

# A FRESH LOOK: INTERNATIONAL DIVIDENDS ANNUAL REBALANCE

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When will international equities outperform the U.S.?

This seems to be a constant refrain from investors over the last decade.

Owing to outperformance in the fourth quarter of 2022, the [MSCI EAFE](#) has clung onto a trailing 12-month advantage over the [S&P 500](#) of more than 4%.<sup>1</sup>

Without the tailwind of mega-cap growth stocks in the developed international market, as in the U.S., international equities have lagged this year.

That has meant less multiple expansion, and less expensive multiples, in international equities.

## Refreshing Exposures in WisdomTree International Equity ETFs

Earlier this month, WisdomTree completed the annual rebalance of its developed international dividend-weighted Indexes.

These Indexes were designed with a focus on being broadly diversified, highly correlated to the representative market cap-weighted indexes and investable.

Each Index is tracked by a related WisdomTree ETF with more than 17 years of live track record.

WisdomTree Index	Index Ticker	Index Inception Date	Related WisdomTree ETF
International Equity	WTDFA	6/1/2006	International Equity (DWM)
International LargeCap Dividend	WTILDI	6/1/2006	International LargeCap Dividend (DOL)
International MidCap Dividend	WTIMDI	6/1/2006	International MidCap Dividend (DIM)
International SmallCap Dividend	WTISDI	6/1/2006	International SmallCap Dividend (DLS)
International High Dividend	WTDHYE	6/1/2006	International High Dividend (DTH)

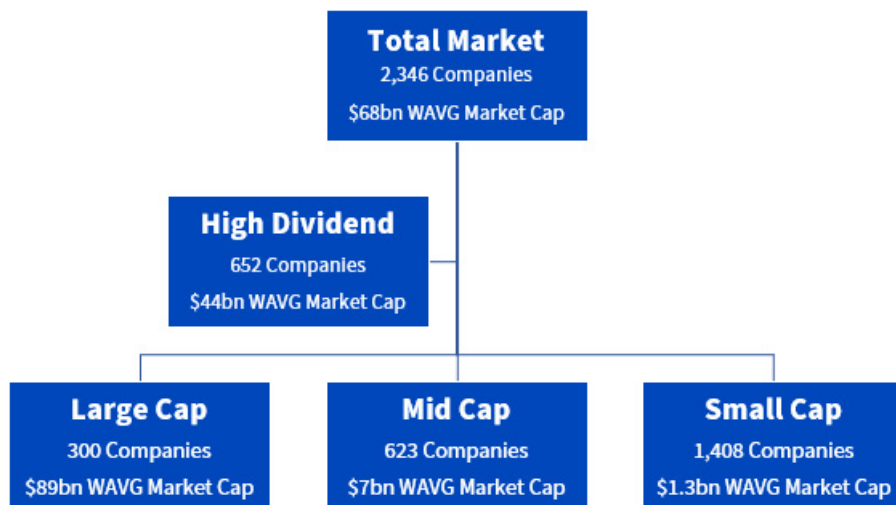
The screening date for the Indexes was September 29, with implementation of the rebalance at the market close of November 8.

The [WisdomTree International Equity Index](#)—a modified dividend-weighted Index tracking the performance of more than 2,000 dividend-paying companies from the developed international universe—is the parent total market index of three market-cap segments of the international equity market as well as a high dividend index.

- [WisdomTree International LargeCap Dividend Index](#) – Comprises the 300 largest companies ranked by market capitalization from the WisdomTree International Equity Index.
- [WisdomTree International MidCap Dividend Index](#) – Comprises the top 75% of the market capitalization of the WisdomTree International Equity Index after the 300 largest companies have been removed.
- [WisdomTree International SmallCap Dividend Index](#) – Comprises the bottom 25% of the market capitalization of the WisdomTree International Equity Index after the 300 largest companies have been removed.

- **WisdomTree International High Dividend Index** – Comprises the top 30% of companies ranked by [dividend yield](#) from the WisdomTree International Equity Index.

