

Fast and Furious Dividend Growth to Start 2013

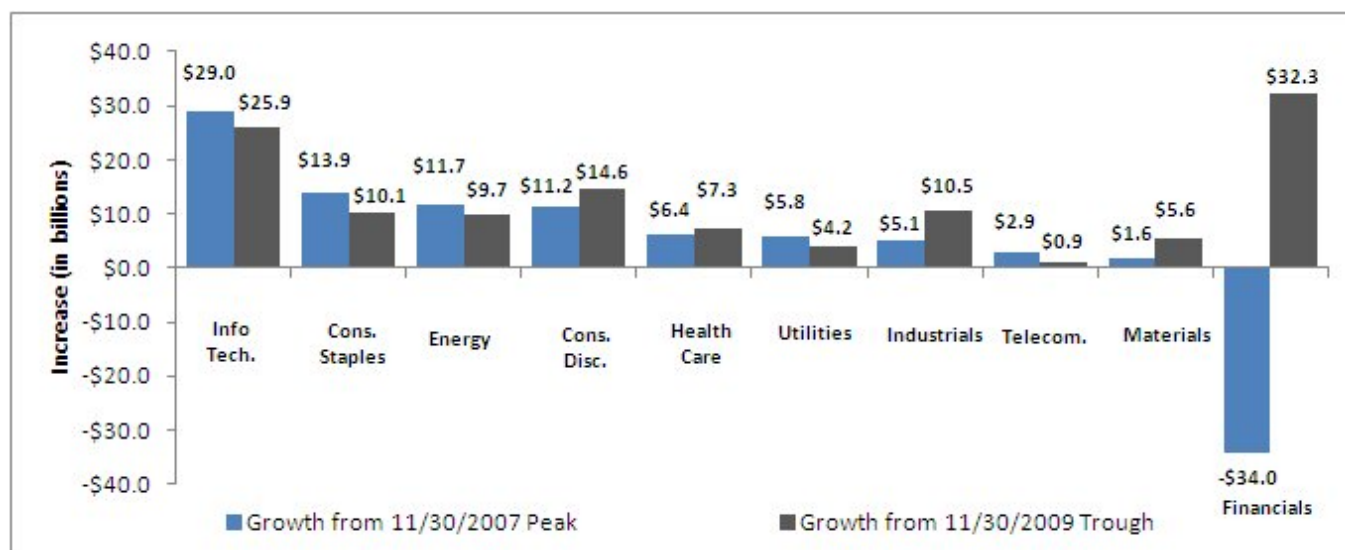
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In today's environment, investors are in an almost constant search of income-producing asset classes. One particular area of focus have been dividend-paying equities—made attractive not only because of the *current* income but also because of the potential for future *growth* of that income. And we are seeing significant increases in dividends from some of the largest dividend payers thus far in 2013. **The top five increases in cash dividend streams in 2013 have been:** • Wells Fargo increased its dividend per share *twice* so far in 2013, for a total increase of 36%—this will mean approximately \$1.7 billion more will be returned to shareholders. • J.P. Morgan increased its dividend per share 27% during the same period, resulting in an incremental increase of \$1.26 billion being returned to shareholders. • Wal-Mart increased its dividend almost 20%, meaning that an additional \$970 million will be paid out as dividends. • Ford has *doubled* its dividend in 2013—adding almost \$800 million to its dividend stream. • Rounding out the top five, Qualcomm increased its dividend per share by 40%—meaning an additional \$700 million will be returned to shareholders. While Financials have stolen the show in 2013 with some blockbuster dividend announcements following the recent stress test announcements, companies in all 10 market sectors are increasing their dividends. In what follows, we examine the composition of U.S. dividend growth, focusing specifically on its behavior from November 30, 2007 (its prior peak), and from November 30, 2009 (its most recent trough). **How Big Is the U.S. Dividend Stream?** On November 30, 2007, WisdomTree saw a peak value in its U.S. dividend stream—approximately \$288 billion—a number not surpassed until November 30, 2012, when a value of approximately \$329 billion was reached. Conversely, on November 30, 2009, WisdomTree saw the lowest value in its U.S. dividend stream since inception—approximately \$221 billion. As of March 14, 2013, firms have already grown their dividends an additional \$13 billion since WisdomTree's latest domestic screening date (11/30/2012). This means the current indicated dividend stream is nearly \$342 billion. Below we dissect the key drivers of the increased dividend payouts over this latest cycle.

Dividend Stream Increased from Prior Peak & Prior Trough



Period is from 11/30/2007 and from 11/30/2009 (WisdomTree's 2007 and 2009 Annual Index Screening Dates) to 3/14/2013. Universe is the WisdomTree Dividend Index.

Sources: WisdomTree, Bloomberg

• **Information Technology:** This sector accounts for over 50% of the increase in dividends from November 30, 2007, to March 14, 2013, with \$29 billion of the \$53.5 billion total increase in dividends. Technology firms are generally recent initiators with lots of cash on their balance sheets and potential for further dividend growth. From the November 30, 2009, low, this sector accounted for about 21% of the increase. • **Financials:** At the November 30, 2007, screening date, Financials comprised approximately one-third of the total dividend stream, but today they comprise only about 17%. Recent growth has been strong—with over \$32 billion from the bottom in 2009 after the cuts through today. The latest increase came after the Fed's approval of their stress test results. Financials are still about \$34 billion short of their November 30, 2007, high, though—the only sector that is still below its pre-financial crisis highs. • **Breadth of Growth:** It is remarkable to us that 9 out of 10 sectors have grown from the November 30, 2007, level and all 10 are higher than where they were on November 30, 2009. **Positioning to Capture the Market's Dividend Growth** I continue to believe it is important to be broadly diversified in the market to capture the dividend growth. Financial firms, though still on the comeback trail, are widely expected to continue growing their dividends pending approval from the U.S. government. Information technology firms have large amounts of cash, so we may see more dividend initiations as well as dividend growth from that sector. Ultimately, strategies focused on backward looking and regular cycles of 5, 10 or 20 years of consecutive dividend increases are likely to miss out on the new up-and-coming dividend payers (or those that cut dividends during the crisis, such as the aforementioned J.P. Morgan and Wells Fargo). With WisdomTree's U.S. Dividend family, once a firm indicates a regular dividend and meets other market capitalization and liquidity screens, it becomes eligible for inclusion, allowing these strategies to move quickly to capture the U.S. dividend stream as it evolves. **Unless otherwise noted, sources are WisdomTree and Bloomberg.** For current holdings in the WisdomTree Dividend Index, [click here](#).

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