

WISDOMTREE DIVIDEND INDEX: DIVIDENDS SET NEW RECORD AND APPLE ADDED FOR THE FIRST TIME

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WisdomTree conducts an annual [rebalance](#) of its U.S. Dividend Index family every December, with the [annual screening date](#) occurring on the last trading day of every November. This rebalance provides a plethora of data about how dividends for the U.S. equity markets have changed over time. Below are key highlights, but for full details on this year's rebalance, you can read more [here](#).

Key Features:

- **New Record Dividend Stream:** 2012 marks the third consecutive year of double-digit growth for the [dividend stream](#) of the WisdomTree Dividend Index ("U.S. dividend stream"). Remarkably, the cumulative decline of more than 23% from November 30, 2007, to November 30, 2009, has been erased, and November 30, 2012, marks the setting of a new record high that is approximately 14% greater than the mark set November 30, 2007.
- **Ex-Financials vs. Financials:** As of November 30, 2012, the U.S. dividend stream for the nine sectors excluding Financials more than 42% higher than the level seen on November 30, 2007. Financials, on the other hand, are still nearly 43% below their November 30, 2007, levels.
- **Tech Titan Growth:** Information Technology sector dividends have grown a remarkable 172.18% since November 30, 2007. At the prior peak, this sector comprised only about 5.6% of the dividend stream, whereas now it comprises more than 13% and is the third-largest dividend-paying sector behind Consumer Staples and Financials.
- **More Diversified Dividend Stream:** On November 30, 2007, approximately one-third of the U.S. dividend stream came from the Financials sector. As of the new November 30, 2012, peak, the Financials sector comprises only about 16.7% of the U.S. dividend stream, and no single sector comprises more than 20%.
- **Dividends Despite Tax Uncertainty:** Even though the potential tax policy and specific tax rate on dividends remain uncertain for 2013, there was widespread dividend growth across the market. For instance, of the 20 largest dividend payers in the United States, 19 raised their indicated dividends per share over the prior 12 months, and one, Apple, Inc. (AAPL), initiated a dividend¹.

Largest Dividend Initiators (Additions) to the WisdomTree Dividend Index (WTDI) The November 30, 2012, rebalance screening makes it clear that the U.S. dividend stream has grown significantly, and one reason for that growth is the increased number of companies paying dividends:

- **Dividend Payer Coverage of Market Increasing:** As of November 30, 2012, the [S&P 500 Index](#) had over 88%² of its constituent weights in dividend payers, signifying that dividend payers constitute a very large component of this widely referenced index of U.S. equity performance.
- There were 124 additions to the U.S. dividend stream this year, and they contributed an increase of about \$17.3 billion. Over 50% of this increase comes from Apple, Inc. (AAPL)—the third-largest contributor to the dividend stream behind only Exxon Mobil (XOM) and AT&T (T) at the November 30, 2012, screening date.

Valuation Impact One of most popular questions of 2012 was, "Are dividend-paying stocks expensive?" The WisdomTree rebalance is designed to adjust weights on a concept of relative value. We examine the overall market [valuation](#) characteristics of the broad dividend-paying U.S. equity market ([WisdomTree Dividend Index](#)) as compared to the broad U.S. equity market, defined here as the Russell 3000 Index. This analysis showed:

- **The WisdomTree Dividend Index (WTDI) Exhibits Lower Price-to-Earnings (P/E) Ratios:** Ultimately, in 9 of the 10 sectors, WTDI exhibited lower [P/E ratios](#) than the Russell 3000 Index, with Financials being the lone exception.
- **Price-to-Cash Flow Ratio:** In 9 of the 10 sectors, WTDI exhibited lower [price-to-cash flow ratio](#) than the [Russell 3000 Index](#).
- This valuation analysis shows that while certainly there are exceptions to this on an individual stock basis, in aggregate we do not find evidence that dividend payers have become expensive compared to the broader market.

Conclusion The WisdomTree annual rebalance is a key element of the added value of WisdomTree's Index methodology. We interpret this year's aggregate 16% dividend growth of the U.S. dividend stream as a very positive indicator of underlying market fundamentals—that companies, despite ongoing tax uncertainty going into 2013—still managed to grow their dividends. AAPL was an example of a very large-scale initiation. It is at each annual Index screening and rebalance that WisdomTree engages in a

disciplined process to adjust weight based on changes in relative value—specifically the measure of relative value implied by the relationships of price growth versus dividend growth. The newly refreshed weights and constituents of WisdomTree's U.S. Dividend Indexes thus provide important benchmarks for gauging the performance of different cross-sections of the U.S. dividend-paying universe. ***WisdomTree's Jeremy Schwartz and S&P's Howard Silverblatt discuss the current trends in technology companies paying more dividends. Hear the [podcast](#).***¹Refers to the 20 largest payers of indicated dividends in the WisdomTree Dividend Index, which also comprise the 20 largest Index weights.²Bloomberg, as of 11/30/2012.

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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