#### WisdomTree International Equity Index Hierarchy



Source: WisdomTree. WAVG = Weighted Average. Weighted average market cap as of 9/30/23, the screening date of the rebalance. Number of constituents based on the post-rebalance holdings.

WisdomTree creates its proprietary developed international universe based on the below main criteria:

- **Geography:** Incorporated/listed in Japan, the 15 European countries (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland or the United Kingdom), Israel, Australia, Hong Kong or Singapore
- **Regular cash dividend payer:** Pay at least \$5 million in gross cash dividends
- **Dividend sustainability:** Companies screened out from the Index based on a proprietary composite risk screen of factors, including profitability, momentum and dividend yield
- **Volume:** Trade at least 250,000 shares per month for each of the six months and have a median daily dollar volume of at least \$100,000 for three months
- **Minimum market cap:** Companies must have a minimum market cap of \$100 million

After running the above screens to include eligible international dividend payers in the Index, constituents are then fundamentally weighted based on regular cash dividends paid, adjusted for a propriety composite risk screen of dividend sustainability.

#### Top 10 WisdomTree International Equity Index Holdings

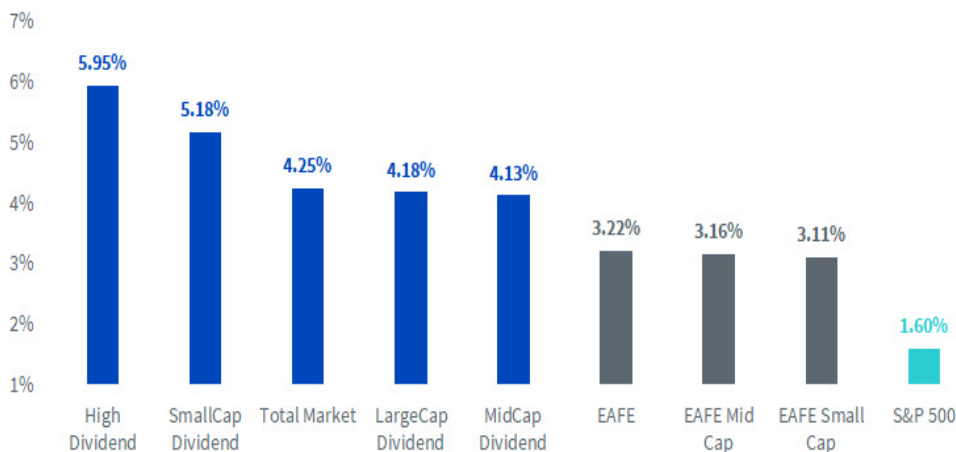
Name	Country	Sector	Dividend Yield	Market Cap (\$bn)	Weight
Nestle S.A.	Switzerland	Consumer Staples	2.84%	\$299.76	1.85%
HSBC Holdings Plc	United Kingdom	Financials	5.46%	\$157.49	1.76%
Novartis AG	Switzerland	Health Care	3.41%	\$232.85	1.72%
TotalEnergies SE	France	Energy	4.67%	\$167.89	1.70%
Shell Plc	United Kingdom	Energy	3.63%	\$217.34	1.14%
Bayerische Motoren Werke AG	Germany	Consumer Discretionary	8.82%	\$59.50	1.14%
Roche Holding Ltd Dividend Right Cert.	Switzerland	Health Care	3.79%	\$191.40	1.05%
Allianz SE	Germany	Financials	5.05%	\$97.37	1.01%
Toyota Motor Corp.	Japan	Consumer Discretionary	2.35%	\$295.51	1.00%
British American Tobacco p.l.c.	United Kingdom	Consumer Staples	8.96%	\$77.03	1.00%

Source: WisdomTree. Holdings based on post-rebalance constituents. Data as of 9/29/23 screening date. You cannot invest directly in an Index.

The total market WisdomTree International Equity Index has a trailing 12-month dividend yield of 4.25%, an improvement of about 100 basis points over the MSCI EAFE Index. The 4.25% yield is more than 2.5x greater than the 1.60% yield of the S&P 500.

