

ADDING META TO THE WISDOMTREE DIVIDEND INDEXES

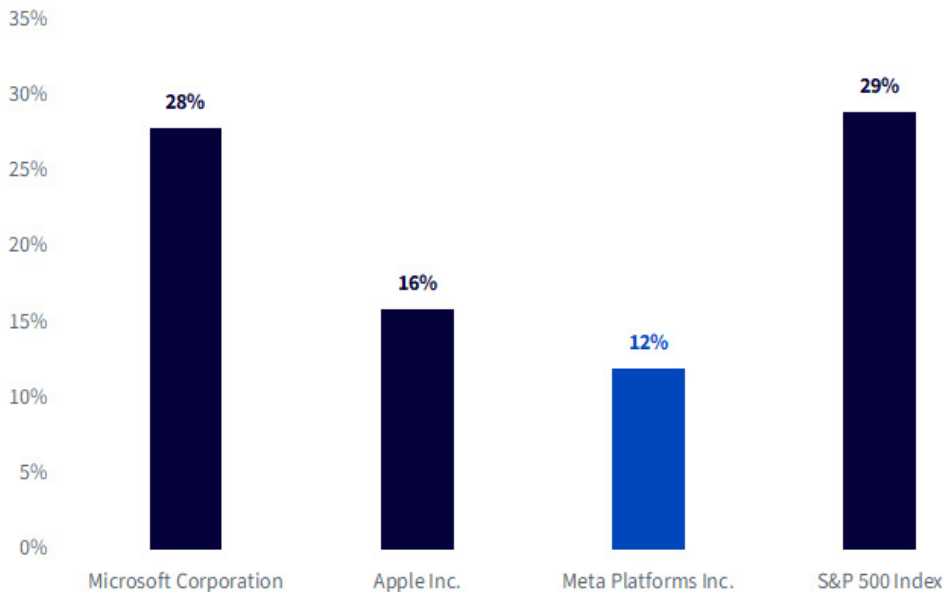
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On February 1, Meta Platforms Inc. (Meta) declared the initiation of its quarterly dividend payment as part of its full-year 2023 results. The company announced a \$0.50 quarterly payment, which represents an approximate \$5 billion cash outlay and puts Meta in the top 30 of U.S. dividend payers and the top 50 of all dividend payers worldwide.

This is a major development for Meta, as a dividend payment signals that a company’s management has confidence in its business and the cash flows associated with it. It is also a major market development, as Meta becomes the largest company (measured in [market capitalization](#)) to initiate its dividend payment since Apple in 2012.

For context, Meta’s initial dividend payment represents about 12% of its annual earnings, which is still conservative with respect to its peers and the broader U.S. market. This means there is room for Meta’s dividends to grow.

Annual Dividend as % of Earnings



Sources: WisdomTree, FactSet. Data as of 2/6/24. You cannot invest directly in an index. Past performance is not indicative of future returns.

WisdomTree’s Reaction

Given this major market development and WisdomTree’s emphasis on creating best-in-class dividend-focused strategies, we announced a special rebalance set to take place after the close of trading on March 15. As part of this special rebalance, Meta will be added to the following eligible indexes and weighted according to its [Dividend Stream](#)®:

- [WisdomTree U.S. Dividend Index \(WTDI\)](#)

- [WisdomTree U.S. LargeCap Dividend Index \(WTLDI\)](#)
- [WisdomTree U.S. Quality Dividend Growth Index \(WTDGI\)](#)
- [WisdomTree U.S. Quality Dividend Growth UCITS Index \(WTDGNUHP\)](#)
- [WisdomTree Global Developed Quality Dividend Growth Index \(WTDDG\)](#)

WisdomTree creates indexes with performance as the top goal. While we believe in passive methodologies, we always look for changes or unique market conditions that create opportunities. Meta’s first dividend was significant enough that it warranted an early addition to our index family.

