High dividend investing in an era of persistent inflation

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Aneeka Gupta
Director, Macroeconomic Research

Key Takeaways

- Dividend income can grow with earnings and help offset inflation.
- Global payout growth is broad, but contributions differ by sector and region.
- Technology has become a dividend sector, growing payouts 23.5% in Q2 2026, the fastest of any industry, while most yield screens still exclude it by construction.
- WisdomTree screens out weaker high yielders using quality and momentum screens.

Most investors already have a dividend problem, whether or not they have a dividend allocation. A global equity portfolio built around a market-cap index currently holds 72% of its weight in the United States, 30% in a single sector, and pays a dividend yield of 1.5%. That is a perfectly reasonable way to invest. It is a poor way to get paid.

The obvious response is to add a dividend allocation. The ten largest global high dividend UCITS ETFs currently yield between 3.1% and 10%, and the funds at the top of that range are not better versions of the ones at the bottom. Higher headline yields can reflect weaker company fundamentals or greater risks, making the quality of the companies producing that income important.

Why dividends, and not simply yield

The argument for high dividend yielding equities used to be scarcity. Rates were low, and coupons paid nothing, so investors reached for equities that paid. That argument has expired. The Federal Reserve (Fed) raised its target range to 3.75%–4.00% in September, its first increase in more than three years, and signalled at least one more. The ten-year Treasury has been trading near 5%, a nineteen-year high. Yield is not scarce.

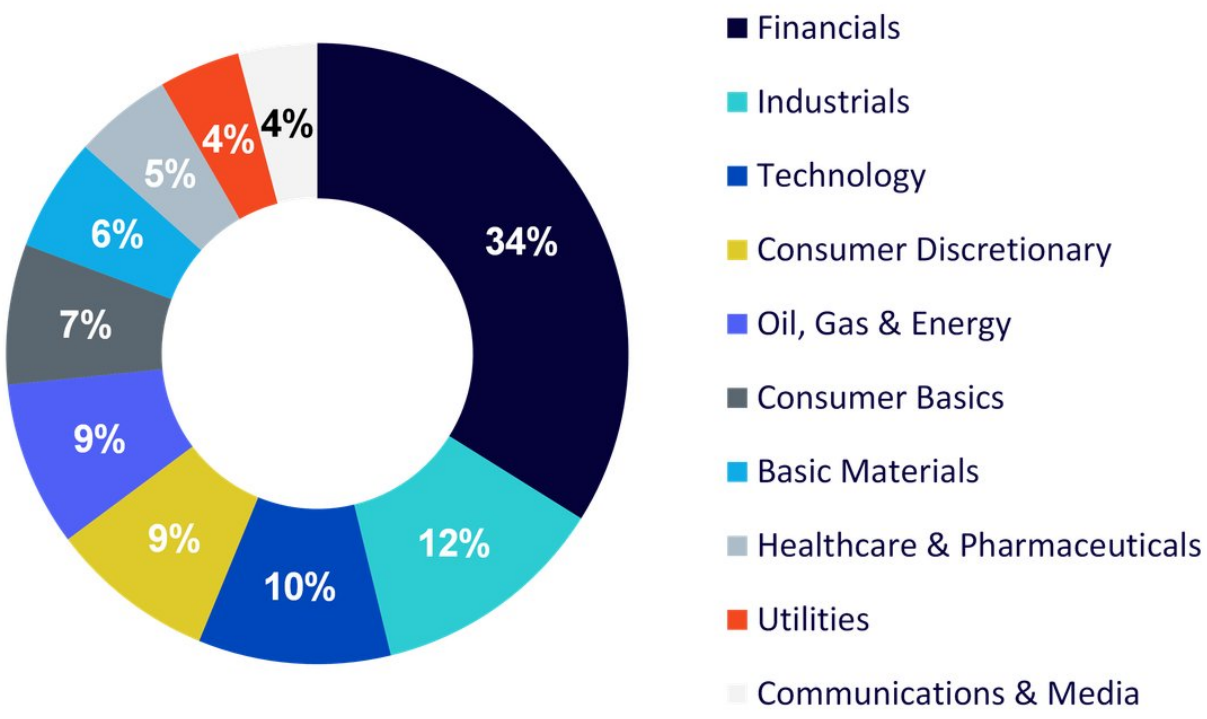
What is scarce is income that grows. The Federal Open Market Committee's (FOMC) own September projections put 2026 core personal consumption expenditures (PCE) at 3.4% and do not see inflation back at 2% until 2029[1]. A five-year note pays the same nominal coupon in 2031 that it pays today. If prices compound at 3%, a sixth of that income's purchasing power is gone by maturity. A higher starting yield does not solve that. It conceals it.

