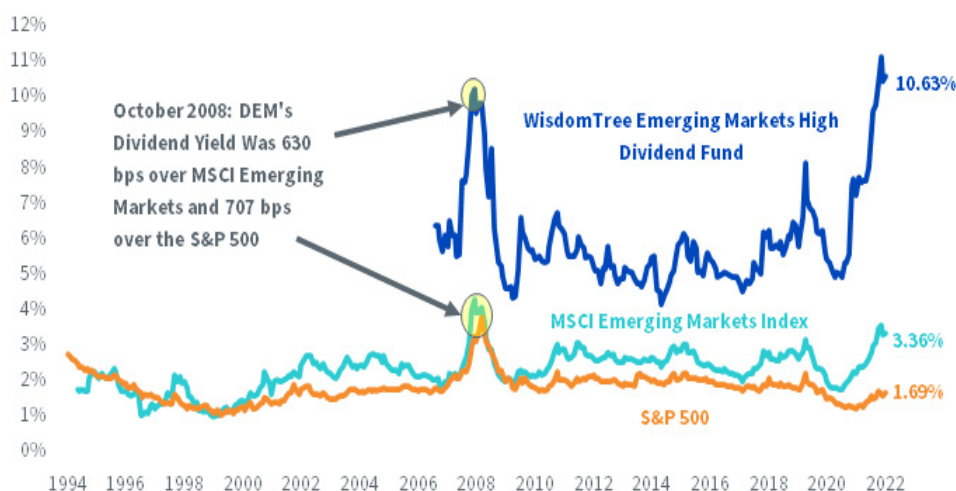
I'll just get right to it: in the history of our dataset, we have no record of the [WisdomTree Emerging Markets High Dividend Fund \(DEM\)](#) offering a [dividend yield](#) as large as what it has been posting in recent months. It's showing a backward-looking 10.6% yield in our [Digital Portfolio Developer tool](#).

*The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please click [here](#).*

Meantime, using the trailing yield, we have no record of it having this large of a gap relative to the [MSCI Emerging Markets Index](#), nor do we have any precedent for it being this much higher than the yield on the [S&P 500](#).

In figure 1, I put the yellow circles on [DEM](#)'s previous record high yield, around 10%, which came in October 2008. Recall that Lehman Brothers collapsed in the prior month.

**Figure 1: DEM's Dividend Yield**



Source: WisdomTree Digital Portfolio Developer, as of 12/31/22.

The thing about the 10.6% trailing yield is it captures some anomalies in the Energy patch, the best example being a 59% dividend yield on Petrobras, which comprises 3.4% of [DEM](#). We found that the median analyst estimated yield on that firm is 15%.

## DEM Needs the Dollar to Behave

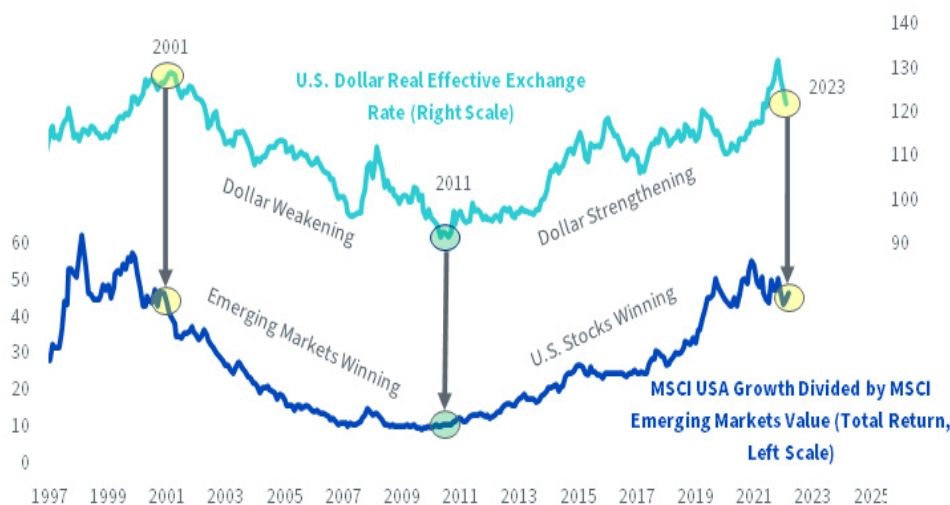
For [DEM](#) and other emerging equity funds to work out, we will need the greenback to abide. Though it wouldn't be the first time a strong currency got stronger, USD is so expensive that doing so will be an uphill climb. Its [real effective exchange rate \(REER\)](#) revisited its 2001 peak a few months ago.

Figure 2 shows what happened after 2001.

The turn of the century marked a nice entry point for both [emerging markets](#) and [value](#). It was precisely the wrong time

to be heavy in the U.S. and/or biased toward [growth](#) stocks.

**Figure 2: Emerging Markets Value Stocks Are Beating U.S. Growth Stocks Again**



Sources: Refinitiv, JPM, as of 12/31/22.

### Things to Know about DEM

We recently surpassed \$2 billion in this one, which you should treat as a classic deep-value fund. To call it a “hunt for yield” fund is appropriate. To be long [DEM](#), you should agree with the thesis that has the market “on” dividends and “off” groups such as biotech and unprofitable story stocks. We believe [DEM](#) is for a classic value investor.

If you run [DEM](#) through the [Digital Portfolio Developer Fund Comparison tool](#), type in MXEF for the MSCI Emerging Markets Index and “500” to bring up the S&P 500. That will let you replicate the first chart in this blog post while also presenting a deeper look at a ton of fundamental information.

*Unless otherwise stated, all data as of 12/31/22.*

### Important Risks and Disclosure Related to this Article

#### **This material must be preceded or accompanied by a prospectus.**

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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.

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

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You cannot invest directly in an index.

## **DEFINITIONS**

**Dividend yield** : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

**MSCI Emerging Markets Index** : a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as “emerging markets” by MSCI.

**S&P 500 Index** : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor’s Index Committee designed to represent the performance of the leading industries in the United States economy.

**Real effective exchange rates (REERs)** : REERs represent the weighted average of a country’s currency relative to an index or basket of other major currencies, adjusted for the effects of inflation. While investors normally quote returns in nominal terms, most analysts find REER helpful when analyzing currency impact on economic competitiveness and trade. Generally speaking, REERs tend to be more instructive of economic trends, particularly during periods with positive inflation.

**Emerging market** : Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

**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.