Beyond Market Cap: A Nearly 19-Year Case for Dividend-Driven Emerging Markets

Published April 21, 2026

Christopher Gannatti, CFA
Global Head of Research

Key Takeaways

- Over nearly 19 years of live performance across multiple emerging market cycles, the WisdomTree Emerging Markets High Dividend Fund (DEM) demonstrates how a dividend-weighted strategy can deliver differentiated returns, particularly when value, income and capital discipline come back into favor.
- While growth-led, tech-heavy benchmarks like the MSCI Emerging Markets Index have recently benefited from concentration in names like TSMC, DEM's structural underweight to semiconductors offers a contrarian opportunity for investors seeking diversification away from crowded AI trades.
- By systematically weighting companies based on cash dividends, DEM maintains a persistent yield advantage and tilts toward firms with stronger profitability and governance signals, positioning it as a compelling strategy for capturing income and quality in emerging markets.

- Related Products WisdomTree Emerging Markets High Dividend Fund

Nearly nineteen years is a long time in emerging markets. It spans both commodity price supercycles and commodity price collapses, the rise of China, the so-called 'taper tantrum,'1 a pandemic shock and recovery, and a new era defined by geopolitics and supply chain realignment.

Through all of it, the WisdomTree Emerging Markets High Dividend Fund (DEM) has been live, navigating environments that have, at times, rewarded growth, punished value and then shifted to the opposite. Ultimately, longevity matters. It offers an observable record of how a rules-based, income-focused approach behaves across cycles. At its core, DEM is built on a simple but often underappreciated idea: in emerging markets, dividends can be a powerful signal of discipline and shareholder alignment. Starting from that premise, the strategy tilts toward companies that are not just attractively valued, but also returning capital along the way, creating a distinct profile that looks meaningfully different from traditional benchmarks, such as the MSCI Emerging Markets Index.

In Figure 1a shows:

- DEM's live track record spans multiple EM cycles, demonstrating how a dividend-focused approach behaves across radically different macro regimes.

- The strategy has historically delivered periods of relative outperformance, particularly when value, income and capital discipline are rewarded over growth-led market leadership.

Figure 1a: A Nearly 19-Year Record Across Cycles: Income Tilt, Emerging Markets, and Long-Term Differentiation

Figure 1b: Standardized Returns

Fund/Index Name	Fund Ticker Symbol	Fund Inception Date	Fund Expense Ratio	Fund SEC 30-Day Yield	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree Emerging Markets High Dividend Fund (NAV)	DEM	7/13/07	0.63%	4.07%	4.11%	21.10%	14.62%	8.16%	8.81%	4.53%
WisdomTree Emerging Markets High Dividend Fund (MP)	DEM	7/13/07	0.63%	4.07%	6.99%	23.48%	15.45%	8.64%	9.13%	4.51%
MSCI Emerging Markets Index					-0.17%	29.55%	14.84%	3.69%	7.80%	N/A

Sources: Morningstar, FactSet and WisdomTree, specifically, data is from the PATH Fund Comparison Tool, accessed as of April 12, 2026, but showing returns for the period ended April 10, 2026 for Figure 1a and March 31, 2026 for 1b. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performance, click here.**