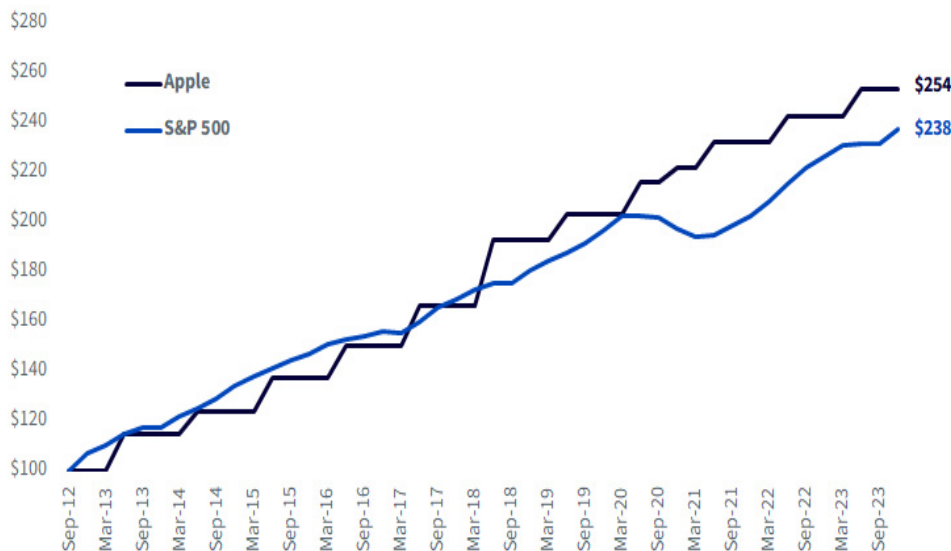
Implications for Quality Dividend Growth Strategies

WTDGI, WTDGNUHP and WTDDG are all part of the WisdomTree Quality Dividend Growth suite. These strategies aim to invest in dividend-paying companies whose profitability and growth prospects indicate higher-than-market [dividend growth](#).

Most competitors in the dividend growth space have backward-looking growth screens to determine a company’s eligibility. For example, the [S&P U.S. Dividend Growers](#) and [S&P 500 Dividend Aristocrats Indexes](#) (with a combined \$88 billion plus of assets tracking them) have a 10- and 25-year dividend growth screen, respectively. This means that Meta will become eligible for inclusion in 2034 and 2049 *if* it continues to grow dividends annually.

As we recently published, [new dividend payers tend to grow their payments faster than the market](#). In the below chart, we can see how Apple’s dividend growth since 2012 has outpaced the broad [S&P 500](#) by 0.6% annually.

Growth of \$100: Cumulative Dividend Growth



Sources: WisdomTree, FactSet, S&P. Data from 9/30/12–12/31/23. Apple initiated its quarterly dividend in 2012. You cannot invest directly in an index. Past performance is not indicative of future returns.

Examining the performance of WTDGI versus the S&P 500 provides further insight into its methodology. Since its inception in April 2013, WTDGI has outperformed the S&P 500 by 34 [basis points](#) annually,¹ doing so without holding non-dividend-paying tech companies like Amazon, Tesla, Meta and Google, which have been the main performance drivers for the market.

The quality dividend growth franchise selection process focuses on highly profitable quality businesses. We often allude to this as the Buffett factor in stock selection—as Buffett often talks about moving from the Ben Graham [value](#) school, which focuses on *fair*

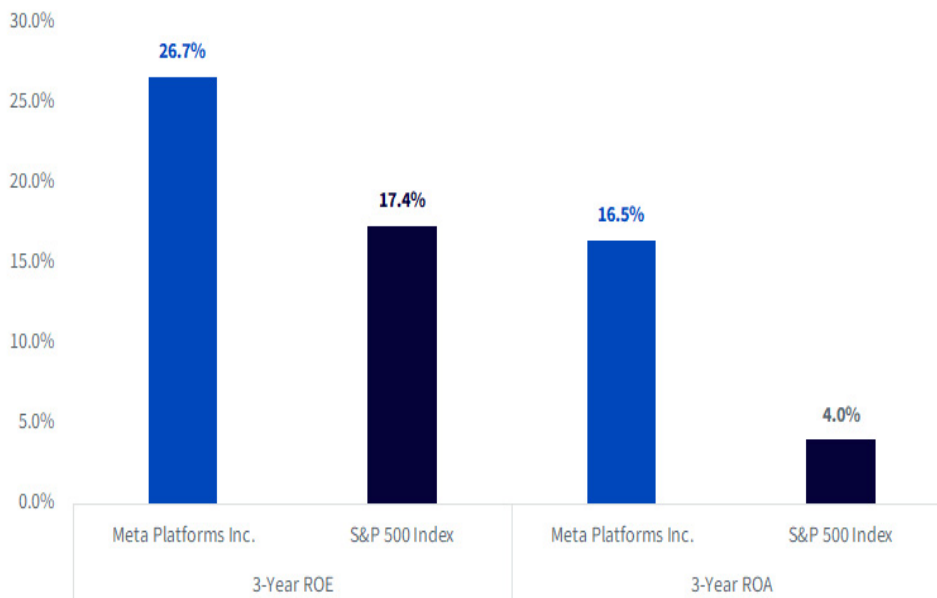
businesses at good *value* like prices, toward focusing on *great* businesses at fair prices.