Dividends are declared out of nominal earnings and have been growing faster than prices. Global Q2 payouts reached US$757.8bn with underlying growth of 7.3%, positive in every region covered. Full-year global dividend growth is forecast to grow by 5 to 6%, a downgrade from the 8.3% it projected in July but still comfortably ahead of the Fed's own core inflation path[2].

Three things underneath that number matter more than the number itself

- **Where dividend growth now comes from has changed**. Financials remain the largest contributor to index dividends at US$239.7bn, up 8.1%, as banks rebuild payouts toward historically normal levels[3]. The fastest growth came from technology, at 23.5% underlying, distributing US$70.5bn[2] supported by NVIDIA’s hike in its dividend payment per share. The AI capital cycle has become a dividend story, in sectors that conventional yield screens systematically under-own.

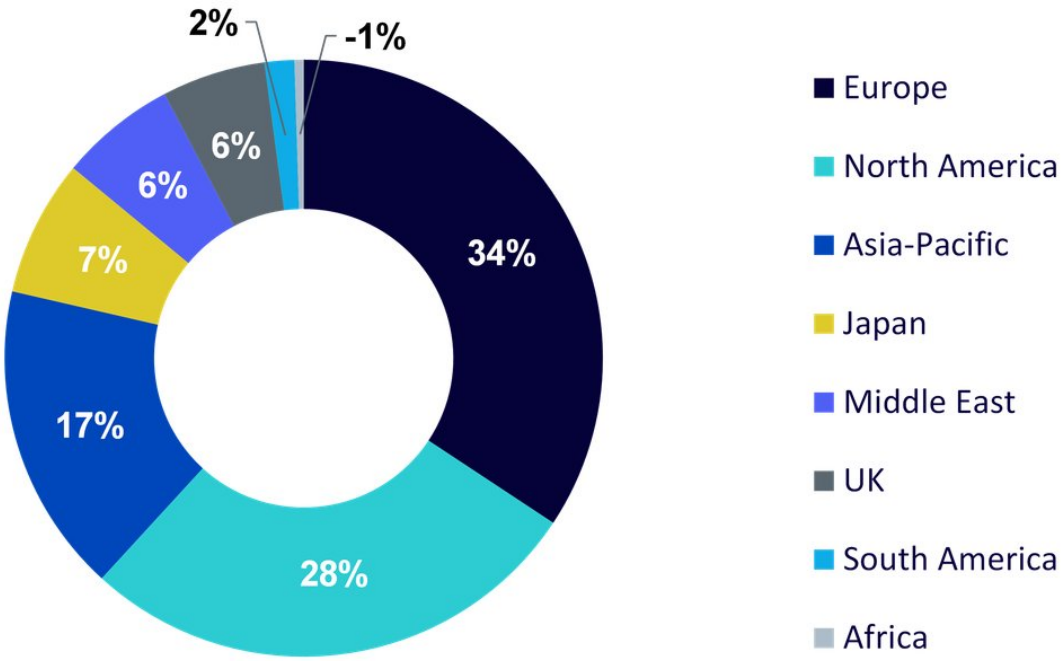
Figure 1: Share of dividends by industry



Source: Macrobond, Company Reports, Cebr Analysis as of 30 June 2026.

- **Regional dispersion is unusually wide**. UK payouts reached US$39.5bn and grew 14.6%, driven by bank distributions on top of a dependable energy base[4]. Europe excluding the UK was the largest payer at US$242.3bn but grew just 3.2%, a gap that looks starker than it is, since it reflects payment seasonality and cuts concentrated in a handful of large carmakers rather than broad corporate weakness[3]. Japan is the clearest structural story: US$52.6bn distributed with 18.2% underlying growth, alongside US$36.3bn of buybacks[3], as governance reform continues to shift corporate attitudes to capital efficiency. That is a change in behaviour, not a strong quarter. Global dividends in 2026 are not one trade.

