

**WisdomTree**  
**RESEARCH**

# Forgotten Mid- and Small-Cap Dividend Payers

**MATT WAGNER:** Associate Director, Research



**A stellar stretch of returns in recent years for mega-cap growth has led some investors to ditch allocations to mid- and small-cap laggards.**

**History suggests this may be a mistake.**

Large-cap growth stocks outperformed small-cap value stocks by more than 700 basis points (bps) annualized from 2012 to 2021.<sup>1</sup>

This recent stretch of whopping outperformance—a cumulative gain of 508% for large growth versus 211% for small value<sup>2</sup>—stands in stark contrast to the findings of academic research into long-run historical returns.

The table below shows the historical returns of U.S. equities sorted into 25 portfolios by price-to-book and market cap from the Kenneth French Data Library.

The returns for these portfolios show a clear trend toward increasing returns for portfolios with lower price-to-book multiples (more value) and smaller market caps.<sup>3</sup>

The spread in returns between the portfolio in the top right corner (lowest price-to-book and smallest size) and the bottom left corner (highest price-to-book and largest size) was more than 600 bps annualized.

**Fama/French U.S. 5x5 Portfolios — Size x Price-to-Book: Full Period 6/30/1926 – 4/30/2022**

		Price-to-Book Multiplies				
		Highest Multiple (Growth)	High	Mid	Low	Lowest Multiple (Value)
Size Segment	Smallest	2.4%	6.7%	11.1%	14.4%	<b>16.2%</b>
	Small	7.3%	11.9%	12.6%	13.4%	14.9%
	Mid	9.1%	12.2%	12.5%	13.4%	13.4%
	Large	10.2%	11.1%	11.8%	12.7%	12.3%
	Largest	<b>10.0%</b>	9.7%	10.4%	9.0%	10.8%

Sources: WisdomTree, Kenneth French Data Library. Universe is all NYSE, AMEX and NASDAQ stocks. Size segment = market capitalization. Returns are average annual returns. Past performance is not indicative of future results.

<sup>1</sup> Comparing Russell 2000 Value to Russell 1000 Growth total returns.

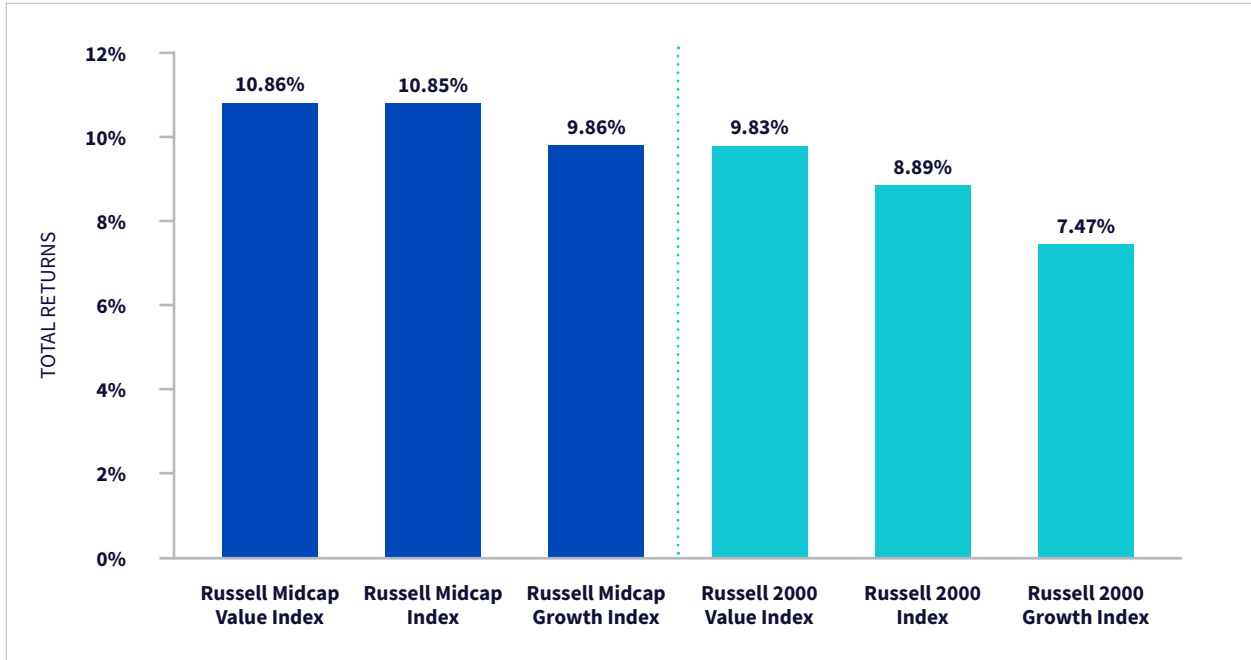
<sup>2</sup> WisdomTree, Kenneth French Data Library. Returns are cumulative. Past performance is not indicative of future results.

<sup>3</sup> The outlier to this trend is the underperformance of smaller market-cap portfolios in the low and lowest book-to-market segments. The expected positive size effect does not offset the negative expected effect of a lower book-to-market ratio and leads to lower returns in the lowest book-to-market portfolios when going down the size segments.



Many investors think of investing down the size spectrum to mid- and small caps for premium earnings growth potential—searching for the next Amazon or Alphabet. But in line with what we saw in the previous chart, the live track record of the Russell Value and Growth Indexes shows that high-growth companies have heavily lagged slower-growth value stocks.

