

10 YEARS OF DGRW

Jeff Weniger — Head of Equity Strategy

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[DGRW](#) is our equity flagship and it just hit its 10th birthday last month. A large asset base on this one, \$8.8 billion, calls for a review of some of the [WisdomTree U.S. Quality Dividend Growth Fund's](#) achievements.

For starters, [DGRW](#) ranks 7th, 7th, 14th and 7th against its large-cap blend peers on the 1-, 3-, 5- and 10-year performance numbers, respectively, according to Morningstar. It also beat the S&P 500 in the 10+ years since we launched it on May 22, 2013. That is compelling because the Fund plays in dividends, which wasn't exactly the hot place to be in the last 10 years. Because of the performance numbers and the lengthy track record, [Morningstar rates DGRW](#) a 5-star fund and also a "Gold" Medalist, which is the highest that can be achieved.

Category: Large Blend. 1 year percentile rank based on 1,421 funds in category, 3 year percentile rank based on 1,281 funds in category, 5 year percentile rank based on 1,178 funds in category, 10 year percentile rank based on 874 funds in category. As of 5/31/23.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance.

The top 10% of products in each product category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three- and five-year Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns.

The returns themselves are a high point, but much of what I have been focusing on with [DGRW](#) lately is the risk; its average annualized [volatility](#) has been lower than the S&P 500 over the years too.

A chunk of that comes from [DGRW's up capture/down capture](#) dynamics. Hand-in-hand with its beta of 0.91, [DGRW](#) is the kind of strategy that hasn't typically captured all of the upside in the bull runs, but it often doesn't get hit as hard during the tough times. As of April 30, 2023, the most recent month-end data on these metrics in our [PATH tools suite](#), it had 95% up capture and 93% down capture against the benchmark S&P 500 since the 2013 launch.

Maybe [DGRW's](#) biggest claim to fame, at least in my view and from what I hear when speaking with investors, is the 2022 experience. It's Morningstar category declined 17.0% last year, while the Index they use to benchmark the strategy, the [Morningstar US LM TR Index](#), was down 19.5%. The S&P was between those two, falling 18.1%. In contrast, [DGRW](#) was a portfolio ballast, declining just 6.3% (or 6.4% on NAV).

The performance data quoted represents past performance and is no guarantee of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance and standardized performance, please click [here](#).

Fundamentally, it has a design that enabled it to achieve success despite the market loving non-dividend payers all these years. Also, because of its explicit profitability screens, the strategy has a higher [return on equity \(ROE\)](#) than the S&P 500. Additionally, the strategy has a lower [forward P/E](#). Though that is all well and good, you would think [DGRW](#) would have had a tough decade given it never had a penny in Alphabet, Amazon, Meta, Tesla, Salesforce or many other non-payers. But things worked out anyway.

The S&P 500's price return since 1957 is 7.37%. Tack on another 3% or so from dividends and the total return is 10.57%. But over [DGRW's](#) life through May, dividends weren't exactly the place to be. Since the Fund's inception, the S&P 500's highest-yielding dividend quintile has returned "only" 9.6% per year, a far cry from the 15% return of the S&P's many

zero yielders, which include the aforementioned Tech companies. The market itself returned 12.1%.

If dividends weren't working, how the heck did [DGRW](#) come through with a win against the S&P? Because dividends were "off," but [quality](#) was not. The top quintile of S&P stocks by ROE posted a 15.3% gain over [DGRW](#)'s life. We owned a bunch of those. We see this all the time in our strategies—value is off while quality is on, or value is on while quality is off; the two factors have a little give and take with each other. That was the situation in 2022, too—quality was dead in the water last year, but the market was grabbing dividend payers. [DGRW](#) ended up holding steady with that 6.4% loss, which was a huge moral victory in that grizzly bear situation.

Thanks for a great first 10 years with [DGRW](#). Best wishes for the next 10.

Important Disclosures and Risks Related to This Article

Unless otherwise stated, all data is as of 6/8/23.

DGRW expense ratio = 0.28% as of 9/30/23.

All Morningstar references are as of 6/7/23. Fundamental measures are as of 4/30/23.

Click [here](#) for a full list of Fund holdings. Holdings are subject to change.

Morningstar percentile rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category, which includes both mutual funds and ETFs and does not include the effect of sales charges. Fund performance used within the ranking reflects certain fee waivers, without which returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100. **Past performance does not guarantee future results.**

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

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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You cannot invest directly in an index.

DEFINITIONS

Volatility : A measure of the dispersion of actual returns around a particular average level.

Upside capture : A measure of how one index performs during periods when a benchmark index is moving in the positive direction. A value of 100% indicates that both would tend to move upward at the exact same pace.

Down Capture : Measure of the performance of an investment relative to a benchmark index during a down market.

Morningstar US LM TR USD : The index provides a comprehensive depiction of the performance and fundamental characteristics of the Large-Mid Cap segment of U.S. equity markets. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

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

Forward P/E ratio : Share price divided by compilation of analyst estimates for earnings-per-share over the coming 12-month period. These are estimates that may be subject to revision or prove to be incorrect 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.