DEM’s Dividend Yield Is at Global Financial Crisis Levels

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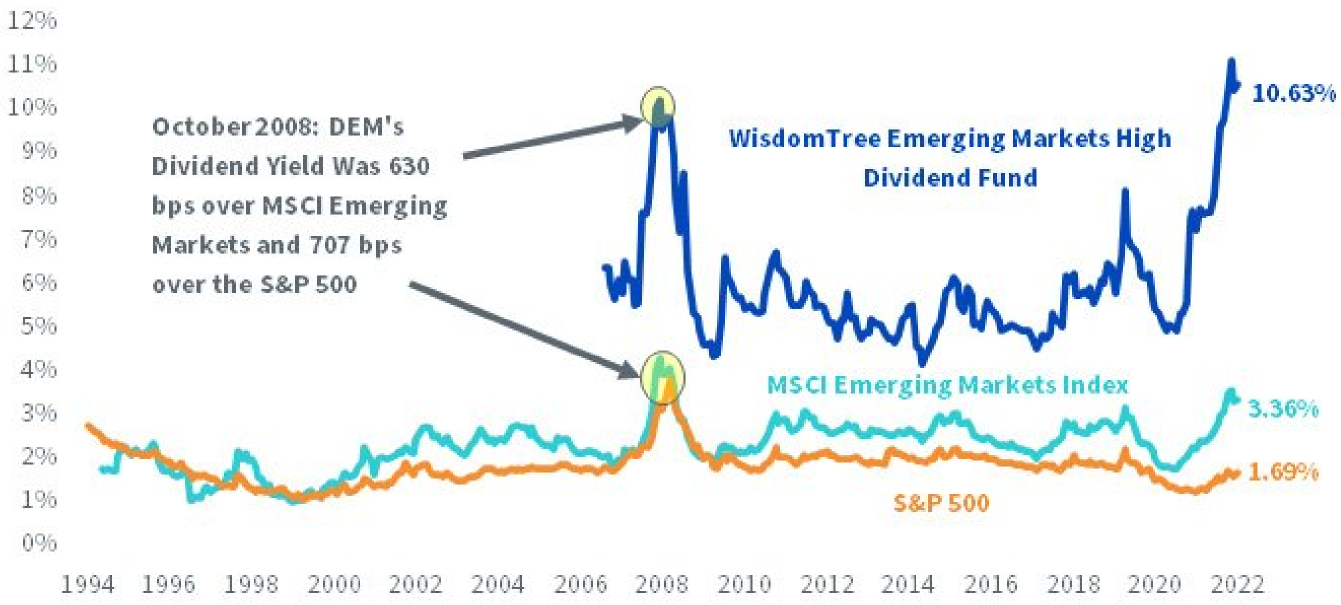
I’ll just get right to it: in the history of our dataset, we have no record of the WisdomTree Emerging Markets High Dividend Fund (DEM) offering a dividend yield as large as what it has been posting in recent months. It’s showing a backward-looking 10.6% yield in our Digital Portfolio Developer tool.

The performance data quoted represents past performance and is no guarantee 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 performance, please click here.

Meantime, using the trailing yield, we have no record of it having this large of a gap relative to the MSCI Emerging Markets Index, nor do we have any precedent for it being this much higher than the yield on the S&P 500.

In figure 1, I put the yellow circles on DEM's previous record high yield, around 10%, which came in October 2008. Recall that Lehman Brothers collapsed in the prior month.

Figure 1: DEM’s Dividend Yield



Source: WisdomTree Digital Portfolio Developer, as of 12/31/22.

The thing about the 10.6% trailing yield is it captures some anomalies in the Energy patch, the best example being a 59% dividend yield on Petrobras, which comprises 3.4% of DEM. We found that the median analyst estimated yield on that firm is 15%.