### Russell Indexes Annualized Total Returns

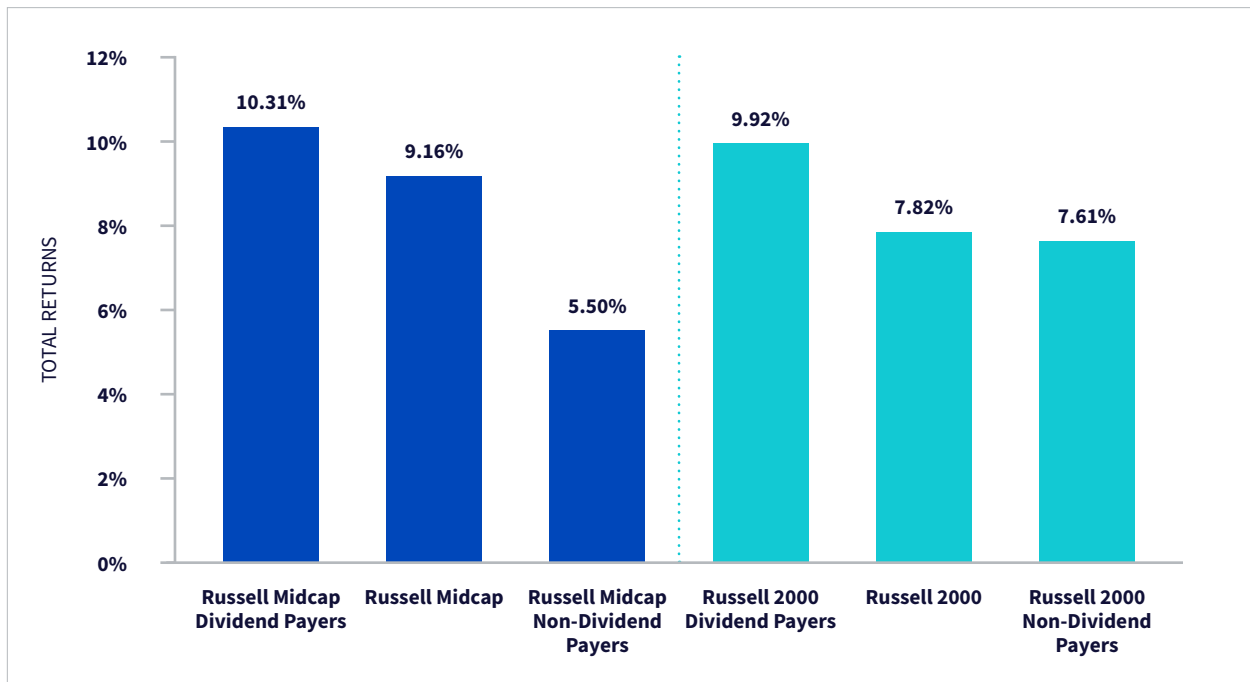


Sources: WisdomTree, Russell. Russell 2000 returns from 5/28/1993–5/31/2022. Russell Midcap returns from 1/31/1995–5/31/2022. Inception date of the Russell 2000 Value and Growth Indexes was 6/1/93. Inception date of the Russell Midcap Value and Growth Indexes was 2/1/95. You cannot invest directly in an index. Past performance is not indicative of future returns.

There are any number of approaches to isolating value stocks—price-to-earnings, price-to-cash flow, price-to-book, dividend yield, etc. One straightforward approach—investing in dividend payers and avoiding the non-payers—has proven to be an effective strategy within mid- and small caps to manage valuation risks and improve profitability ratios.

Many investors overlook allocating toward dividends outside of large caps. For investors looking to harvest the size and value factor premiums, as well as increase income potential in a challenging inflationary environment for bonds, mid- and small-cap dividends may prove an attractive solution.

### Russell Dividend and Non-Dividend Indexes Annualized Total Returns



Sources: WisdomTree, Bloomberg, 5/31/00–5/31/22. Dividend portfolios rebalanced annually and market cap-weighted. You cannot invest directly in an index. Past performance is not indicative of future returns.

## Small-Value Reversal

While it has felt like a long winter for investors targeting size and value factors, the reality is that large-cap growth dominance only took off in the four-year stretch between 2017 and 2020 and was supercharged by the economic circumstances of the COVID-19 pandemic, which favored “stay-at-home” friendly mega-cap growth stocks.

In fact, between 2012 and 2016, value had a five-year stretch of outperformance over growth across large, mid- and small caps.

### Trailing 10-Year Style Box Returns: 2001 – 2021

2012	2013	2014	2015	2016	2012 – 2016
Mid Value: <b>18.5%</b>	Small Growth: <b>43.3%</b>	Mid Value: <b>14.7%</b>	Large Growth: <b>5.7%</b>	Small Value: <b>31.7%</b>	Mid Value: <b>15.7%</b>
Small Value: <b>18.1%</b>	Small Blend: <b>38.8%</b>	Large Value: <b>13.5%</b>	Large Blend: <b>0.9%</b>	Small Blend: <b>21.3%</b>	Small Value: <b>15.1%</b>
Large Value: <b>17.5%</b>	Mid Growth: <b>35.7%</b>	Large Blend: <b>13.2%</b>	Mid Growth: <b>-0.2%</b>	Mid Value: <b>20.0%</b>	Large Value: <b>14.8%</b>
Mid Blend: <b>17.3%</b>	Mid Blend: <b>34.8%</b>	Mid Blend: <b>13.2%</b>	Small Growth: <b>-1.4%</b>	Large Value: <b>17.3%</b>	Mid Blend: <b>14.7%</b>
Large Blend: <b>16.4%</b>	Small Value: <b>34.5%</b>	Large Growth: <b>13.0%</b>	Mid Blend: <b>-2.4%</b>	Mid Blend: <b>13.8%</b>	Large Blend: <b>14.7%</b>
Small Blend: <b>16.3%</b>	Large Growth: <b>33.5%</b>	Mid Growth: <b>11.9%</b>	Large Value: <b>-3.8%</b>	Large Blend: <b>12.1%</b>	Large Growth: <b>14.5%</b>
Mid Growth: <b>15.8%</b>	Mid Value: <b>33.5%</b>	Small Growth: <b>5.6%</b>	Small Blend: <b>-4.4%</b>	Small Growth: <b>11.3%</b>	Small Blend: <b>14.5%</b>
Large Growth: <b>15.3%</b>	Large Blend: <b>33.1%</b>	Small Blend: <b>4.9%</b>	Mid Value: <b>-4.8%</b>	Mid Growth: <b>7.3%</b>	Small Growth: <b>13.7%</b>
Small Growth: <b>14.6%</b>	Large Value: <b>32.5%</b>	Small Value: <b>4.2%</b>	Small Value: <b>-7.5%</b>	Large Growth: <b>7.1%</b>	Mid Growth: <b>13.5%</b>

