

# A Fresh Look: International Dividends' Annual Rebalance

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## Key Takeaways

- We recently rebalanced our suite of developed international dividend-weighted indexes which are tracked by WisdomTree ETFs.
- The rebalance process uses a screening criteria focusing on specific geographies, cash dividends, dividend sustainability, volume and a minimum market capitalization.
- The fundamentally weighted Indexes offer trailing 12-month price-to-earnings ratios significantly lower than traditional market-cap-weighted benchmarks, including just over 9x for the International High Dividend Index.

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At the end of October, 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 18 years of live track record, as shown in figure 1.

## Figure 1: WisdomTree International Dividend-Weighted Indexes

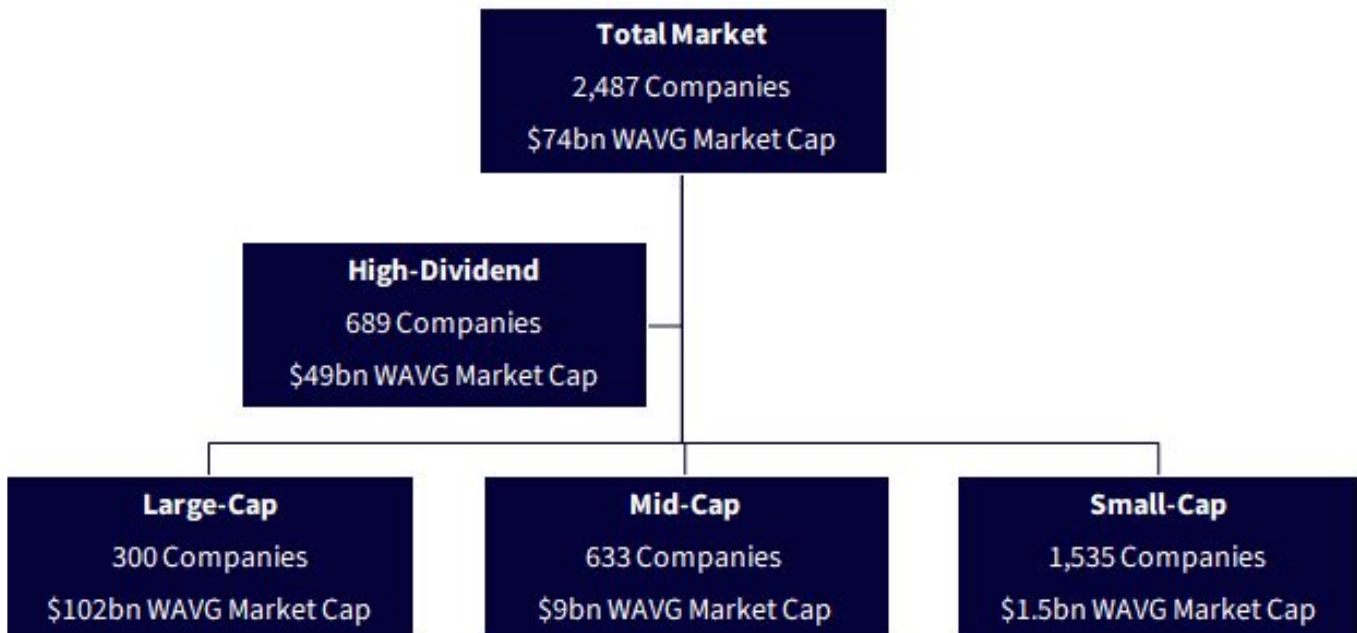
WisdomTree Index	Index Ticker	Index Inception Date	Related WisdomTree ETF
International Equity	WTDFA	6/1/06	International Equity (DWM)
International LargeCap Dividend	WTILDI	6/1/06	International LargeCap Dividend (DOL)
International MidCap Dividend	WTIMDI	6/1/06	International MidCap Dividend (DIM)
International SmallCap Dividend	WTISDI	6/1/06	International SmallCap Dividend (DLS)
International High Dividend	WTDHYE	6/1/06	International High Dividend (DTH)

The screening date for the Indexes was September 30, with implementation of the rebalance at the market close of October 30.

**The WisdomTree International Equity Index (WTDFA)**—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 (WTILDI):** Comprised of the 300 largest companies ranked by market capitalization from the WisdomTree International Equity Index.
- **WisdomTree International MidCap Dividend Index (WTIMDI):** Comprised of 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 (WTISDI):** Comprised of 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 (WTDHYE):** Comprised of the top 30% of companies ranked by dividend yield from the WisdomTree International Equity Index.

**Figure 2: WisdomTree International Equity Index Hierarchy**



Source: WisdomTree. WAVG = Weighted Average. Weighted average market cap as of 9/30/24, 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 following criteria, as illustrated in figure 2:

- **Geography:** Primary business activities 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. The top holdings are shown below in figure 3.