The WisdomTree International High Dividend Index has a dividend yield of almost 6%.

#### Index Trailing 12-Month Dividend Yields



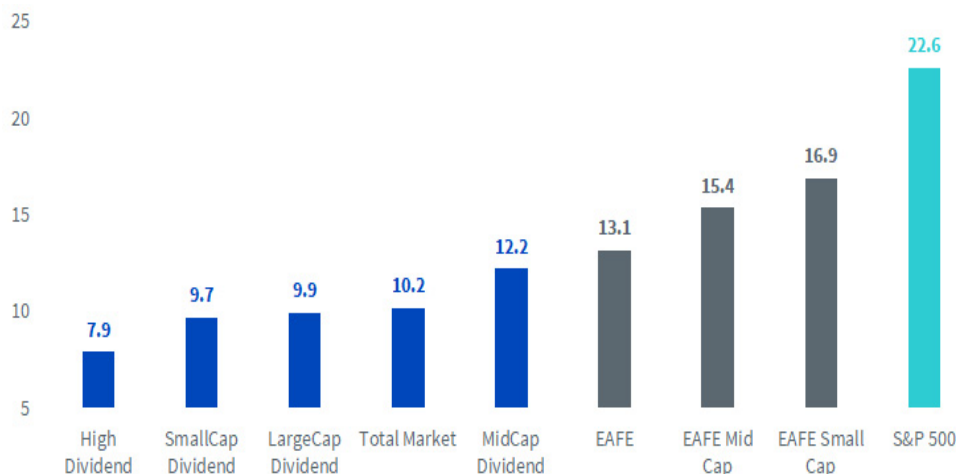
Sources: WisdomTree, MSCI, S&P. WisdomTree Index holdings based on post-rebalance constituents. Data as of 9/29/23 screening date. You cannot invest directly in an Index.

In addition to higher dividend yields, the fundamentally weighted Indexes typically have lower price-to-earnings ratios than the market cap-weighted Indexes.

One of the deepest value cuts of the market globally is the International High Dividend Index, with a price-to-earnings ratio just below 8x.

For context, the S&P 500 [P/E ratio](#) is more than 22x.

#### Index Trailing 12-Month Price-to-Earnings



Sources: WisdomTree, MSCI, S&P. WisdomTree Index holdings based on post-rebalance constituents. Data as of 9/29/23 screening date. You cannot invest directly in an Index.

For additional details on the rebalance of each of the Indexes, please go to their respective Index pages on the WisdomTree website:

- [WisdomTree International Equity Index](#) (the [WisdomTree International Equity Fund \(DWM\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International LargeCap Dividend Index](#) (the [WisdomTree International LargeCap Dividend Fund \(DOL\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International MidCap Dividend Index](#) (the [WisdomTree International MidCap Dividend Fund \(DIM\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International SmallCap Dividend Index](#) (the [WisdomTree International SmallCap Dividend Fund \(DLS\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International High Dividend Index](#) (the [WisdomTree International High Dividend Fund \(DTH\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)

<sup>1</sup> 10/31/22–10/31/23. Returns measured in USD net total returns for the MSCI EAFE and USD gross total returns for the S&P 500.

#### Important Risks Related to this Article

**DWM:** There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. The Fund invests in derivatives in seeking to obtain a dynamic currency hedge exposure. Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. Derivatives used by the Fund may not perform as intended. A Fund that has exposure to one or more sectors may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility. The composition of the Index underlying the Fund is heavily dependent on quantitative models and data from one or more third parties, and the Index may not perform as intended. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

**DOL/DIM/DLS/DTH:** There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. 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. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

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 International Equity Fund](#)
- + [WisdomTree International LargeCap Dividend Fund](#)
- + [WisdomTree International MidCap Dividend Fund](#)
- + [WisdomTree International SmallCap Dividend Fund](#)
- + [WisdomTree International High Dividend Fund](#)

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.

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You cannot invest directly in an index.

## **DEFINITIONS**

**MSCI EAFE Index** : is a market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan.

**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.

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

**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.