2017	2018	2019	2020	2021	Full Period: 2012 – 2021
Large Growth: <b>30.2%</b>	Large Growth: <b>-1.5%</b>	Large Growth: <b>36.4%</b>	Large Growth: <b>38.5%</b>	Mid Value: <b>28.3%</b>	Large Growth: <b>19.8%</b>
Mid Growth: <b>25.3%</b>	Mid Growth: <b>-4.8%</b>	Mid Growth: <b>35.5%</b>	Mid Growth: <b>35.6%</b>	Small Value: <b>28.3%</b>	Mid Growth: <b>16.6%</b>
Small Growth: <b>22.2%</b>	Large Blend: <b>-4.8%</b>	Large Blend: <b>31.4%</b>	Small Growth: <b>34.6%</b>	Large Growth: <b>27.6%</b>	Large Blend: <b>16.5%</b>
Large Blend: <b>21.7%</b>	Large Value: <b>-8.3%</b>	Mid Blend: <b>30.5%</b>	Large Blend: <b>21.0%</b>	Large Blend: <b>26.5%</b>	Mid Blend: <b>14.9%</b>
Mid Blend: <b>18.5%</b>	Mid Blend: <b>-9.1%</b>	Small Growth: <b>28.5%</b>	Small Blend: <b>20.0%</b>	Large Value: <b>25.2%</b>	Small Growth: <b>14.1%</b>
Small Blend: <b>14.6%</b>	Small Growth: <b>-9.3%</b>	Mid Value: <b>27.1%</b>	Mid Blend: <b>17.1%</b>	Mid Blend: <b>22.6%</b>	Mid Value: <b>13.4%</b>
Large Value: <b>13.7%</b>	Small Blend: <b>-11.0%</b>	Large Value: <b>26.5%</b>	Mid Value: <b>5.0%</b>	Small Blend: <b>14.8%</b>	Small Blend: <b>13.2%</b>
Mid Value: <b>13.3%</b>	Mid Value: <b>-12.3%</b>	Small Blend: <b>25.5%</b>	Small Value: <b>4.6%</b>	Mid Growth: <b>12.7%</b>	Large Value: <b>13.0%</b>
Small Value: <b>7.8%</b>	Small Value: <b>-12.9%</b>	Small Value: <b>22.4%</b>	Large Value: <b>2.8%</b>	Small Growth: <b>2.8%</b>	Small Value: <b>12.0%</b>

Sources: WisdomTree, Russell. Large-, mid- and small-cap indexes are the Russell 1000, Russell Midcap and Russell 2000 Indexes, respectively, and their corresponding growth and value style indexes. Index returns are gross total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

With the resounding comeback of value in recent months, the question is, was the 2017–2020 period of outperformance for growth more of an anomaly, like past periods of sharp outperformance of growth stocks such as the late '90s/early 2000s tech bubble?

To put the magnitude of this reversal into some context, since the final trading day before the Pfizer vaccine announcement in November 2020, small-cap value has outperformed large-cap growth by an eye-popping 23.31% annualized.<sup>4</sup>

**Russel Style Index Returns, as of 5/31/22: Since 11/06/20 (Pfizer Vaccine Annoucement) — Annualized**

	Value	Blend	Growth
Large	20.27%	11.28%	3.19%
Mid	22.19%	11.78%	-5.80%
Small	26.50%	9.54%	-5.52%

Sources: WisdomTree, Russell. Large-, mid- and small-cap indexes are the Russell 1000, Russell Midcap and Russell 2000 Indexes, respectively, and their corresponding growth and value style indexes. Index returns are gross total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

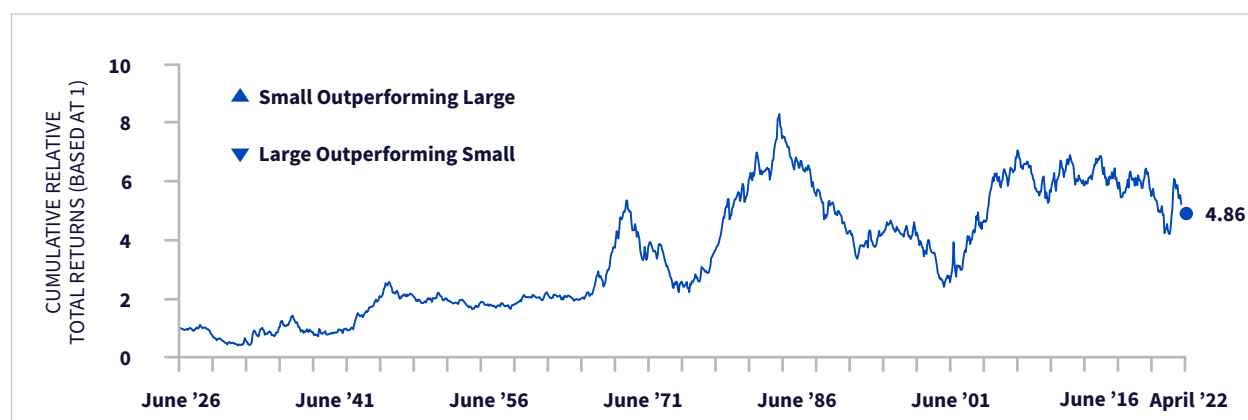
We believe the conditions that set up the massive outperformance by mega-cap growth stocks in the last decade are unlikely to be repeated. Chief among these conditions were historically low interest rates, persistently low inflation, low—yet stable—economic growth and relatively inexpensive starting multiples for growth stocks.

If we continue to see a reversal, where interest rates are rising, inflation remains hot and economic growth is more volatile, we should reasonably expect the laggard of the last decade—small-cap value—to be the leader for the next decade.

To see such a cyclical reversal in size leadership is the historical norm. As we can see below, large and small caps tended to cycle in and out of outperformance, generally on a 10-year time frame. The most recent outperformance of large caps over small caps has been since 2014.

Over the long run, since 1926, small caps have outperformed large caps by 386% cumulatively, or 170 bps annualized.<sup>5</sup>

**Small Caps vs. Large Caps: Cumulative Relative Total Returns**



Sources: WisdomTree, Fama French Data Library, 6/30/1926–4/30/2022. Performance measured by highest 30% by market cap portfolio vs. lowest 30% by market cap portfolio. Past performance is not indicative of future returns.

<sup>4</sup> WisdomTree, Russell. Small-cap value and large-cap growth indexes are Russell 2000 Value and Russell 1000 Growth Indexes. Index returns are gross total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

<sup>5</sup> WisdomTree, Fama French Data Library, 6/30/1926–4/30/2022. Return is cumulative. Performance measured by highest 30% by market cap portfolio vs. lowest 30% by market cap portfolio. Past performance is not indicative of future returns.