### Figure 3: Top 10 WisdomTree International Equity Index Holdings

Name	Country	Sector	Dividend Yield	Market Cap (\$bn)	Weight
HSBC Holdings Plc	United Kingdom	Financials	6.80%	\$168.50	2.09%
Novartis AG	Switzerland	Health Care	3.40%	\$254.72	1.65%
Toyota Motor Corp.	Japan	Consumer Discretionary	3.15%	\$304.19	1.22%
Nestle S.A.	Switzerland	Consumer Staples	3.53%	\$265.13	1.19%
Shell Plc	United Kingdom	Energy	4.19%	\$204.51	1.09%
TotalEnergies SE	France	Energy	5.32%	\$158.54	1.07%
Intesa Sanpaolo S.p.A.	Italy	Financials	7.71%	\$79.11	1.07%
Allianz SE	Germany	Financials	4.68%	\$129.84	1.06%
Roche Holding Ltd Dividend Right Cert.	Switzerland	Health Care	3.55%	\$227.14	1.03%
LVMH Moet Hennessy Louis Vuitton SE	France	Consumer Discretionary	1.89%	\$393.28	0.95%

Source: WisdomTree. Holdings based on post-rebalance constituents. Data as of 9/30/24 screening date. You cannot invest directly in an index.

Figure 4 demonstrates that the total market WisdomTree International Equity Index has a trailing 12-month dividend yield of 4.18%, an improvement of about 100 basis points over the MSCI EAFE Index. The 4.18% yield is more than 3x greater than the 1.25% yield of the S&P 500.

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

## Figure 4: Index Trailing 12-Month Dividend Yields



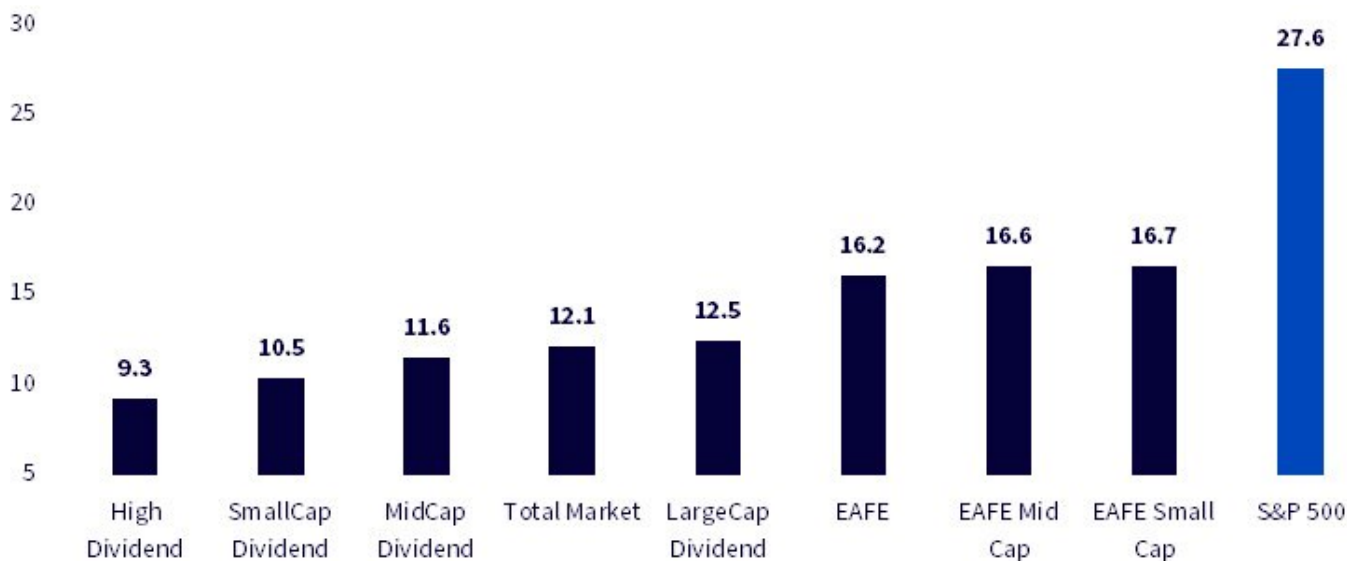
Sources: WisdomTree, MSCI, S&P WisdomTree Index holdings based on post-rebalance constituents. Data as of 9/30/24 screening date. You cannot invest directly in an index.

In addition to higher dividend yields, the fundamentally weighted indexes also typically have lower price-to-earnings ratios relative to market-cap-weighted indexes, as seen in figure 5.

One of the deepest value cuts of the market globally is the International High Dividend Index, with a price-to-earnings ratio of 9x.

For context, the S&P 500 P/E ratio is more than 27x.

### Figure 5: Index Trailing 12-Month Price-to-Earnings



Sources: WisdomTree, MSCI, S&P. WisdomTree Index holdings based on post-rebalance constituents. Data as of 9/30/24 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 \(WTDFA\)](#) (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 \(WTILDI\)](#) (the [WisdomTree International Large-Cap Dividend Fund \(DOL\)](#)) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International MidCap Dividend Index \(WTIMDI\)](#) (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 \(WTISDI\)](#) (the [WisdomTree International Small-Cap Dividend Fund \(DLS\)](#)) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree International High Dividend Index \(WTDHYE\)](#) (the [WisdomTree International High Dividend Fund \(DTH\)](#)) seeks to track the price and yield performance, before fees and expenses, of this Index)

## **Important Risks Related to this Article**

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 and/or smaller companies increase their vulnerability to any single economic or regulatory development. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. This may result in greater share price volatility. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.