

Analyzing Our Top 20 U.S. Dividend Growth Stocks

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In a [recent blog](#), we outlined how we've recently developed an Index methodology designed to focus on dividend growth, but not by solely looking at a history of past dividend increases. We focus on a few factors that we believe have the potential to raise the probability that qualifying Index constituents will grow their future dividend payments. To reiterate, those were: • Earnings growth estimates • Return on equity (ROE) • Return on assets (ROA) While there is truly no way to look into the future, we believe this to be a fundamentally oriented approach that differentiates itself from being dependent on dividend history as the only metric by which to judge future dividend growth potential. In this blog, we examine the top 20 qualifying companies and discuss whether these firms have dividend histories that would allow them to qualify for potential inclusion in the NASDAQ US Dividend Achievers Select Index ("Achievers Select"), meaning that they've increased their dividends for 10 consecutive years. The Achievers Select is the market capitalization-weighted benchmark for our index.

The Top 20 Constituents for the WisdomTree U.S. Dividend Growth Index

Rank	Ticker	Company Name	Sector	Index Weight	Long-Term Earnings Growth Expectations	Return on Equity (ROE)	Trailing 12-Month Dividend Yield	Year of Potential Eligibility*
1	AAPL	APPLE INC	Information Technology	4.87%	17.34%	39.93%	1.76%	2023
2	MSFT	MICROSOFT CORP	Information Technology	3.77%	9.00%	38.70%	3.03%	2014
3	WMT	WAL-MART STORES INC	Consumer Staples	3.76%	9.87%	23.02%	2.22%	Current Member
4	PG	PROCTER & GAMBLE CO/THE	Consumer Staples	3.73%	8.85%	18.41%	2.92%	Current Member
5	KO	COCA-COLA CO/THE	Consumer Staples	3.03%	8.23%	32.38%	2.60%	Current Member
6	MCD	MCDONALD'S CORP	Consumer Discretionary	2.97%	9.44%	36.42%	2.97%	Current Member
7	HD	HOME DEPOT INC	Consumer Discretionary	2.24%	15.20%	21.32%	1.81%	2019
8	INTC	INTEL CORP	Information Technology	2.18%	11.33%	24.99%	4.05%	2013
9	MO	ALTRIA GROUP INC	Consumer Staples	2.15%	7.34%	93.95%	5.03%	2019
10	PEP	PEPSICO INC	Consumer Staples	2.02%	7.95%	31.04%	2.75%	Current Member
11	UTX	UNITED TECHNOLOGIES CORP	Industrials	1.89%	12.15%	21.86%	2.25%	Current Member
12	IBM	INTL BUSINESS MACHINES CORP	Information Technology	1.85%	9.25%	74.51%	1.61%	Current Member
13	UPS	UNITED PARCEL SERVICE-CL B	Industrials	1.73%	10.62%	35.75%	2.73%	2019
14	MMM	3M CO	Industrials	1.69%	9.67%	27.75%	2.28%	Current Member
15	CMCSA	COMCAST CORP-CLASS A	Consumer Discretionary	1.59%	18.84%	10.09%	1.56%	2018
16	CSCO	CISCO SYSTEMS INC	Information Technology	1.46%	9.88%	16.42%	2.11%	2021
17	BA	BOEING CO/THE	Industrials	1.41%	11.48%	115.41%	2.09%	2021
18	USB	US BANCORP	Financials	1.40%	13.08%	15.13%	2.31%	2020
19	AMGN	AMGEN INC	Health Care	1.35%	8.35%	19.94%	1.55%	2021
20	CAT	CATERPILLAR INC	Industrials	1.31%	9.75%	35.51%	2.32%	Current Member
Sum/Average of WTDGI Top 20				46.42%	10.88%	36.63%	2.50%	
Sum/Average of DVG Current Members				22.25%	9.46%	33.43%	2.44%	
Sum/Average of DVG Exclusions				24.17%	12.04%	39.24%	2.55%	

• Of the top 20 constituents of the WisdomTree U.S. Dividend Growth Index, nine are current constituents of the Achievers Select. • Of the 11 excluded firms, many would not be eligible until around 2020, even if they continue to increase their dividends each year. These excluded firms tended to have higher average long-term earnings growth expectations, higher average ROE and even higher average trailing 12-month dividend yields. • The Apple Effect: Apple has become the largest dividend payer in the United States¹ and is the largest holding in the [WisdomTree U.S. Dividend Growth Index](#). Apple is not eligible to be included in the Achievers Select until 2023. • Higher Earnings Growth Expectations: One of the key summary statistics in this top 20 table are the earnings growth averages of companies included in the Achievers Select versus the averages of those excluded. Notably, of the 20 constituents of the WisdomTree U.S. Dividend Growth Index that are included in the Achievers Select, the average earnings growth expectation was 9.46%. That compares to the average of companies not included in Achievers Select (due to their more limited dividend history) of 12.0%. **Conclusion** There is little question that many of the firms comprised in this list are strong companies with brands that are essentially household names across the U.S. While there is no way to know whether any of them will raise their dividends in the future, we would question the exclusion of such firms as Apple, Microsoft, Altria, UPS and Boeing if the sole reason for doing so is a lack of 10 consecutive years of dividend increases. Each has a return on equity over 30%—with Altria and Boeing being substantially higher. While we can't state whether those figures will directly impact future dividend growth or future returns, we believe that they indicate significant profitability and merit further consideration. *View Jeremy Schwartz discuss dividends (Video) Read our Dividend Growth series [here](#).* ¹This is based on Apple's indicated dividends per share as of its latest earnings announcement dated 4/23/2013.

Important Risks Related to this Article

Dividends are not guaranteed and a company's future abilities to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time.