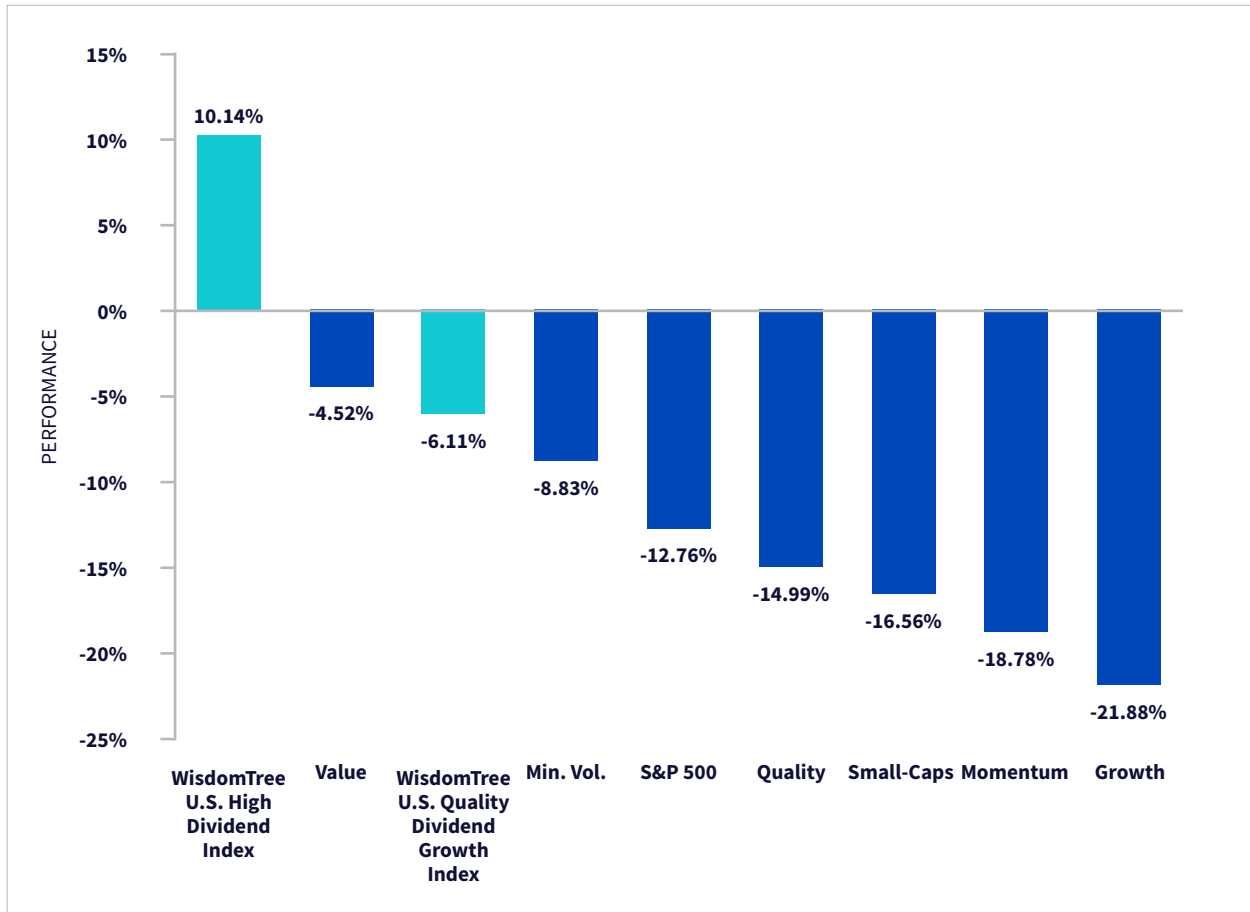


### Dividends as a Measure of Value

With value now beating growth by more than 17% year-to-date<sup>6</sup>, dividend-oriented indexes, which tend to have high overlap with traditional value indexes, have fared even better. High-dividend equities are up more than 10%, and quality dividend growth stocks have outperformed the S&P 500 by 6.7% (see accompanying chart).

According to Bank of America Quant Research, the high-dividend-yield factor was the best-performing factor year-to-date through May of the approximately 50 equity factors it tracks.<sup>7</sup>

### U.S. Factor Return YTD, as of 5/31/22



Sources: WisdomTree, FactSet, Russell, MSCI, S&P. You cannot invest directly in an index. Past performance is not indicative of future returns. High Dividend: WisdomTree U.S. High Dividend Index. Value: Russell 1000 Value Index. Quality Dividend Growth: WisdomTree U.S. Quality Dividend Growth Index. Min Vol: MSCI USA Minimum Volatility Index. Quality: MSCI USA Sector-Neutral Quality Index. Small Caps: Russell 2000 Index. Momentum: MSCI USA Momentum Index. Growth: Russell 1000 Growth Index.

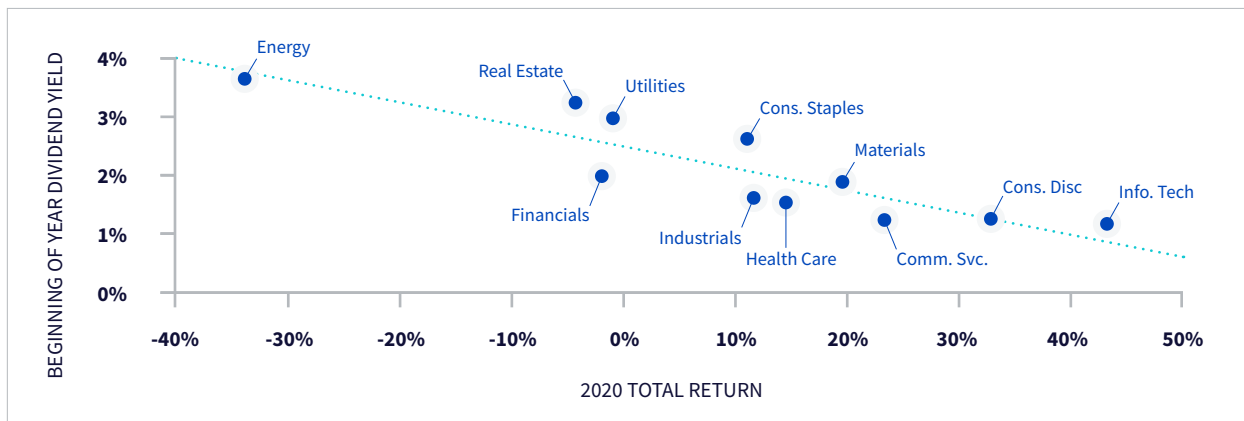
<sup>6</sup> Comparing Russell 1000 Value to Russell 1000 Growth Total Returns.