With DEM, Income Isn't an Outcome—It's a Design Choice

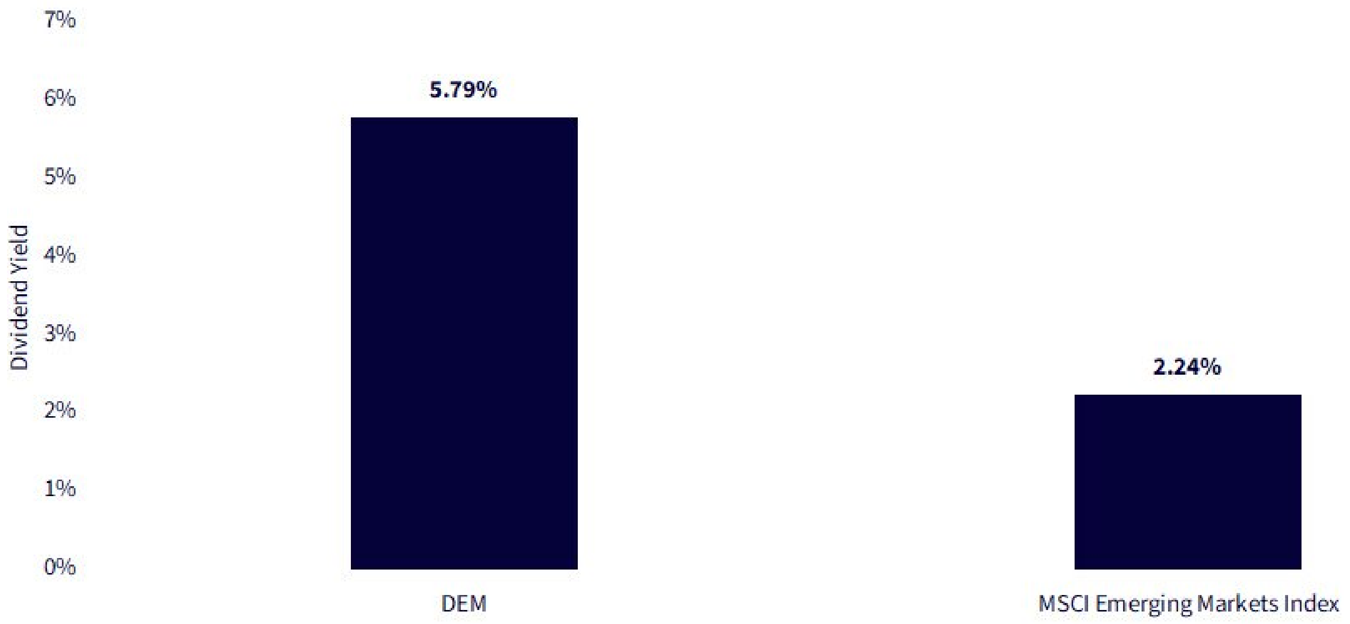
At the core of DEM, which is designed to track the total return performance, before fees and expenses, of the WisdomTree Emerging Markets High Dividend Index, is a deliberate decision: prioritize companies returning cash to shareholders with higher overall dividend yields and weight them by the scale of those distributions.

Importantly, this is not a screen layered on top of a traditional market-cap framework, but rather the foundation of the strategy itself. In emerging markets, where capital allocation discipline can vary widely, dividends offer a tangible signal. They reflect, in our view, potential signals around profitability, governance and a willingness to share earnings rather than simply reinvest or retain them.

By weighting companies based on total cash dividends paid, DEM systematically tilts toward firms with both the capacity and the commitment to generate income. The result is not subtle. It is a structurally higher yield profile that persists across time, shaping both the income characteristics investors receive and the types of exposures they ultimately hold, often leading to a portfolio that looks meaningfully different from traditional benchmarks.

Figure 2 shows the 'dividend yield difference' between DEM and the MSCI Emerging Markets Index benchmark, quantified as of March 31, 2026. The picture may not always look like this, but we do note that this is driven by underlying methodology at its core.

Figure 2: Engineered for Income: A Structural Yield Advantage in Emerging Markets



Sources: WisdomTree, Morningstar and FactSet, with data as of March 31, 2026. **Subject to change. Past performance is not indicative of future results.**

Understanding the Longer Run Trends in Performance Attribution

When reviewing the total return performance of DEM against that of the MSCI Emerging Markets Index, we recognize that no strategy with almost 19 years of live history should be expected to outperform at all times. The underlying WisdomTree Emerging Markets High Dividend Index has held a consistent focus on relatively higher dividend yielding emerging market stocks. As market leadership shifted and changed, we know that these types of stocks also did not always outperform lower dividend yielding, more growth-oriented equities.