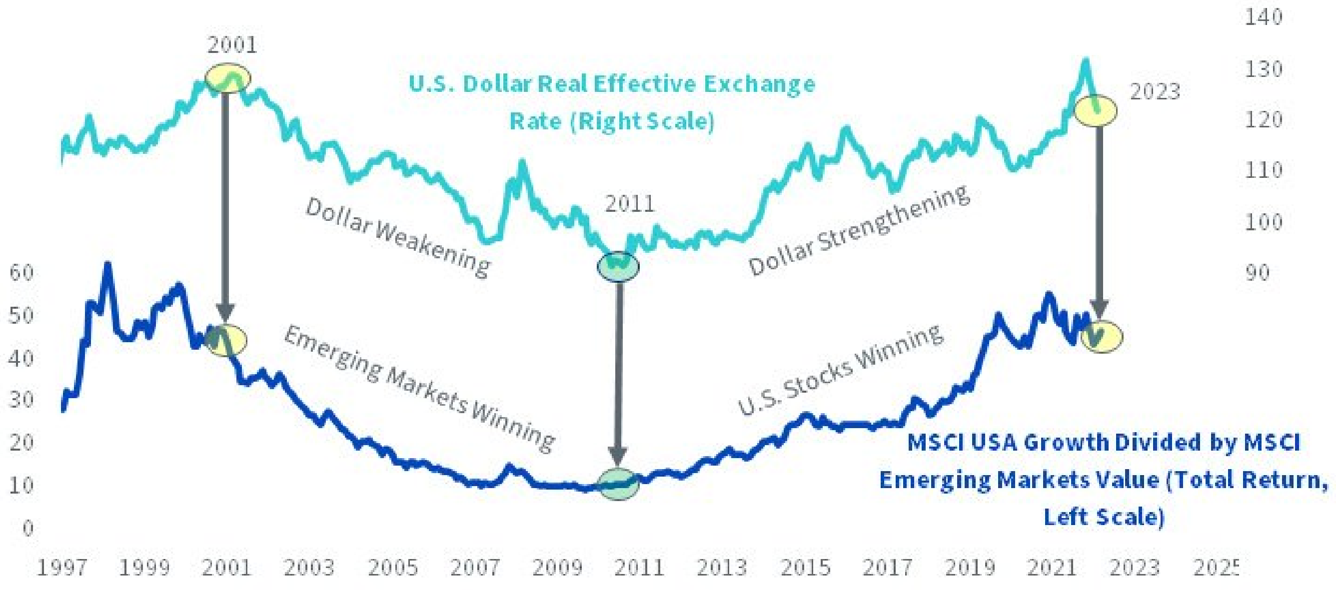
DEM Needs the Dollar to Behave

For DEM and other emerging equity funds to work out, we will need the greenback to abide. Though it wouldn't be the first time a strong currency got stronger, USD is so expensive that doing so will be an uphill climb. Its real effective exchange rate (REER) revisited its 2001 peak a few months ago.

Figure 2 shows what happened after 2001.

The turn of the century marked a nice entry point for both emerging markets and value. It was precisely the wrong time to be heavy in the U.S. and/or biased toward growth stocks.

Figure 2: Emerging Markets Value Stocks Are Beating U.S. Growth Stocks Again



Sources: Refinitiv, JPM, as of 12/31/22.

Things to Know about DEM

We recently surpassed $2 billion in this one, which you should treat as a classic deep-value fund. To call it a “hunt for yield” fund is appropriate. To be long DEM, you should agree with the thesis that has the market “on” dividends and “off” groups such as biotech and unprofitable story stocks. We believe DEM is for a classic value investor.

If you run DEM through the Digital Portfolio Developer Fund Comparison tool, type in MXEF for the MSCI Emerging Markets Index and “500” to bring up the S&P 500. That will let you replicate the first chart in this blog post while also presenting a deeper look at a ton of fundamental information.

Unless otherwise stated, all data as of 12/31/22.

Important Risks and Disclosure Related to this Article

This material must be preceded or accompanied by a prospectus.

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 on a single sector generally experience greater price volatility. 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. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.