<sup>7</sup> "US Performance Monitor: Flat is the new up," Bank of America Global Research, 6/1/22.



The outperformance of high dividends is a reversal of what worked in 2020. That year, there was a clear negative relationship between a sector’s dividend yield and total returns as investors favored high-growth “story” stocks.

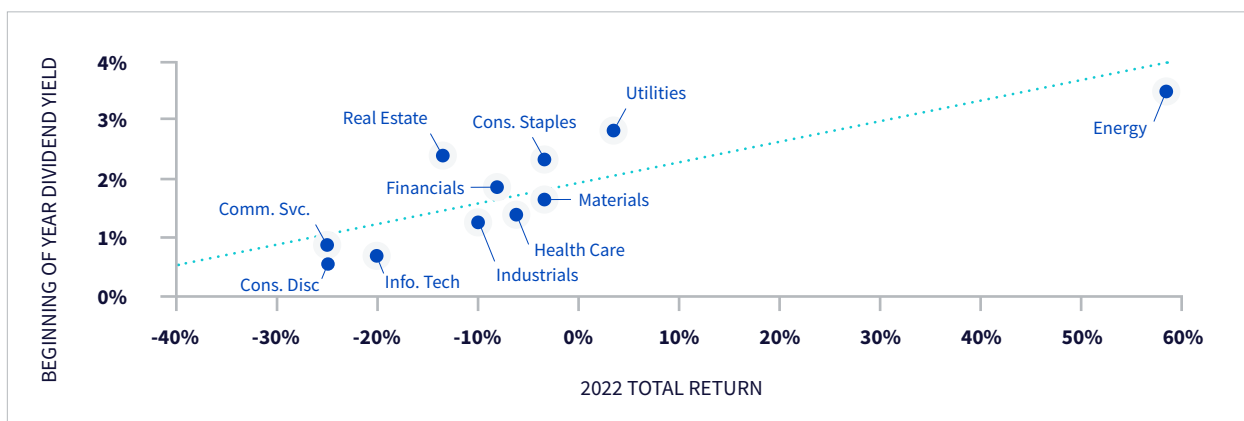
**2020: Low-Dividend-Yielding Sectors Performed Best**



Sources: WisdomTree, FactSet, S&P, as of 12/31/2020. Sector returns and dividend yields for the S&P 1500 Index. You cannot invest directly in an index. Past performance is not indicative of future returns.

This year, the trend line has been flipped. Now there’s a positive and upward-sloping relationship between a sector’s dividend yield and total return, as investors have shifted toward favoring cash flows.

**2022: High-Dividend-Yielding Sectors Performed Best**

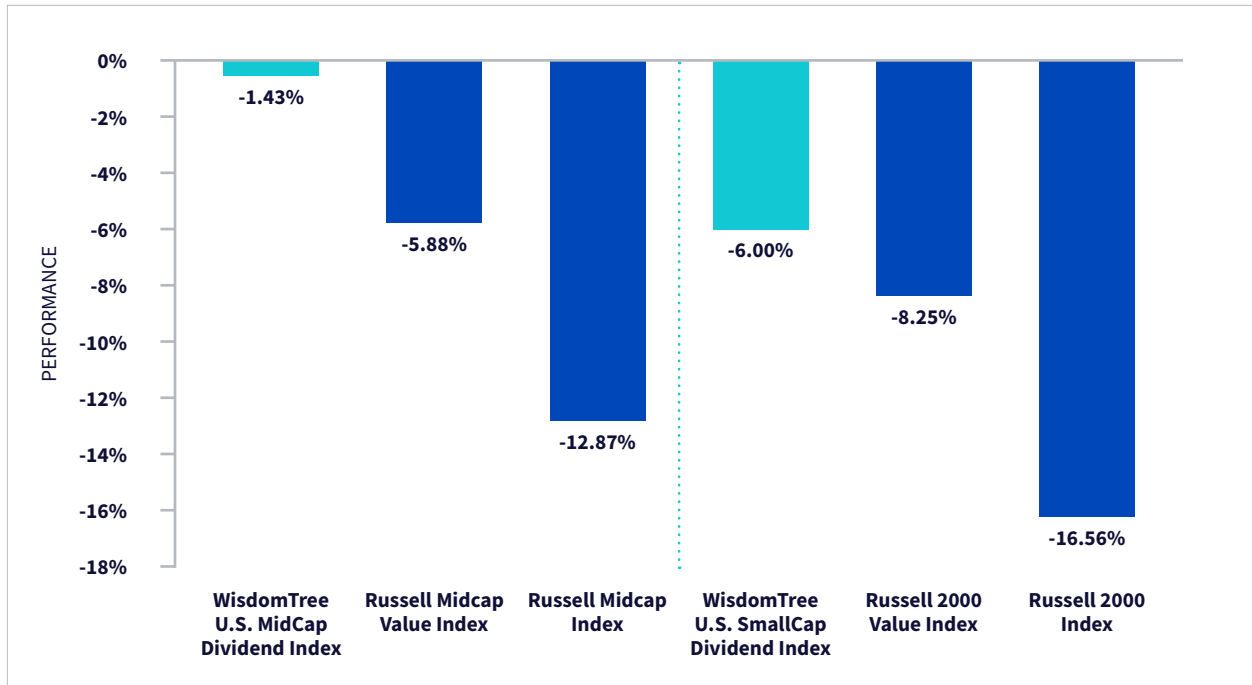


Sources: WisdomTree, FactSet, S&P, as of 5/31/22. Sector returns and dividend yields for the S&P 1500 Index. You cannot invest directly in an index. Past performance is not indicative of future returns.