The Strengths of a High Dividend Focus in Emerging Markets

DEM's strength showed up most clearly when emerging markets behaved as a broad, internally driven asset class. In those periods, its design, such as stock selection in India, selective exposure within China, and meaningful participation in Brazil combined with strong stock selection in consumer and communication-oriented businesses. The result is a portfolio that captures domestic growth, benefits from higher-quality balance sheets, and compounds steadily over time.

The Weaker Moments of a High Dividend Focus in Emerging Markets

By contrast, the MSCI Emerging Markets Index benchmark tended to lead when performance narrowed and became dominated by the technology supply chain. Here, DEM's underweight to Taiwan and South Korea, effectively an underweight to semiconductors, became a headwind, amplified by a lower allocation to Information Technology overall. These are not accidental gaps but the byproduct of a different design philosophy: one that prioritizes diversification, income, and quality over concentration in a single sector or region.

The insight, in our opinion, is that both outcomes are logical. DEM is built to win over full cycles, particularly when leadership broadens, while the MSCI Emerging Markets Index has exceled in more concentrated, tech-led environments. Understanding that trade-off is essential to setting the right expectations.

Conclusion: Did You Know About Taiwan Semiconductor Manufacturing Co.?

I phrased the ‘conclusion heading’ as a question because as I was looking over the numbers, I saw something that I was surprised by. The reason for my surprise was not that anything was ‘wrong’ or ‘incorrect’, but rather I just hadn’t realized how much TSMC, the company, had run in terms of its performance, thereby increasing its market capitalization relative to the rest of emerging market equities.

The MSCI Emerging Markets Index is weighted by float-adjusted market capitalization. Simply put, larger market cap companies with greater amounts of shares that regularly trade should see larger exposures.

But, as of March 31, 2026, TSMC had a weight above 13% in the MSCI Emerging Markets Index benchmark. I know about TSMC and how important this company is to the most advanced semiconductors on the planet. It makes sense that this is one of the world’s largest companies. But wow, I was surprised to see a single weight above 13% in this benchmark. Figure 3 shows the top 10 holdings of DEM versus the MSCI Emerging Markets Index to emphasize this point. I will clearly state that none of this tells us, with certainty, which of these two strategies will outperform going forward. However, we do know that many investors already have a lot of so-called ‘AI exposure’ and if they are thinking about a strategy that tilts away from that in emerging markets, DEM may warrant consideration.

Figure 3: A Comparison of the Top 10 Positions

DEM	
Company Name	**Weight**
China Construction Bank	4.54%
Industrial & Commericial Bank of China	2.83%
MediaTek	2.54%
Saudi Arabian Oil Co.	2.16%
Grupo Financiero Banorte SAB de CV	2.00%
ORLEN SA	1.93%
China Shenhua Energy	1.77%
Ping An Insurance Group	1.68%
Industrial Bank Co.	1.43%
Fomento Economico Mexicano SAB	1.37%
Total Weight in Top 10	**22.25%**

MSCI Emerging Markets Index	
Company Name	**Weight**
TSMC	13.29%
Tencent Holdings	3.86%
Alibaba Group	2.56%
China Construction Bank	1.03%
HDFC Bank	0.86%
Petroleo Brasileiro	0.80%
PDD Holdings	0.71%
Xiaomi	0.68%
ICICI Bank	0.66%
Industrial & Commerical Bank of China	0.60%
Total Weight in Top 10	**25.05%**

Sources: WisdomTree, Morningstar, FactSet, with data as of with data as of March 31, 2026. **Subject to change.**

1. Source: Sahay, R., Arora, V., Arvanitis, T., Faruqee, H., N’Diaye, P., & Mancini-Griffoli, T. (2014, October 3). *Emerging market volatility: Lessons from the taper tantrum* (IMF Staff Discussion Note SDN/14/09). International Monetary Fund.

Source: Sahay, R., Arora, V., Arvanitis, T., Faruqee, H., N’Diaye, P., & Mancini-Griffoli, T. (2014, October 3). Emerging market volatility: Lessons from the taper tantrum (IMF Staff Discussion Note SDN/14/09). International Monetary Fund.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation, intervention and political developments. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. 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. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.