

JANUARY DIVIDEND UPDATE: #GOTDIVIDENDS?

Matt Wagner – Associate Director, Research
02/03/2022

Got [dividends](#)?

That's the pervasive sentiment in equity markets at the moment.

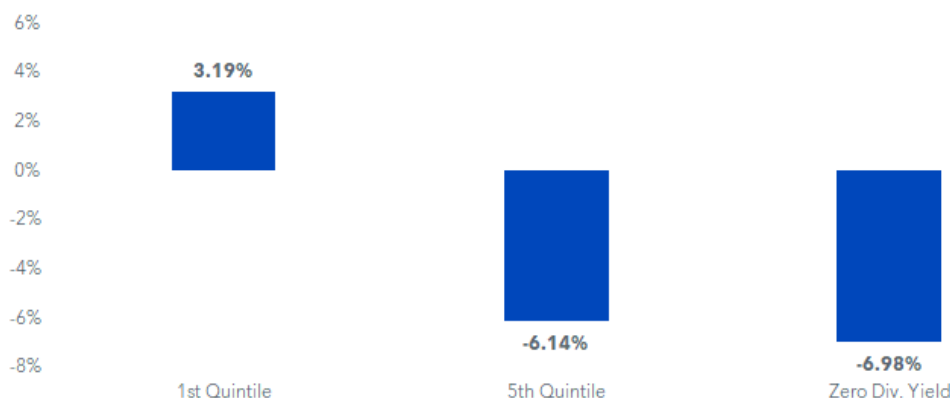
As the work-from-home trade unwinds, one thing is certain—investors are becoming more discerning about investing in companies that pay dividends.

Within the [S&P 500](#), the highest [dividend yield](#) companies have outperformed the lowest yield companies by a whopping 933 [basis points \(bps\)](#) this year. That margin is even greater—1,017 bps—when compared to the roughly 100 S&P 500 companies that don't pay a dividend.

According to Howard Silverblatt of S&P Dow Jones Indices, S&P 500 dividend-payers outperformed non-payers in January by the greatest monthly performance spread (6.58%) since July 2004.

As we discussed in a recent post, [high dividend yield companies have a shorter duration](#), so the group's outperformance given the sharp move higher in rates does not come as a surprise.

S&P 500 Index Dividend Yield Quintiles, Year-to-Date

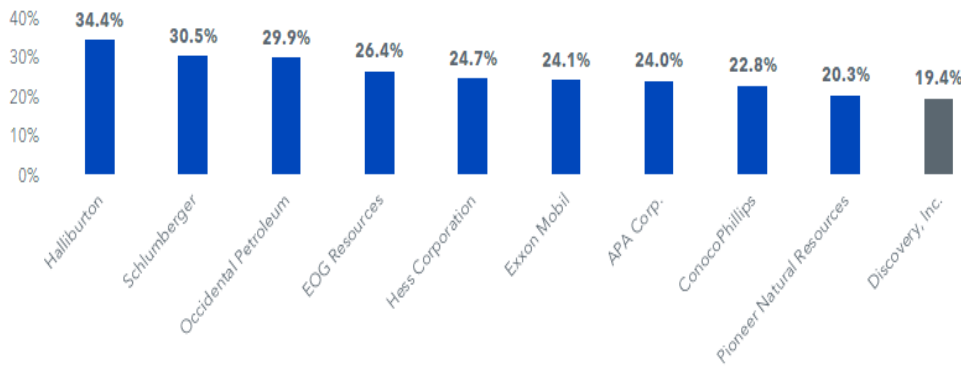


Sources: WisdomTree, FactSet, S&P, as of 1/31/22. Performance measured by average returns of companies in each category. You cannot invest directly in an index. Past performance is not indicative of future returns.

This trend is even starker when looking at the top and bottom performers in the S&P 500. Among the 10 best performers, nine **do pay** dividends (with the exception of Discovery).

One could argue this is largely a sector/[inflation](#) story as this list is entirely comprised of Energy companies, aside from Discovery.

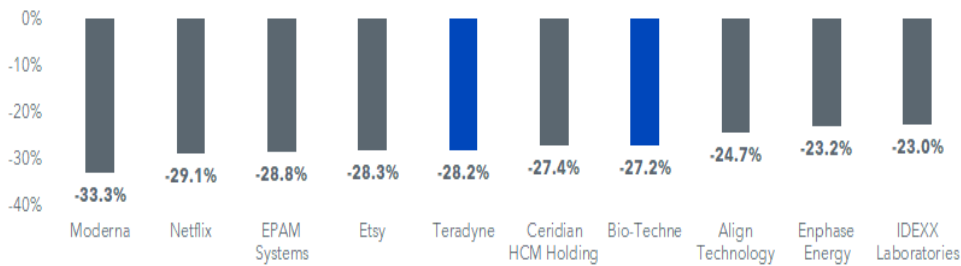
S&P 500 Top 10, Year-to-Date (as of 1/31/22)



Sources: WisdomTree, FactSet, S&P. You cannot invest directly in an index. Past performance is not indicative of future returns.