This tailwind for dividend payers has translated into year-to-date outperformance across WisdomTree’s mid- and small-cap dividend indexes—albeit amid a challenging equity market, with the S&P 500 down 13% through the end of May.



### YTD Performance



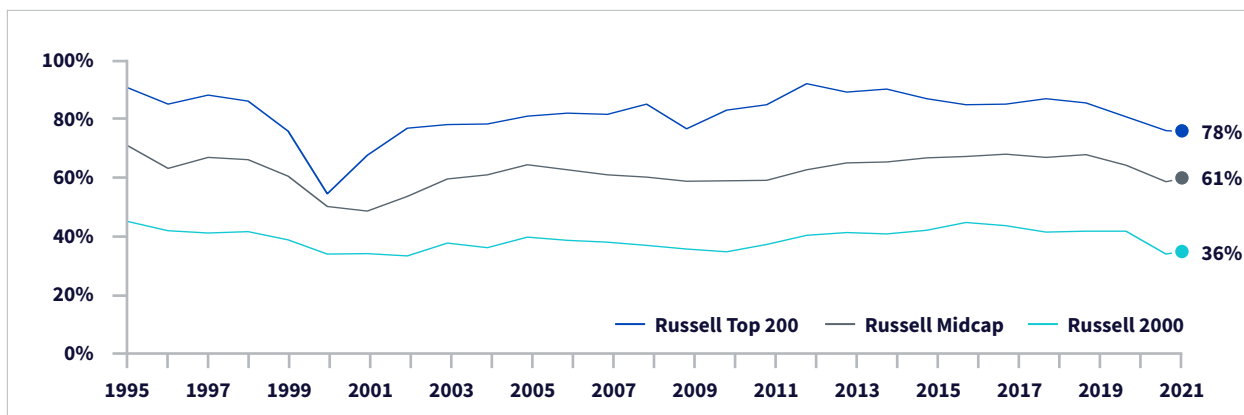
Sources: WisdomTree, FactSet, Russell, as of 5/31/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

### Characteristics of Mid- and Small-Cap Dividends

With many investors unfamiliar with mid- and small-cap dividends, we provide an overview of the investment landscape.

While a greater percentage of large-cap companies pay dividends, there is still a significant percentage of mid- and small-cap companies that pay dividends. About 60% of the companies in the Russell Midcap Index (500 out of 822) and about 35% of the companies in the Russell 2000 Index (725 out of 2,002) pay dividends.

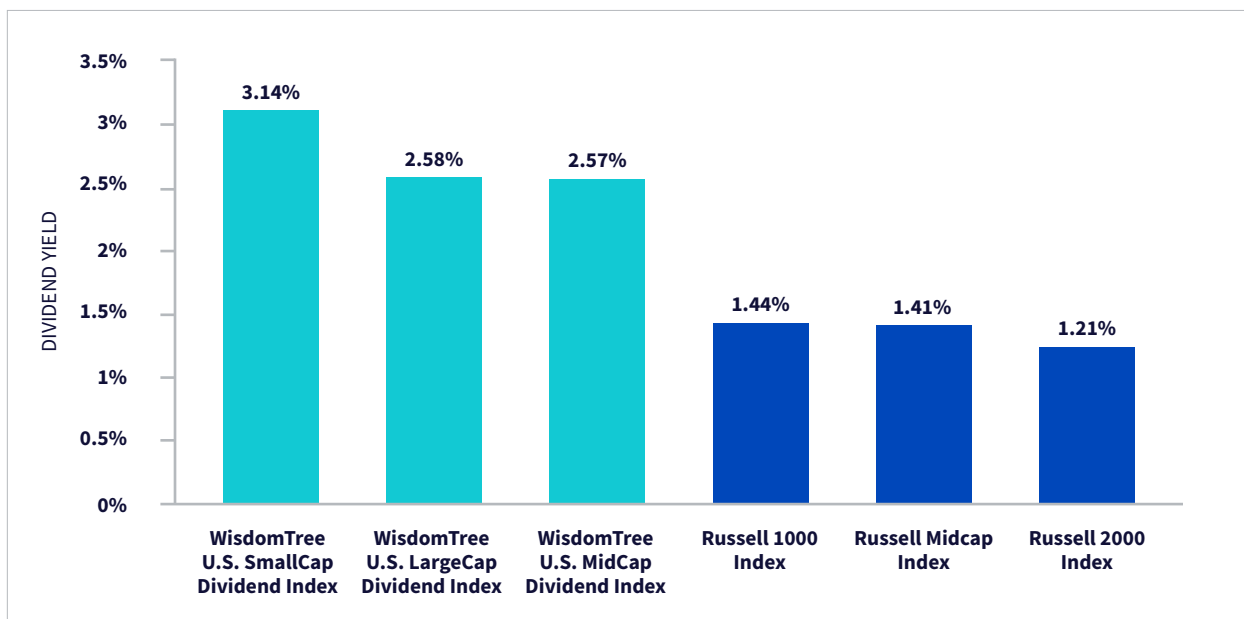
**Percentage Index Constituents Dividend Payers**



Sources: WisdomTree, FactSet, 12/31/1994–5/31/22. Past performance is not indicative of future results. You cannot invest directly in an index.

What may be surprising to some is that investors do not have to sacrifice yield when going down the size spectrum. WisdomTree’s dividend-weighted U.S. MidCap Dividend Index has a dividend yield roughly equal to the U.S. LargeCap Dividend Index. The WisdomTree U.S. SmallCap Dividend Index has a yield premium of more than 50 basis points relative to the large-cap Index.

