THE MOST IMPORTANT CHARTS FOR 2022

Jeremy Schwartz — Global Chief Investment Officer,Matt Wagner — Associate Director, Research
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In our view the most important market issue this year, aside from the coronavirus, is inflation.

The market has started pricing in three hikes from the Federal Reserve to combat inflation. We think there is upside risk to these rate hike forecasts.

Our Senior Investment Strategy Advisor, Jeremy Siegel, is the most aggressive with his calls that the Fed needs to get to over 2% for the Fed Funds Rate by year-end. That is nowhere near consensus and could create volatility in the markets if this forecast materializes.

Where should investors focus to protect purchasing power from the high inflation we see?

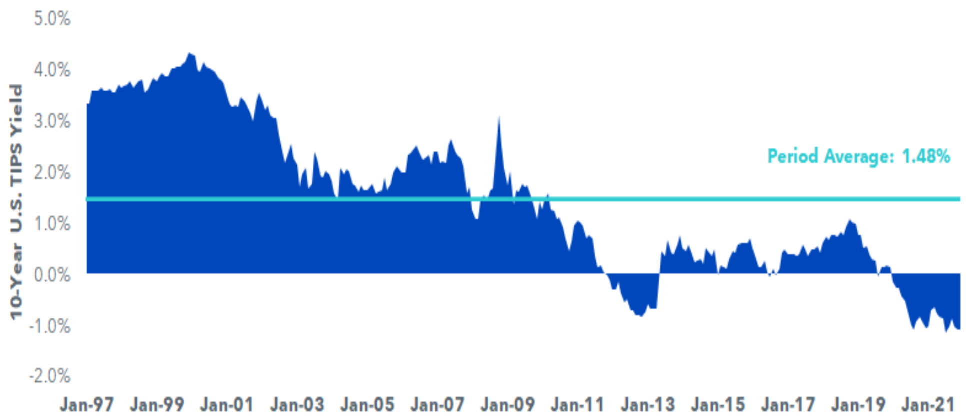
Bonds and cash are offering disappointing options.

The yield on the Treasury Inflation Adjusted 10-Year Bonds—a very common choice for those who want inflation protection—have negative yields. Going back to its inception in 1997, when the Treasury first issued these securities, the average yield has been 1.5%—we are currently 2.5% below the long-term average TIPs yield.

A -1% TIPS yield implies you are handing the government $100 today and accepting $90 after inflation purchasing power 10 years later.

That seems wild and crazy in our view—but it is the current market dynamic.

10-Year U.S. TIPS Yields (1/31/1997—12/31/2021)



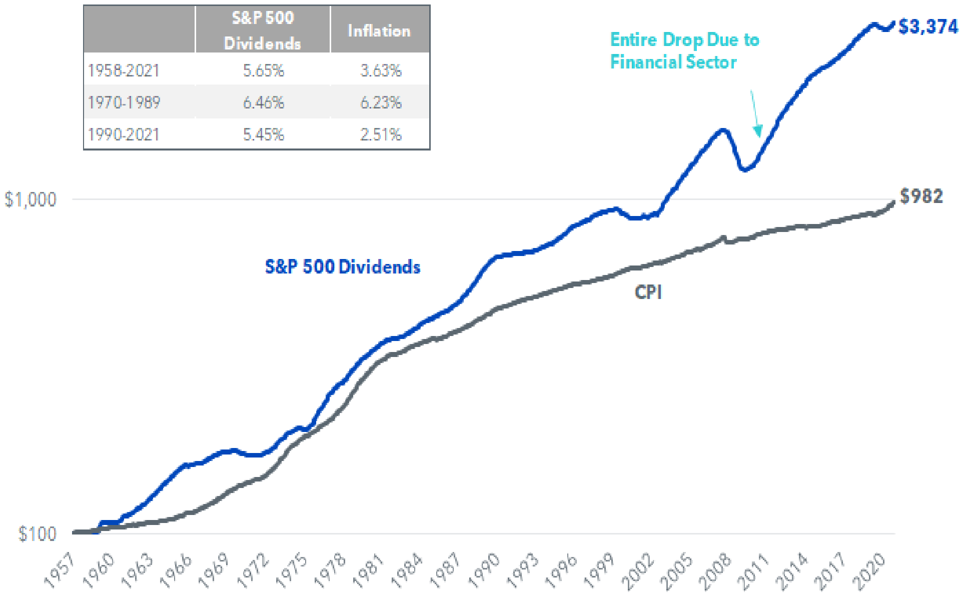
Sources: Bloomberg, FRED. Past performance is not indicative of future results. Treasury inflation-protected securities (TIPS), issued by the U.S. government, are Treasury securities indexed to inflation whose principal value is periodically adjusted according to the rate of inflation. Repayment upon maturity of the adjusted principal value of TIPS is guaranteed by the

In our view, what you need are real assets that seek to provide positive returns but also hedge inflation. Stocks are such as an asset.