The below chart of bottom performers is more diverse across sectors. What these companies have in common is that eight of the 10 (with the exception of Bio-Techne Corp. and Teradyne) do not pay a dividend.

S&P 500 Bottom 10, Year-to-Date (as of 1/31/22)



Sources: WisdomTree, FactSet, S&P. You cannot invest directly in an index. Past performance is not indicative of future returns.

FANAMA Revisited

Last fall, we wrote about the [outperformance of Facebook, Amazon, Netflix, Alphabet, Microsoft and Apple](#) over the last several years. We dubbed the group FANAMA (this was before the Facebook rebrand to Meta Platforms).

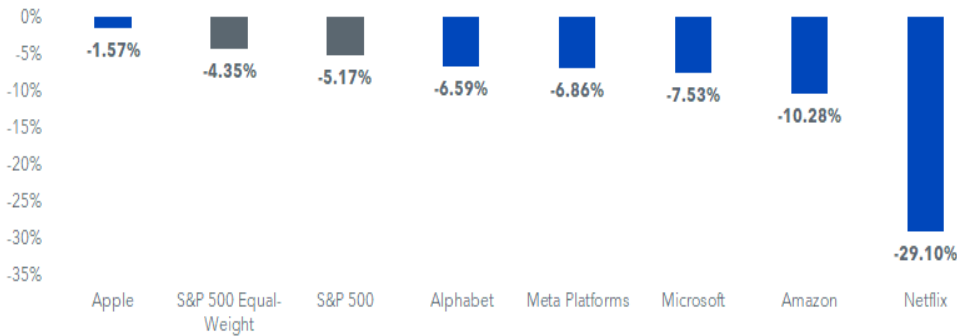
As a group, FANAMA outperformed the S&P 500 by over 20% annualized between 2015 and 2020.

Of this group, only Apple and Microsoft pay a dividend. As a result, dividend-focused investments have struggled to keep pace with the broader market given such an unprecedented rally in non-dividend-paying shares.

Naturally, after years of steady outperformance, investments into FANAMA and similar tech-enabled companies had become a crowded trade.

A month into the new year, only Apple is outperforming the S&P 500. Relative to the [S&P 500 Equal-Weight Index](#)—a benchmark that mitigates the disproportionate influence these companies have on the performance of the cap-weighted index—the underperformance is even greater.

FANAMA Stocks, Year-to-Date Returns



Sources: WisdomTree, FactSet, S&P, as of 1/31/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

Of WisdomTree’s large-cap dividend ETFs, the [WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#) and the [WisdomTree U.S. LargeCap Dividend Fund \(DLN\)](#), both have sizeable weights to Apple and Microsoft. However, each Fund has an under-weight allocation to Apple and Microsoft, by over 100 bps relative to the S&P 500.

The [WisdomTree U.S. High Dividend Fund \(DHS\)](#) does not hold Apple and Microsoft as they each have relatively low dividend yields of less than 1%.

FANAMA weights

Name	Weight	Meta Platforms	Apple	Netflix	Amazon	Microsoft	Alphabet
DGRW	9.97%	-	5.24%	-	-	4.73%	-
DLN	8.51%	-	3.96%	-	-	4.56%	-
DHS	-	-	-	-	-	-	-
Russell 1000 Value	1.06%	-	-	-	-	-	1.06%
S&P 500	23.19%	1.94%	7.12%	0.49%	3.41%	6.11%	4.11%

Sources: WisdomTree, FactSet, S&P, as of 1/31/22. You cannot invest directly in an index.

For holdings of the Funds mentioned in the table above, please click the respective ticker: [DGRW](#), [DLN](#), [DHS](#).

The start to 2022 has been a favorable backdrop for WisdomTree’s family of U.S. dividend ETFs.