Figure 2: Share of global dividends by region



Source: Macrobond, Company Reports, Cebr Analysis as of 30 June 2026.

- **Dividends and buybacks have decoupled, revealing which is reliable**. Global buybacks fell 3.1% in the first quarter, then surged 26.8% to US$572.0bn in Q2, with technology overtaking financials as the largest source at US$121.1bn[5]. The technology sector has managed to combine very high levels of capital expenditure with substantial buybacks. Dividends moved from 10.1% to 7.3% over the same period. There is a distinction to be made between dividends and buybacks. A buyback announcement is an intention, not a payment. The median completion rate for US open-market repurchase programmes is below 50%, and companies executing them are under no obligation to buy in any given month[6]. A dividend payment is a transfer that has actually occurred.

That asymmetry is not a technicality. A buyback can be quietly reduced in a single board meeting. A dividend cut can be a public statement that management no longer believes it can afford what it promised last year, which is precisely why the decision carries information, and why it is worth screening for.

What a dividend screen actually does

WisdomTree has a long history in dividend strategies. Our history dates back to 2006, more than 20 years ago, when we launched the first 20 exchange-traded funds (ETFs) tied to the dividend and quality factor. The founding idea was to challenge the market cap weighting.

Fast forward to 2026, we are offering four ETFs within the High Dividend Equity range spanning US, Europe, Emerging Markets and Global developed markets.

The WisdomTree Global High Dividend UCITS ETF (Ticker: WDIV) tracks the WisdomTree Global High Dividend UCITS Index (Ticker: WTGDHYU), a proprietary, fundamentally-weighted index designed to deliver exposure to high dividend yielding companies across developed global markets, while actively screening for quality and sustainability to reduce the risk of value traps.

The index is built on three core design principles:

- **Income-oriented**: The index targets companies in the top 30% by dividend yield. We also do this selection across regions and sectors to ensure we are not buyers of a single sector or country. Overall, it's a diversified and balanced approach to selecting high dividend yielding companies globally. Information technology sits at around 16% of index weight, held through Texas Instruments, Cisco, IBM, Accenture, Qualcomm, Intuit, NXP Semiconductors, Microchip, TE Connectivity, Canon, Ericsson and Cognizant[7].
- **Quality-aware**: Eligible companies are scored on a composite risk score, equally weighting two signals: a Quality factor, measuring return on equity, return on assets, gross profitability and cash flow quality, scored within industry groups, and a Momentum factor, measuring risk-adjusted price returns over 6 and 12 months to identify stocks with deteriorating market signals. Companies in the bottom decile of this composite score are excluded entirely. Critically, companies in the top 5% by dividend yield that also score in the bottom half of the composite risk score are removed. This is the index's yield trap screen.
- **Fundamentally weighted**: Rather than weighting by market capitalisation, the index weights constituents by their dividend stream (annual dividend × shares outstanding), amplified by a 1.5× quality multiplier for companies that fall within the top two deciles of the composite risk factor. This tilts the portfolio towards larger, higher- dividend payers and away from the price-momentum bias inherent in cap-weighted indices.

High dividends focus on providing real income to investors alongside less earnings variability.

The systematic screen in practice

Two things within the systematic screen that are worth pausing on. The first is who the dividend yield screen removes. Nvidia, Apple, Microsoft, Alphabet, Broadcom and Meta are all excluded, as they do not rank in the top 30% by dividend yield: yields of 0.45%, 0.34%, 0.72%, 0.26%, 0.70% and 0.37% respectively[8].