In the [latest Berkshire letter](#), Buffett wrote a tribute to Charlie Munger in the opening pages, calling Munger the *architect* of Berkshire Hathaway’s process that convinced Buffett he should not be buying cheap “value” like stocks but the high-quality businesses. Warren’s latest letter puts Munger as the original architect of our quality style of investing.

What are Meta’s [quality](#) and [growth](#) attributes that exhibit why it is a great business and make us confident it should be a dividend growth leader over the coming years?

- **Efficiency:** Meta was able to lower headcount by more than 20% while also growing revenue by more than 20% in the last 12 months—this is a sign of its scale and investments in technology paying off. Paying the first dividend is a commitment to shareholders that they will harvest their R&D investments over the years into cash flows for shareholders.
- **Quality:** Meta’s trailing three-year [return on equity \(ROE\)](#) and [return on assets \(ROA\)](#) exceed the market.

Quality Metrics



Sources: WisdomTree, FactSet. Data as of 2/6/24. You cannot invest directly in an index. Past performance is not indicative of future returns.

- **Composite Rank:** WTDGI uses a composite score combining a company’s quality (ROE and ROA) and estimated earnings growth to rank and select securities. Meta ranks in the top 20 out of 550+ securities in scope on this composite measure with its solid quality number and an 18% estimated earnings growth over the next few years.

Implications for Broad Dividend Strategies

The implications of adding Meta to WTDI and WTLDI can be analyzed in the context of holdings overlap and tracking error versus the broad market. At the time of Meta’s dividend announcement, its weight in broad equity benchmarks like the S&P 500, [Russell 1000](#) and [MSCI USA Indexes](#) ranged around 2%. Upon inclusion in WTDI and WTLDI, we expect the under-weight in Meta to be significantly reduced but still exist, given its current market capitalization weight compared to its *Dividend Stream* weight.

Index	META Weight
WTDI*	1.00%
WTLDI*	1.12%
WTDGI*	1.49%
WTDGνουHP*	1.52%
S&P 500	2.54%
WTDDG*	1.08%
MSCI World	1.72%

Sources: WisdomTree, FactSet. Data as of 2/29/24. *Data for WisdomTree Indexes based off *Dividend Stream* calculation prior to special rebalance. You cannot invest directly in an index. Past performance is not indicative of future returns.

¹ Sources: WisdomTree, FactSet. Data from 4/11/13–1/31/24.

For the top 10 holdings of DGRW please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/dgrw>

For the top 10 holdings of DTD please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/dtd>

For the top 10 holdings of DLN please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/dln>

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.

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

IMPORTANT INFORMATION

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DEFINITIONS

Market Capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Dividend Stream: Refers to the regular dividends per share multiplied by the number of shares outstanding.

Dividend growth: The growth in trailing 12-month dividends for the specified universe.

S&P U.S. Dividend Growers Index: The S&P U.S. Dividend Growers Index is designed to measure the performance of U.S. companies that have followed a policy of consistently increasing dividends every year for at least 10 consecutive years.

S&P 500 Dividend Aristocrats: measures the performance S&P 500 companies that have increased dividends every year for at least 25 consecutive years.

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.

Basis point: 1/100th of 1 percent.

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.

Quality: Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality 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.

Return on Equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on assets (ROA): Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.

Russell 1000 Index: A measure of the performance of the 1,000 largest companies by market capitalization in the Russell 3000 Index.

MSCI USA Index: is designed to measure the performance of large and mid cap segments of the US market.