

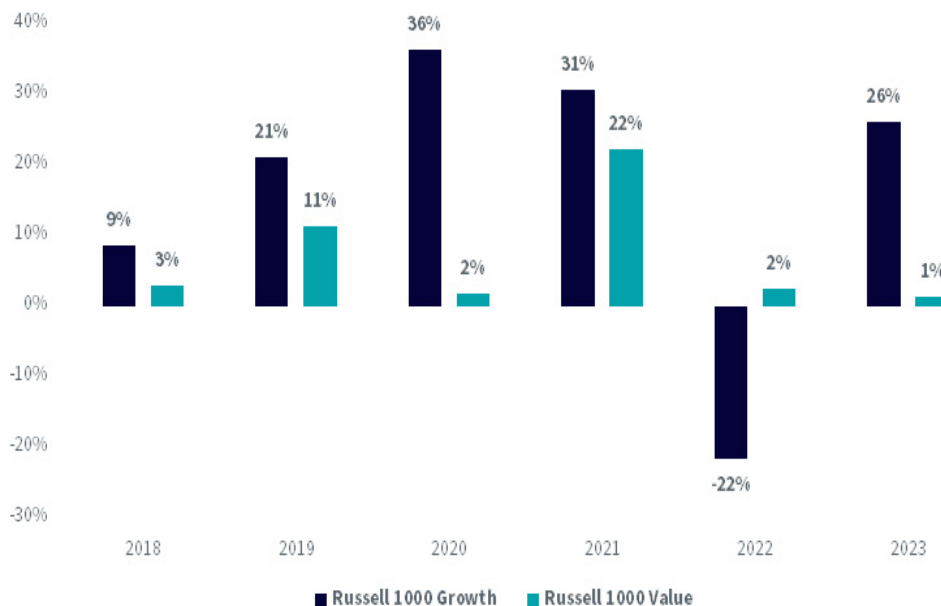
2023 U.S. DIVIDEND REBALANCES: VALUE POSITIONING VIA DIVIDENDS

Hyun Kang — Research Analyst
01/04/2024

Following its moment in the sun in 2022, [value](#) returned to the background in 2023, lagging [growth](#) for the fifth year in the past six.

Growth (proxied by the [Russell 1000 Growth Index](#)) finished the year strong and ahead of value (proxied by the [Russell 1000 Value Index](#)), primarily driven by the [Magnificent Seven](#), a handful of mega-cap tech giants at the forefront of the artificial intelligence (AI) boom.

Growth vs. Value Performance over the Years

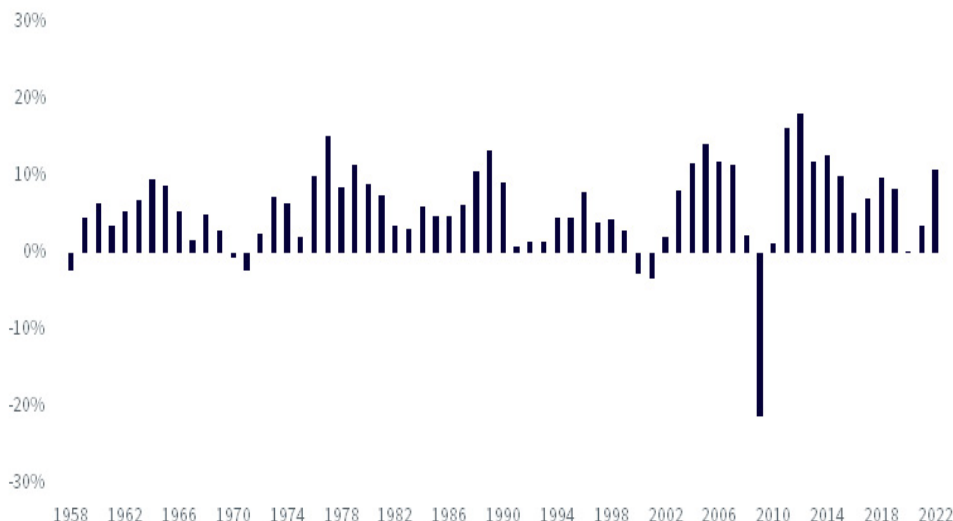


Sources: WisdomTree, FactSet, 12/31/17–11/30/23. Past performance is not indicative of future results. You cannot invest directly in an index.

The [Federal Reserve](#) is expected to cut rates in 2024, signaling an end to its most aggressive [rate hike](#) campaign since the early 1980s. The long-awaited policy pivot may shift market sentiment in favor of this year's laggards, such as dividend-paying companies and broader value.

In the last 64 years, only six years saw declining dividend levels, and only one year saw a decline of over 5%. Taking a dividend approach to value could provide more downside support through reliable income than pure value strategies.

Annual Growth of S&P 500 Dividends



Sources: WisdomTree, FactSet, 12/31/1958-12/31/2022. Past performance is not indicative of future results. You cannot invest directly in an Index.

As growth stock valuations soar with historically high multiples, dividend indexes typically maintain a less top-heavy allocation than traditional [market cap-weighted](#) indexes, increasing weights to companies with strong fundamentals and defensive qualities, while reducing weights to companies considered overvalued (read: having the potential to fall short of lofty expectations).