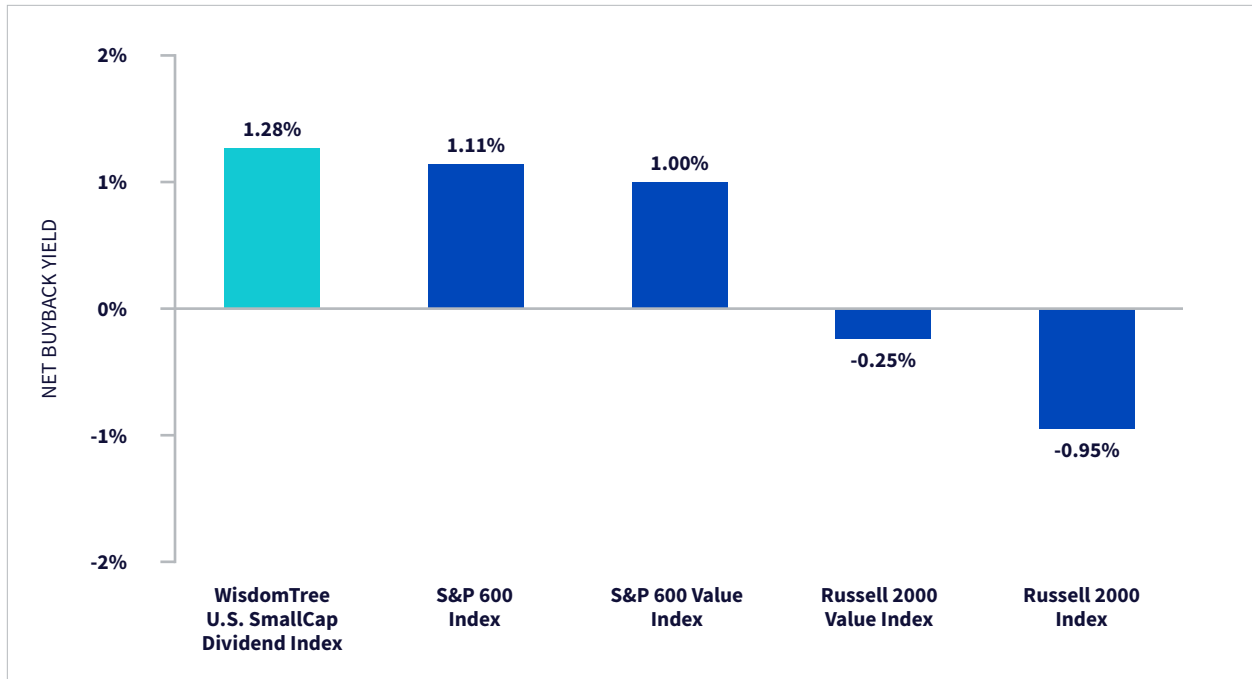
**Trailing 12-Month Dividend Yield**



Sources: WisdomTree, Russell, FactSet, 5/31/22. You cannot invest directly in an index.

And not only does isolating dividend payers result in higher dividend yields, but it also reduces exposure to the share diluters that are so prominent in market cap-weighted small-cap indexes. Both the Russell 2000 Value and Russell 2000 have negative net buyback yields because their constituents issue more shares than they buy back.

### Trailing 12-Month Net Buyback Yield



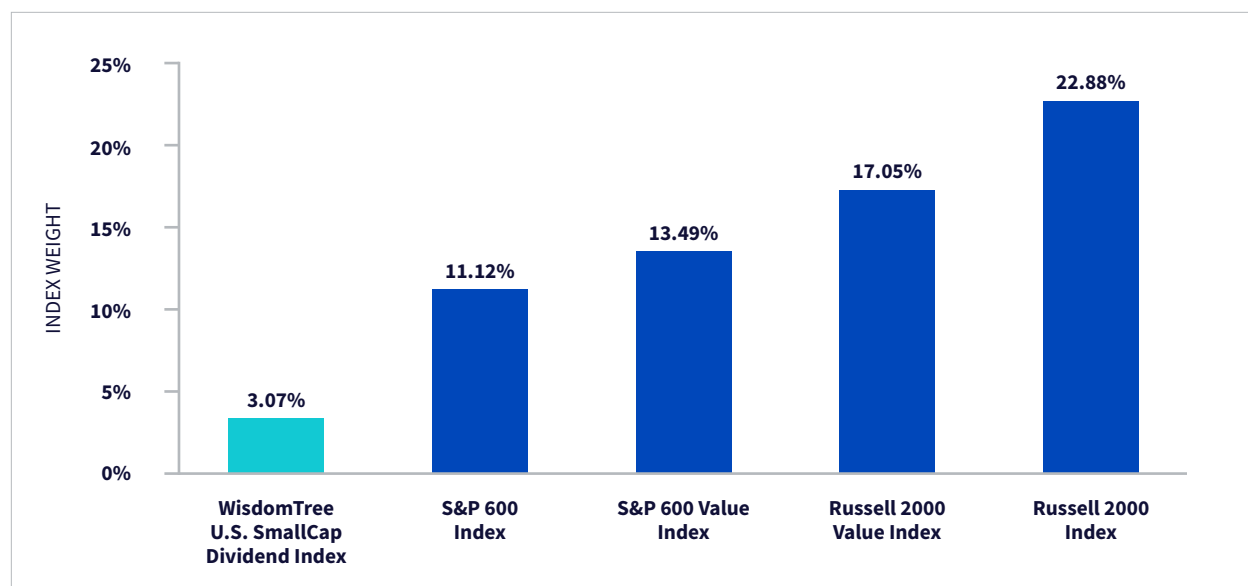
Sources: WisdomTree, Russell, FactSet, 5/31/22. You cannot invest directly in an index.

Removing exposure to non-payers also cuts down on the nonprofitable segments of the Russell 2000. About 23% of the weight of the Russell 2000 is in negative earning companies,<sup>8</sup> largely in the biotech industry.

Even looking at the Russell 2000 Value Index, which would theoretically exclude cash-burning growth names, 17% of the weight of that Index is in negative earners.<sup>8</sup>

<sup>8</sup> WisdomTree, Russell, FactSet, 5/31/22. You cannot invest directly in an index.

### Percentage Index Weight Negative Earners



Sources: WisdomTree, Russell, FactSet, 5/31/22. You cannot invest directly in an index.

As we can see in the below characteristics, the mid- and small-cap dividend Indexes offer broad exposures of 341 and 669 holdings, respectively. From a valuation perspective, each Index has discounted price-to-earnings multiples as well as higher dividend yields relative to the Russell Value Indexes.

As we mentioned, with the lower exposure to unprofitable companies in the small-cap universe, both dividend Indexes have premium return on equity and return on assets.

### Index Characteristics

		WisdomTree U.S. MidCap Dividend	Russell Midcap Value	WisdomTree U.S. SmallCap Dividend	Russell 2000 Value
Characteristics	Number of Holdings	341	696	669	1,425
	Price/Earnings	12.5	17.1	12.2	17.5
	Est. Price/Earnings	11.5	14.1	11.9	13.9
	Pct. Neg Earnings	2.7%	5.2%	3.1%	17.1%
	Dividend Yield	2.6%	1.7%	3.1%	1.8%
	Return on Equity	17.9%	13.9%	15.2%	8.8%
	Return on Assets	3.5%	3.0%	3.2%	1.9%

Sources: WisdomTree, Russell, FactSet, 5/31/22. You cannot invest directly in an index.