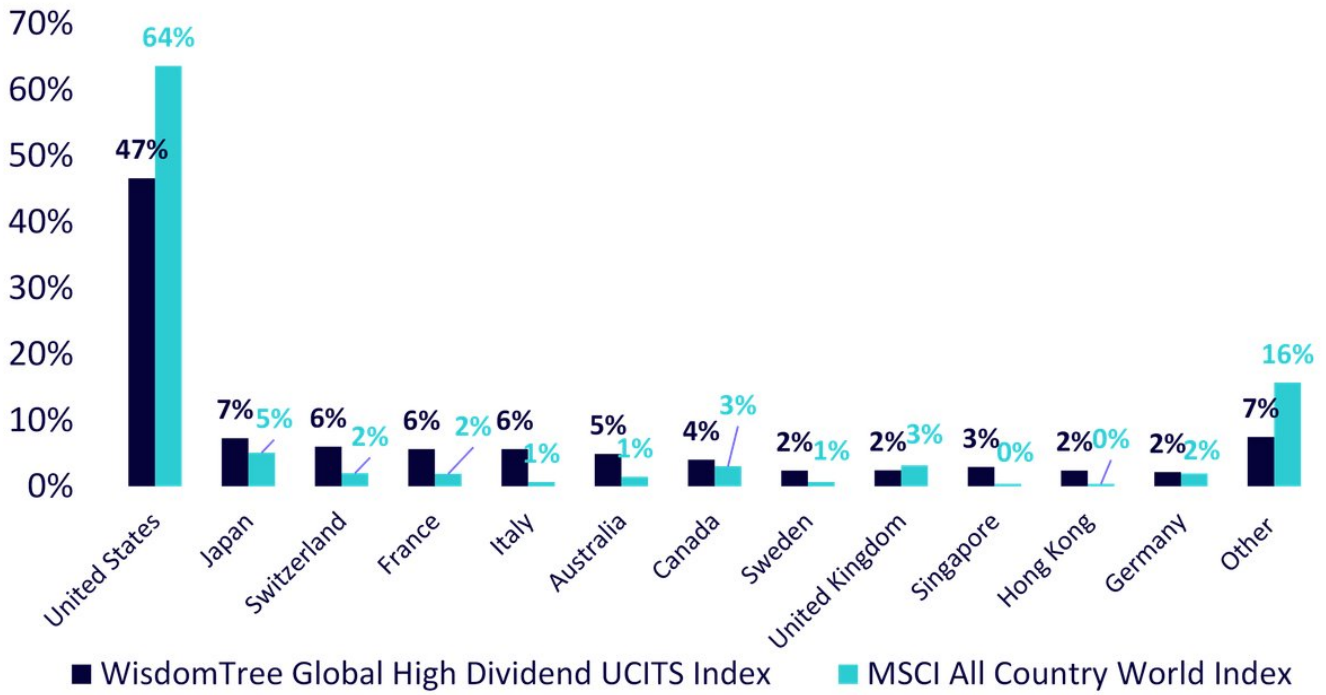
These are not marginal cases. The six companies that dominate the index most investors already own are, by construction, absent from a high dividend yielding portfolio. That is the point of holding one.

The second is more surprising. The 114 companies removed by the composite risk score had a median dividend yield of 5.24%, materially above the index's own weighted yield of roughly 4%. Their median three-year return on equity was 10.2%, against 13.2% for the index. The screen is not filtering out low yielders. It is deliberately excluding the highest-yielding cohort available, on the grounds that the yield is a symptom. Those exclusions cluster in consumer discretionary, consumer staples and real estate, and several carry negative five-year dividend growth.

Portfolio tilts: geographic allocation

The WisdomTree Global High Dividend UCITS ETF maintains a distinctly different regional profile versus the MSCI All Country World Index (ACWI). While US equities remain the single largest allocation (47%), the index is materially underweight the US relative to market capitalisation benchmarks. This reflects the dividend-weighted construction: high dividend payers are disproportionately represented in Europe, Japan, Australia and Asia, where corporate payout cultures are more entrenched. Switzerland (6.2%), France (5.8%), Italy (5.2%), Australia (5.0%) and Japan (7.0%) all feature as significant overweights versus MSCI ACWI weights.