WisdomTree U.S. Dividend Reconstitution

The [WisdomTree U.S. Dividend Index \(WTDI\)](#) is a fundamentally weighted Index that tracks dividend-paying U.S. companies, wherein each company's weight is derived from its share of the Index's total [Dividend Stream®](#).

The [WisdomTree U.S. LargeCap Dividend Index \(WTLDI\)](#) is comprised of dividend-paying companies from the large-cap segment of the U.S. Dividend Index, and the [WisdomTree U.S. High Dividend Index \(WTHYE\)](#) is comprised of the top 30% of dividend payers in the U.S. Dividend Index.

Index	Index Ticker	Inception Date	Related ETF
WisdomTree U.S. Dividend Index	WTDI	6/1/06	DTD
WisdomTree U.S. LargeCap Dividend Index	WTLDI	6/1/06	DLN
WisdomTree U.S. High Dividend Index	WTHYE	6/1/06	DHS

The WisdomTree U.S. Dividend family, including the above Indexes, underwent its annual reconstitution in early December. For eligibility in these Indexes, companies must have a market capitalization of at least \$100 million and shares must have a median daily dollar volume of at least \$100,000. Companies are also judged on [quality](#) and momentum factors to eliminate potentially higher-risk companies.

After its rebalance, the WisdomTree U.S. Dividend Index maintained a lower [price-to-earnings ratio](#) than the [Russell 3000 Value Index](#) as well as higher [dividend yield](#) and quality metrics, such as [return on assets \(ROA\)](#) and [return on equity \(ROE\)](#).

Though the WisdomTree U.S. LargeCap Dividend Index trades at a slight premium [valuation](#) to the Russell 1000 Value Index, it has a 5% greater ROE and higher dividend yields and ROA to compensate for the greater multiple.

High dividends were out of favor this year, and a lack of exposure to fast-growing mega-cap giants like the Magnificent Seven caused the WisdomTree U.S. High Dividend Index to underperform the Russell 1000 Value Index. However, we believe this was merely a result of a style mismatch with what markets rewarded during a year marked by narrow equity leadership and minimal breadth. Nonetheless, the Index still trades at attractive discounts to its benchmark with double the dividend yield.

Rebalance Fundamentals

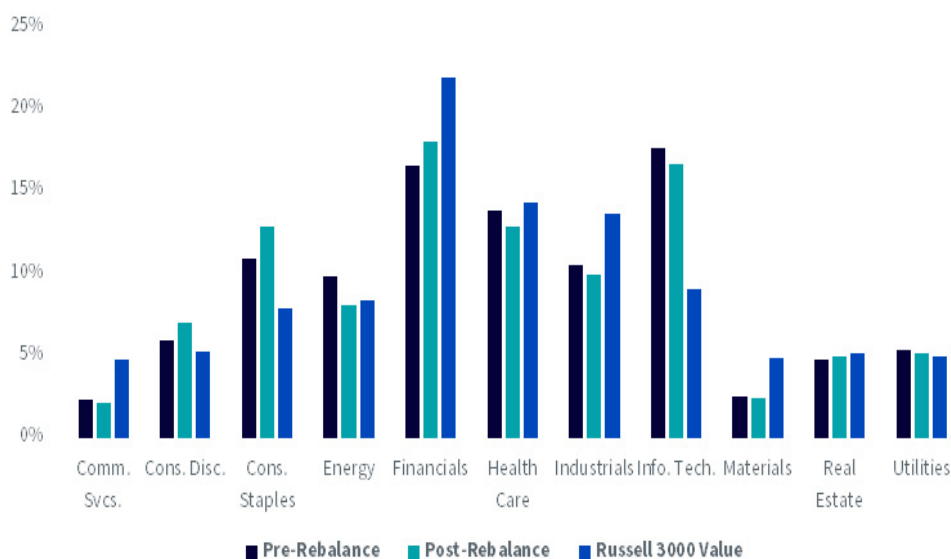
Index	Related ETF	Company Count	P/E	Div. Yield	ROA	ROE	Large Cap	Mid-Cap	Small Cap
U.S. Dividend Post-Rebal	DTD	1,313	16.7x	2.8%	2.9%	17.2%	90.2%	7.8%	2.0%
U.S. Dividend Pre-Rebal		1,322	16.4x	2.9%	3.0%	16.8%	90.2%	7.9%	2.0%
Russell 3000 Value Index		2,278	17.4x	2.4%	2.6%	12.3%	85.8%	11.5%	2.7%
LargeCap Dividend Post-Rebal	DLN	300	17.8x	2.7%	3.0%	18.1%	100.0%	0.0%	0.0%
LargeCap Dividend Pre-Rebal		298	17.3x	2.9%	3.1%	17.7%	99.9%	0.1%	0.0%
Russell 1000 Value Index		847	17.2x	2.4%	2.7%	13.0%	90.9%	8.9%	0.1%
High Dividend Post-Rebal	DHS	392	12.2x	4.8%	2.1%	13.4%	75.2%	16.9%	7.8%
High Dividend Pre-Rebal		382	12.1x	4.9%	2.4%	13.7%	80.7%	13.5%	5.9%
Russell 1000 Value Index		847	17.2x	2.4%	2.7%	13.0%	90.9%	8.9%	0.1%

Sources: WisdomTree, FactSet, as of 11/30/23. Past performance is not indicative of future results. You cannot invest directly in an index.