## Conclusion: What's Next?

Mid- and small caps have lagged large caps for much of the past decade. Over the long run, history shows smaller companies, particularly small value, have outperformed.

Within value, dividend payers have been handily outperforming non-payers. And there is a compelling case that the factors contributing to the outperformance of dividend stocks this year seem likely to persist:

### HIGHER RATES

As the Fed aggressively hikes short-term rates, it stands to reason that investors will prefer the current cash flows of dividends over the uncertainty of non-dividend-paying growth stocks.

### INFLATION PROTECTION

Dividend growth has historically outpaced inflation. Because stocks are real assets with profits that increase with inflation, dividend payouts also grow with inflation—unlike bond coupons.

### ECONOMIC SLOWDOWN

The U.S. economy registered negative growth in the first quarter, raising the prospects that the economy may be in—or entering—a soft patch. During economic slowdowns, investors tend to prefer the relative safety of dividend payments.



For more information on dividends and the performance of dividend-paying equities, check out our [Monthly Dividend Monitor](#).

## Glossary

**Basis point (bp):** 1/100th of 1%. **Buyback yield:** The amount of a company's buybacks divided by its market capitalization. **Dividend yield:** A financial ratio that shows how much a company pays out in dividends each year relative to its share price. **Growth stocks:** Stocks whose share prices are higher relative to their earnings per share or dividends per share. Investors are willing to pay more because of their earnings or dividend growth expectations going forward. **Value stocks:** Stocks whose share prices are lower relative to their earnings per share or dividends per share. Investors pay less for these stocks because their earnings or dividend growth expectations going forward are lower. **Market cap:** Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap. **Multiple:** A ratio that is calculated by dividing the market or estimated value of an asset by a specific item on the financial statements. The multiples approach is a comparables analysis method that seeks to value similar companies using the same financial metrics. **Price-to-book ratio:** Share price divided by book value per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested. **Price-to-cash flow ratio:** Share price divided by cash flow per share. Lower numbers indicate an ability to access greater amounts of cash flows per dollar invested. **Price-to-earnings ratio:** Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested. **Return on assets:** Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them. **Return on equity:** Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. **Size capitalization:** A measure by which a company's size is classified. Mega cap generally refers to companies with a market capitalization above \$200 billion. Large caps are usually classified as companies that have a market cap of more than \$10 billion. Mid-caps range from \$2 billion to \$10 billion. Small caps are typically new or relatively young companies with a market cap between \$200 million and \$2 billion. **Spread:** Typically refers to a difference between a measure of yield for one asset class and a measure of yield for either a different subset of that asset class or a different asset class entirely. **Valuation risk:** The risk of buying or over-weighting a particular stock that has appreciated significantly in price relative to its dividends, earnings or any other fundamental metric.

## Index Definitions

**S&P 1500 Index:** The S&P 1500, or S&P Composite 1500 Index, is a stock market index of US stocks made by Standard & Poor's. It includes all stocks in the S&P 500, S&P 400, and S&P 600. This index covers approximately 90% of the market capitalization of U.S. stocks. **S&P 500 Index:** A 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. **S&P 600 Index:** An Index of small-cap stocks managed by Standard and Poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements. **S&P 600 Value Index:** An Index of small-cap stocks managed by Standard and Poor's. It tracks a broad range of small-sized companies with value characteristics that meet specific liquidity and stability requirements. **Russell Midcap Growth Index:** Measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values. **Russell Midcap Index:** Measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current Index membership. **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. **Russell 2000 Growth Index:** Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. **Russell 2000 Index:** Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index, representing approximately 10% of the total market capitalization of that Index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current Index membership. **Russell 2000 Value Index:** Measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. **WisdomTree U.S. Dividend Index:** A fundamentally weighted index that defines the dividend-paying portion of the U.S. equity market. **WisdomTree U.S. High Dividend Index:** A fundamentally weighted index that measures the performance of companies with high dividend yields selected from the WisdomTree U.S. Dividend Index. **WisdomTree U.S. Quality Dividend Growth Index:** A fundamentally weighted index that consists of dividend-paying stocks with growth characteristics. **Russell 1000 Growth Index:** A measure of the large-cap growth segment of the U.S. equity universe, selecting from the Russell 1000 Index. **Russell 1000 Index:** A measure of the performance of the 1,000 largest companies by market capitalization in the Russell 3000 Index. **Russell 1000 Value Index:** A measure of the large-cap value segment of the U.S. equity universe, selecting from the Russell 1000 Index. **MSCI USA Minimum Volatility Index:** Aims to reflect the performance characteristics of a minimum variance strategy applied to the large and mid cap USA equity universe. **MSCI USA Sector Neutral Quality Index:** Refers to the MSCI USA Quality Index which is a large and mid cap US equity index aiming to capture the performance of quality growth stock. The Index screens its parent index, the MSCI USA Index for ROE, stable year-over-year earnings growth, and low financial leverage. Seeks to match the sector exposures the MSCI USA Index. **MSCI USA Momentum Index:** An index designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover. **WisdomTree U.S. MidCap Dividend Index:** A fundamentally weighted index that measures the performance of the mid-capitalization segment of the U.S. dividend-paying market. **WisdomTree U.S. SmallCap Dividend Index:** A fundamentally weighted index measuring the performance of the small-capitalization segment of the U.S. dividend-paying market. **WisdomTree U.S. LargeCap Dividend Index:** A fundamentally weighted index that measures the performance of the large-capitalization segment of the U.S. dividend-paying market.

**Investors should consider the investment objectives, risks, charges and expenses of the Funds carefully before investing. A prospectus containing this and other information is available by calling 866.909.9473 or visiting [www.wisdomtree.com](http://www.wisdomtree.com). Investors should read the prospectus carefully before investing.**

There are risks associated with investing, including the possible loss of principal. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

This material contains the opinions of the authors, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy or deemed to be an offer or sale of any investment product, and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise, the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

Matt Wagner is a Registered Representative of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.