When you look at the long-term cash dividends on the S&P 500 going back to the inception of the index in 1957, inflation has averaged 3.6% but cash dividends have provided real growth on top of inflation.

This 2% real growth is one reason why we call stocks 'Super TIPS,' where stocks have provided purchasing power above the rate of inflation over the long term.

Even in high inflation decades of the 1970s and 1980s, dividend growth kept up with over 6% inflation for 20-years—beating inflation over that period.



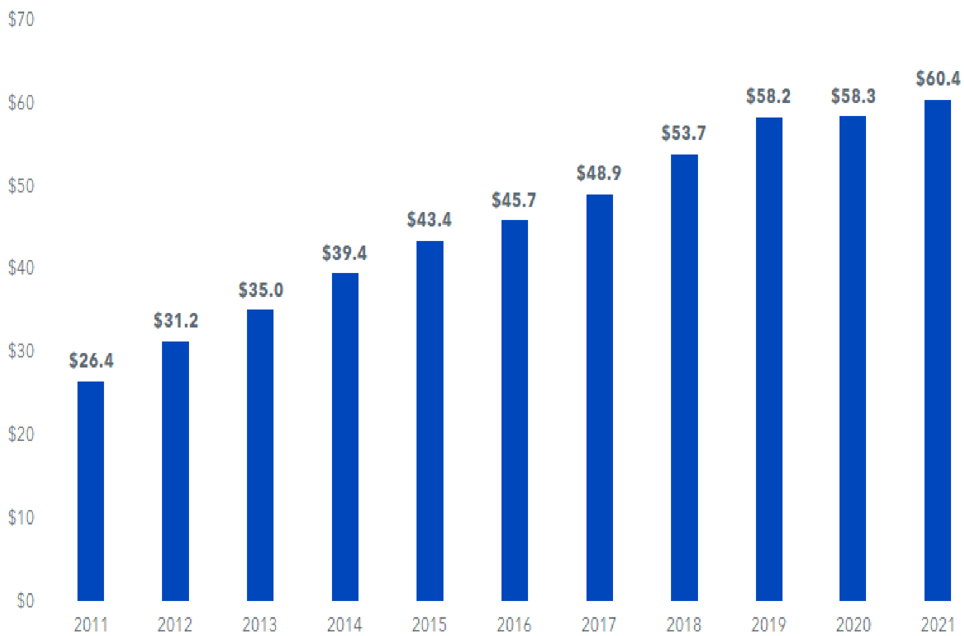
Source: Bob Shiller, http://www.econ.yale.edu/~shiller/data.htm. Data from 12/31/1957 to 12/31/2021. CPI: Consumer Price Index. Past performance is not indicative of futures results. You cannot invest directly in an index.

Some of the early behavioral finance work from Bob Shiller looks at the changes in the income stream of stocks—the underlying cash flows to investors—and stock prices and questioned why stock prices moved so much in excess of those fundamentals. That steady march higher in cash flows can be seen with the annual dividends per share on the S&P 500 over the last 11 years.

In 2020, during the pandemic, there were 42 companies in the S&P 500 that suspended dividends, but overall regular cash dividends per share were virtually unchanged.

In 2021, only one company suspended dividends and dividends per share grew 3.5%.

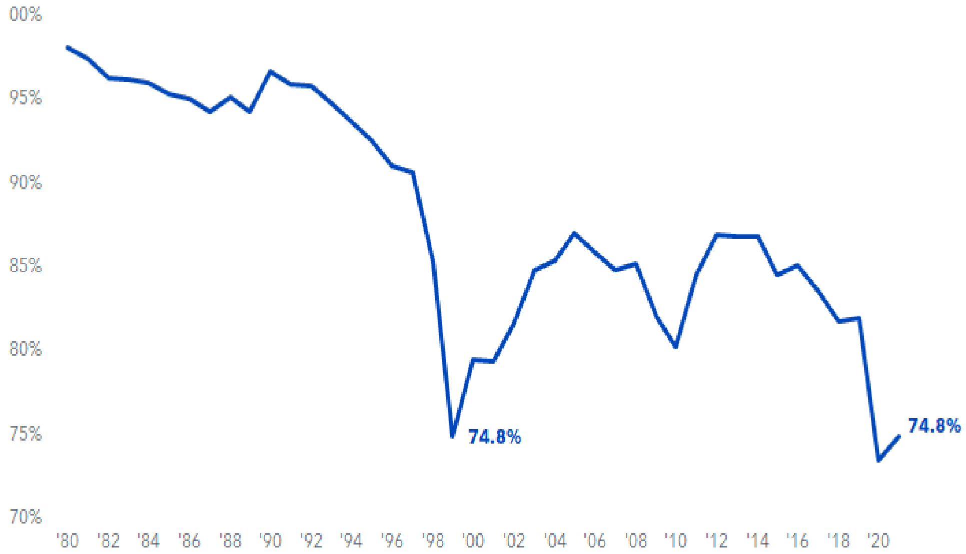
S&P 500 Index Dividends per Share



Source: S&P, as of 12/31/21. You cannot invest directly in an index.