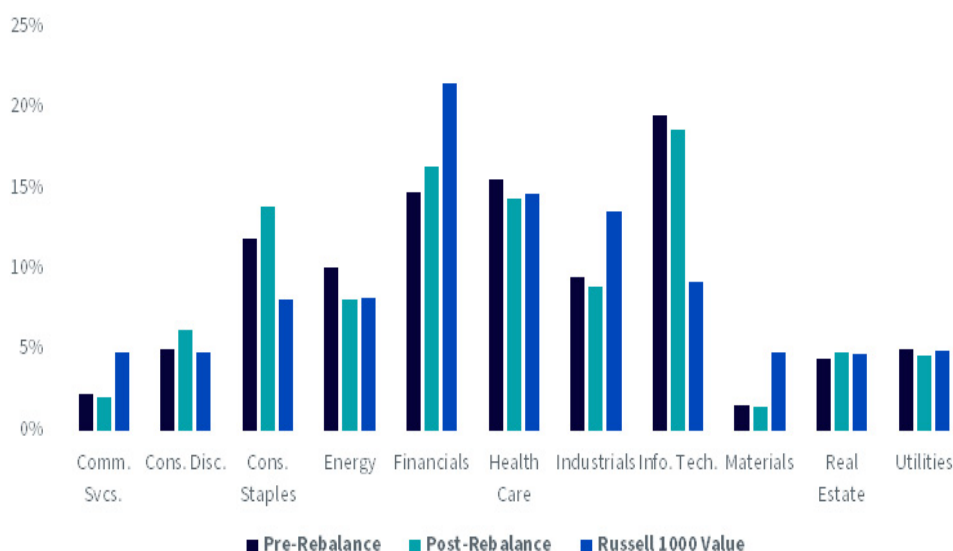
For definitions of terms in the table above, please visit the [glossary](#).

In terms of sector allocation changes, the WisdomTree U.S. Dividend Index and WisdomTree U.S. LargeCap Index largely maintained their sector under- and over-weight allocations relative to the Russell 3000 Value Index and Russell 1000 Value Index, respectively.

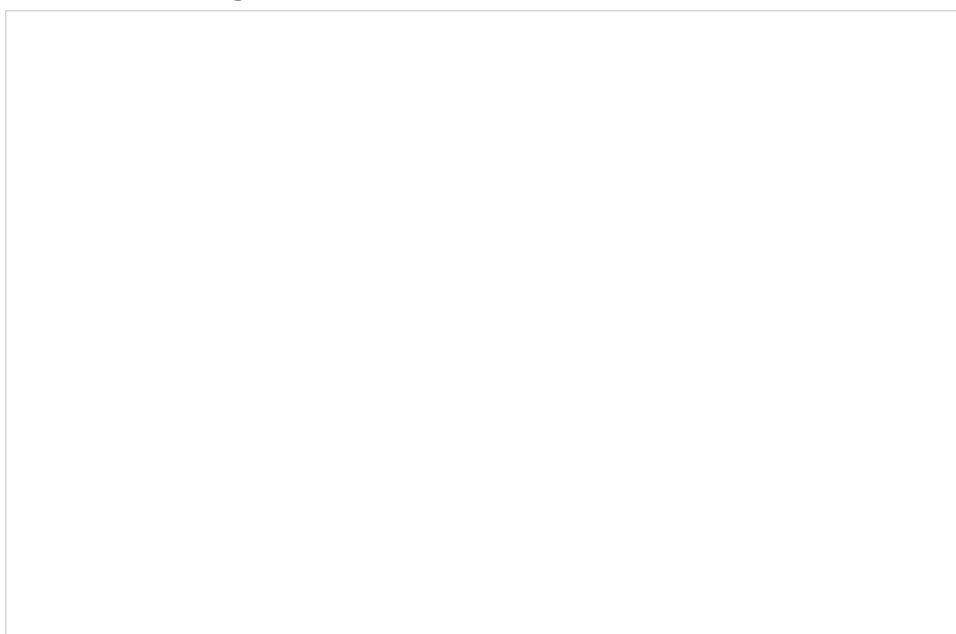
WisdomTree U.S. Dividend Index vs. Benchmark



WisdomTree U.S. LargeCap Dividend Index vs. Benchmark



WisdomTree U.S. High Dividend Index vs. Benchmark



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 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 the Fund's prospectus for specific details regarding the Fund's risk profile.

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

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 Funds

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

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

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

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.

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

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

Magnificent 7 : Refers to a group of high-performing U.S. stocks including Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA)

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

Market capitalization-weighting : 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.

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.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

Russell 3000 Index : Measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

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

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.

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

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.