

THE EQUITY'S "MIDDLE CHILD" IS ON A ROLL

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When investors think of [dividends](#) (especially in today's low-[interest rate](#) environment) they often think of large-cap companies such as AT&T, Verizon, Johnson & Johnson or Exxon Mobile. But what about mid-caps? **WisdomTree Introduced Mid Cap Dividends More Than 10 Years Ago** On June 16, 2006, WisdomTree launched the [WisdomTree MidCap Dividend Fund \(DON\)](#). As of June 30, 2016, more than 10 years later: • DON had a [trailing 12-month dividend yield](#) of 2.33%,¹ largely because it tracks (before fees and expenses) a strategy that includes only dividend payers, weighted by their cash dividends: the [WisdomTree MidCap Dividend Index](#). • For reference, the [S&P MidCap 400 Index](#)—which includes both dividend- and non-dividend-paying companies, weighted by [market capitalization](#)—had a trailing 12-month dividend yield of 1.80%. The [Russell Midcap Value Index](#), by the same measure, showed a yield of 2.56%.² It's notable that neither of these index measures of yield account for fees or other operational costs that may in fact cause a comparatively lower distribution over a 12-month period. But what about income-generating potential across time? **Illustrating DON's Income-Generating Potential: \$10,000 Initial Investment**



Sources: WisdomTree, Bloomberg, with data from 12/31/2006 to 12/31/2015, the longest range of full calendar years available. Only full calendar years are used such that the dividend behavior of underlying constituents, which tends to relate to the annual cycle, encompasses regular, standard periods and is not subject to any partial-year cycles that could impart bias. For the S&P MidCap 400 and Russell Midcap Value indexes, dividend generation is merely hypothetical and for illustrative purposes only, not inclusive of any fees or other operational costs that may cause fund-level distributions to be lower. Past performance is not indicative of future results. You cannot invest directly in an index.

• **Bottom Line:** We believe that DON's historical record has shown that, for the calendar years from 2007 to 2015, the methodology employed by the underlying index has enhanced the income-generating potential of the mid-cap section of a U.S. equity portfolio. We believe that the consistency of the methodology applied to generate this track record points to ongoing potential.

Income Is Not Total Return Now, we've heard it time and again from clients—higher yields and greater income are not necessarily the same as higher total returns. In many cases, that tends to be the more important factor to consider. DON's performance against the Morningstar Mid-Cap Value category is shown net of fees, whereas for the S&P MidCap 400 and Russell Midcap Value indexes, no fees are assessed. The dominance of the strategy over the past decade is clear.

DON Crushed the Morningstar Mid-Cap Value Category, as of June 30, 2016

Fund Ticker	Fund/Index Name	Fund Inception Date	Morningstar Category	1-Year		3-Year		5-Year		10-Year		Since Fund Inception	
				Percent of Category Beaten	Rank	Percent of Category Beaten	Rank	Percent of Category Beaten	Rank	Percent of Category Beaten	Rank	Percent of Category Beaten	Rank
DON	WisdomTree MidCap Dividend Fund	6/16/2006	Mid-Cap Value	99%	5	100%	3	99%	3	94%	16	94%	16
	S&P MidCap 400 Index			76%	120	86%	61	81%	68	89%	28	89%	28
	Russell Midcap Value Index			82%	87	90%	43	94%	24	84%	40	84%	40
Number of Managers				491		423		360		248		248	

Fund/Index	Fund Information			NAV Returns (%)					Market Price Returns (%)				
	Ticker	Exp. Ratio	Inception Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree MidCap Dividend Fur	DON	0.38%	6/16/2006	11.55%	13.97%	13.63%	8.99%	9.17%	11.51%	13.89%	13.60%	8.98%	9.21%
S&P MidCap 400 Index				1.33%	10.53%	10.55%	8.55%	8.87%	1.33%	10.53%	10.55%	8.55%	8.87%
Russell Midcap Value Index				3.25%	11.00%	11.70%	7.79%	8.01%	3.25%	11.00%	11.70%	7.79%	8.01%

Sources: WisdomTree, Morningstar Direct.

Performance is historical and does not guarantee future results; current performance may be lower or higher than quoted. Investment returns/principal value of an investment will fluctuate; an investor's share, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at wisdomtree.com.

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.

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¹Source: WisdomTree.

Distribution yield: 2.68%; SEC 30-day yield: 2.80%. ²Source: Bloomberg.

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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.

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

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You cannot invest directly in an index.

DEFINITIONS

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

Interest rates : The rate at which interest is paid by a borrower for the use of money.

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.

S&P MidCap 400 Index : provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

Market capitalization-weighting : $\text{Market cap} = \text{share prices} \times \text{number of shares outstanding}$. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Russell MidCap Value Index : measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.