Figure 3: Comparison of geographic allocation

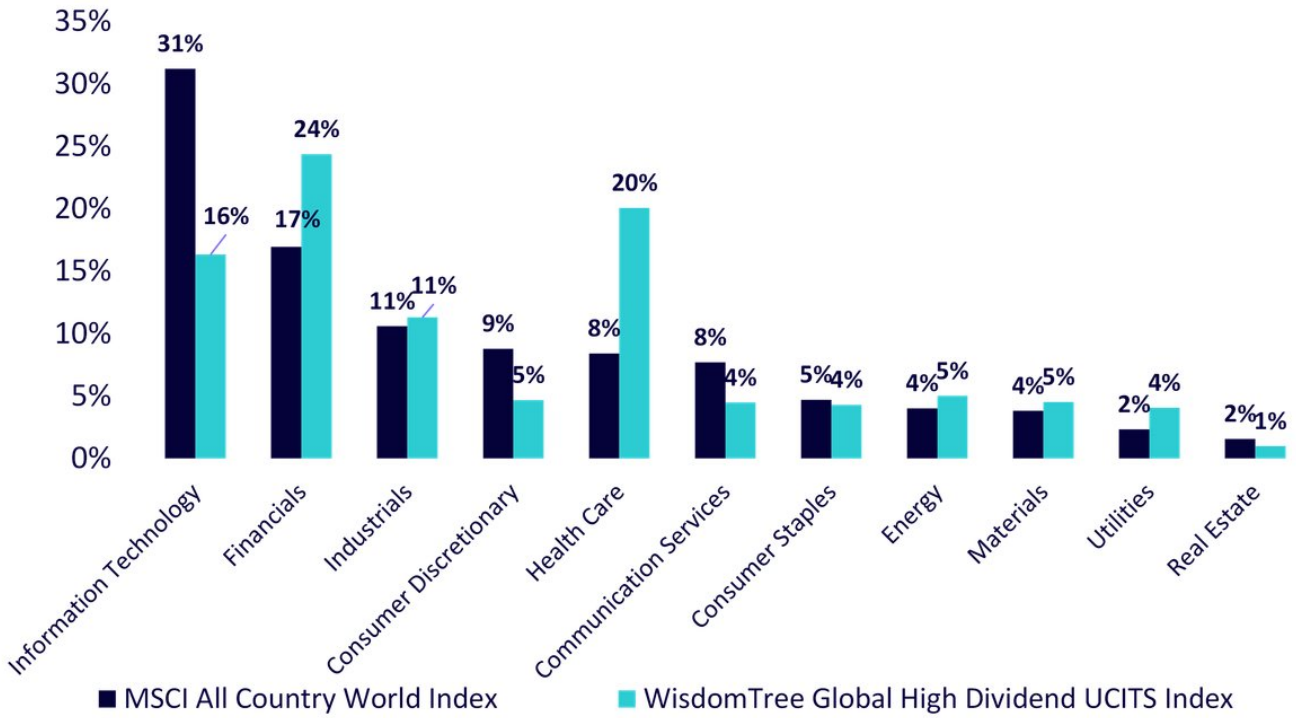


Source: FactSet, WisdomTree as of 31 August 2026. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

Portfolio tilts: sector allocation

The index's sector composition reflects how dividend-paying quality companies are distributed across sectors globally. Financials (24%), Information Technology (16%) and Health Care (20%) represent the three largest sector exposures.

Figure 4: Comparison of sector allocation



Source: FactSet, WisdomTree as of 31 August 2026. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

Investing in equities involves the risk of capital loss, and dividend payments are not guaranteed and may be reduced or discontinued. A focus on higher-dividend-paying companies may result in different sector and geographic exposures from a broad market-cap-weighted index and may cause the Fund to underperform broader equity markets during certain periods. The Fund's systematic screening process cannot eliminate the risk of investing in companies whose financial position subsequently deteriorates.

Conclusion

Most investors do not start from a neutral position. A global portfolio weighted by market capitalisation can be heavily concentrated in one country and one sector, with relatively little income. Adding higher-yielding stocks without considering how the portfolio is built may simply replace one unintended concentration with another.

The WisdomTree Global High Dividend UCITS ETF (Ticker: WDIV) combines these measures with dividend weighting to seek durable income and broader exposure beyond US mega-cap growth stocks. In a market shaped by persistent inflation and concentrated benchmarks, that combination can strengthen portfolio diversification without an income trade-off.

[1] Source: Federal Reserve as of 16 September 2026.
[2] Source: Macrobond, FactSet, company reports, Cebr analysis, as of 30 June 2026.
[3] Source: FactSet, Cebr Analysis as of 30 June 2026.
[4] Source: FactSet, Cebr Analysis as of 30 June 2026.
[5] Source: FactSet, Cebr Analysis as of 30 June 2026.
[6] Source: CFA Institute Research Foundation's literature review on stock buybacks (Chen and Huang, 2022).
[7] Source: FactSet, WisdomTree as of 31 August 2026.
[8] Source: Bloomberg Finance L.P. as of 31 August 2026.

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