The strong performance in the technology sector has caused the weight on non-dividend paying stocks to rise such that dividend payers have fallen to 75% of the S&P 500 (after approaching 90% in 2013). This is one reason that yields have dropped—in addition to strong price performance ahead of dividend growth.

Weight of Dividend Paying S&P 500 Companies



Source: S&P, as of 12/31/21. You cannot invest directly in an index.

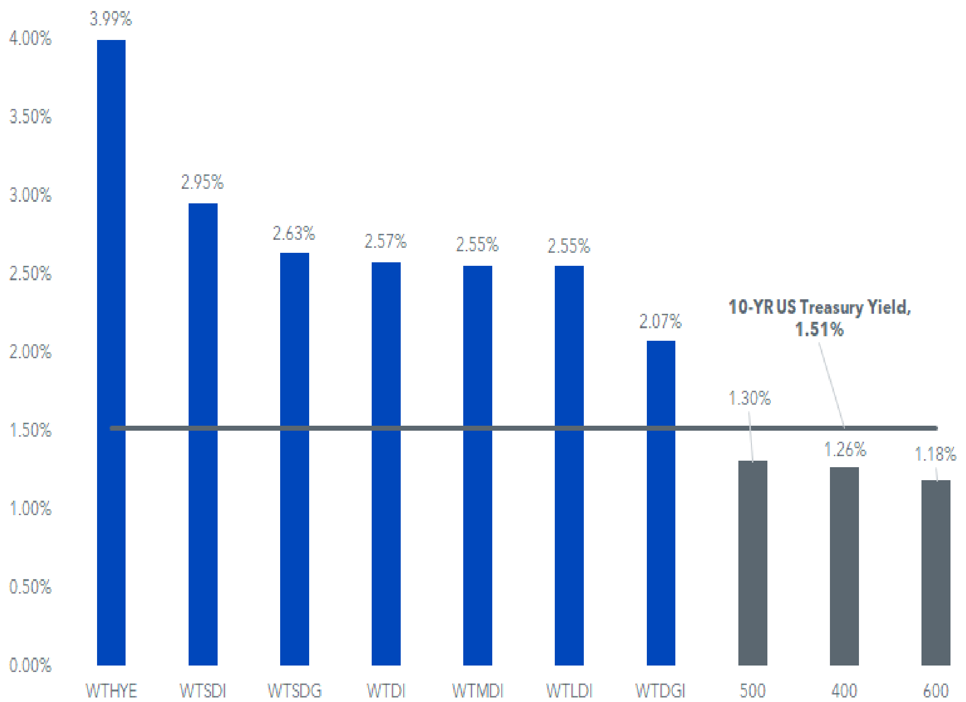
But when you remove non-dividend paying stocks from the universe, you can see index yields move higher.

- An index of 300 large cap dividend paying stocks (WTLDI) has an index yield approximately double that of the S&P 500.
- The mid-cap index and small-cap indexes have more than double the dividend yields of the comparable cap-weighted counterparts and that is because those indexes have even less of their weight in dividend paying stocks.
- Yields can be increased even further if you select based on high dividends.

We have talked about how in today's macro environment, a stock's duration (or sensitivity to interest rates) is going to be a prime factor. Stocks with current cash flows are trading as lower duration assets—while the mega-growth stocks have been getting repriced aggressively to start 2022.

Given the historical long-term nature of tech out-performance and the large adjustment we still see in the Fed cycle, this will be a theme we come back to again and again in 2022.

Indicated Dividend Yield



Sources: WisdomTree, FactSet. Data as of 12/31/21. You cannot invest directly in an index. **WTDI** = WisdomTree U.S. Dividend Index; **WTLDI** = WisdomTree U.S. LargeCap Dividend Index; **WTMDI** = WisdomTree U.S. MidCap Dividend Index; **WTSDI** = WisdomTree U.S. SmallCap Dividend Index; **WTDGI** = WisdomTree U.S. Dividend Growth Index; **WTSDG** = WisdomTree U.S. SmallCap Dividend Growth Index; **WTHYE** = WisdomTree U.S. High Dividend Index.

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DEFINITIONS

Inflation : Characterized by rising price levels.

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.

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

Federal Funds Rate : The rate that banks that are members of the Federal Reserve system charge on overnight loans to one another. The Federal Open Market Committee sets this rate. Also referred to as the "policy rate" of the U.S. Federal Reserve.

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

TIPS : Treasury Inflation Protected Securities.

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

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.

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.

Mid-Cap : Characterized by exposure to the next 20% of market capitalization (after the top 70% have been removed) within the Value, Blend or Growth style zones with the majority of the fund's weight.

Small caps : new or relatively young companies that typically have a market capitalization between $200 million to $2 billion.

Duration : A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.