A few highlights in January:

- [DHS](#) bested the [Russell 1000 value Index](#) by over 500 bps and is the only Fund that has held onto a positive return (2.96%)
- [DGRW](#) has shown resilience during a turbulent market environment, outperforming the [NASDAQ Dividend Achievers Select Index](#) by 193 bps and the S&P 500 by 205 bps
- Behind [DHS](#), the [WisdomTree U.S. SmallCap Quality Dividend Growth Fund \(DGRS\)](#) had the second-best performance relative to its benchmark, outperforming the [Russell 2000](#) by 465 bps as unprofitable, speculative small caps struggled amid rising rates and inflation fears

Name	Ticker	Inception Date	Average Annual Return					
			YTD	1-Year	3-Year	5-Year	10-Year	SI
WisdomTree U.S. Total Dividend Fund	DTD	6/16/06	-1.46%	25.46%	14.92%	12.27%	12.76%	9.15%
Russell 3000 Value			-2.56%	22.80%	13.68%	10.30%	12.16%	8.08%
Russell 3000			-5.88%	18.80%	19.93%	16.11%	15.03%	10.65%
WisdomTree U.S. Quality Dividend Growth Fund	DGRW	5/22/13	-3.12%	22.47%	18.70%	15.98%	N/A	13.80%
Nasdaq Dividend Achievers Select			-5.05%	20.84%	18.27%	15.66%	N/A	12.73%
S&P 500			-5.17%	23.29%	20.71%	16.78%	N/A	14.43%
WisdomTree U.S. LargeCap Dividend Fund	DLN	6/16/06	-1.50%	25.23%	15.94%	13.06%	12.98%	9.20%
Russell 1000 Value			-2.33%	23.37%	13.84%	10.48%	12.28%	8.12%
Russell 1000			-5.64%	20.32%	20.51%	16.59%	15.32%	10.80%
WisdomTree U.S. High Dividend Fund	DHS	6/16/06	2.96%	28.30%	10.73%	8.77%	10.97%	7.36%
Russell 1000 Value			-2.33%	23.37%	13.84%	10.48%	12.28%	8.12%
WisdomTree U.S. MidCap Dividend Fund	DON	6/16/06	-2.41%	25.47%	10.21%	9.02%	12.21%	9.34%
Russell Midcap Value			-4.27%	23.14%	14.10%	9.88%	12.40%	9.08%
Russell Midcap			-7.37%	13.85%	16.15%	12.81%	13.36%	10.08%
WisdomTree U.S. SmallCap Dividend Fund	DES	6/16/06	-3.74%	19.45%	8.10%	6.14%	10.41%	7.70%
Russell 2000 Value			-5.83%	14.75%	11.72%	7.92%	10.64%	7.53%
Russell 2000			-9.63%	-1.21%	11.99%	9.69%	11.33%	8.56%
WisdomTree U.S. SmallCap Quality Dividend Growth Fund	DGRS	7/25/13	-4.98%	14.27%	12.13%	8.68%	N/A	9.63%
Russell 2000			-9.63%	-1.21%	11.99%	9.69%	N/A	9.41%

Sources: WisdomTree, S&P, Russell, Nasdaq, as of 1/31/22. Green indicates Fund outperformed primary listed benchmark. Red indicates Fund underperformed primary listed benchmark.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns 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.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

Standardized performance and performance data for the most recent month end is available by clicking [here](#).

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

Conclusion

As we have written recently, we believe [investors should continue favoring dividend-paying equities in this environment](#) of high inflation and negative real yields from fixed income.

[Value](#) generally, and the dividend-yield factor specifically, have been challenged for most of the past 15 years relative to [growth](#). We believe the [rotation that has occurred](#) over the past several months is just the beginning of a longer-run [mean reversion](#) in favor of value/dividends.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Funds focusing their investments on certain sectors and/or smaller companies increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Dividends are not guaranteed, and a company currently

paying dividends may cease paying dividends at any time. Please read each Fund's prospectus for specific details regarding that Fund's risk profile.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

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.

Related Blogs

- + [November Dividend Update](#)
- + [October Dividend Update](#)

Related Funds

- + [WisdomTree U.S. Quality Dividend Growth Fund](#)
- + [WisdomTree U.S. High Dividend Fund](#)
- + [WisdomTree U.S. LargeCap Dividend Fund](#)
- + [WisdomTree U.S. Total Dividend Fund](#)
- + [WisdomTree U.S. MidCap Dividend Fund](#)
- + [WisdomTree U.S. SmallCap Quality Dividend Growth Fund](#)
- + [WisdomTree U.S. SmallCap Dividend Fund](#)

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

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

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

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.

Dividend yields: Refers to the trailing 12-month dividend yield. Dividends over the prior 12 months are added together and divided by the current share price. Higher values indicate more dividends are being generated per unit of share price.

Basis point: 1/100th of 1 percent.

Inflation: Characterized by rising price levels.

Russell 1000 value Index: A measure of the large-cap value segment of the U.S. equity universe, selecting from the Russell 1000 Index.

NASDAQ US Dividend Achievers Select Index: Designed to track the performance of dividend-paying companies in the U.S. that have increased their annual dividend payments for the last 10 or more consecutive years.

Russell 2000 Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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.

Mean reversion: The concept that a series of returns has a tendency to return to its average level over longer periods, even if shorter periods can exhibit wide swings.