Our U.S. Dividend Funds Are Turning 10 Years Old

Published May 3, 2016

Christopher Gannatti, CFA
Global Head of Research

It is amazing to me that some of our dividend-focused strategies are already going to hit their 10-year anniversary of live performance history on June 16, 2016. Time really does fly. To put things into context, on June 16, 2006: • The U.S. 3-Month Treasury Bill had an interest rate of 4.9%. (As of March 31, 2016, it was at 0.19%.)1 • The S&P 500 Index closed at 1,252. (As of March 31, 2016, it was at 2,059.)2 • There was no such term as "smart beta" yet,3 just as there was no such thing as an iPhone4 or an iPad5—three things that it would be difficult to imagine not hearing multiple references to each and every day, at least if you work in financial services and are tasked with developing innovative approaches to indexing. So, how have our strategies done compared to their respective peer group? **Average Annual Returns**

Fund	Fund Information			Total Return NAV (%)					Market Price (%)				
	Ticker	Exp. Ratio	Inception Date	YTD	1-Year	3-Year	5-Year	Since Fund Inception	YTD	1-Year	3-Year	5-Year	Since Fund Inception
WisdomTree Total Dividend Fund	DTD	0.28%	6/16/2006	4.26%	2.84%	10.62%	11.80%	7.09%	4.24%	2.65%	10.63%	11.78%	7.08%
WisdomTree LargeCap Dividend Fund	DLN	0.28%	6/16/2006	3.82%	3.04%	10.44%	11.76%	6.86%	3.79%	2.93%	10.43%	11.75%	6.83%
WisdomTree MidCap Dividend Fund	DON	0.38%	6/16/2006	7.31%	2.98%	12.64%	12.90%	8.91%	7.31%	2.89%	12.60%	12.89%	8.95%
WisdomTree SmallCap Dividend Fund	DES	0.38%	6/16/2006	6.26%	-1.70%	9.41%	10.62%	7.01%	6.28%	-1.83%	9.35%	10.63%	7.00%
WisdomTree High Dividend Fund	DHS	0.38%	6/16/2006	7.90%	7.88%	10.89%	13.18%	6.36%	7.89%	7.83%	10.86%	13.17%	6.36%
WisdomTree Dividend ex-Financials Fund	DTN	0.38%	6/16/2006	8.06%	2.96%	10.18%	12.30%	8.07%	8.02%	2.90%	10.17%	12.28%	8.05%

Source: WisdomTree, for period from 6/16/06 to 3/31/16.

WisdomTree's Results vs. Respective Morningstar Peer Groups

Ticker	Fund	Fund Inception Date	Morningstar Category	YTD	1-Year	3-Year	5-Year	Since Fund Inception
DTD	WisdomTree Total Dividend Fund	6/16/2006	Large Value	86%	90%	88%	94%	83%
DTN	WisdomTree Dividend ex-Financials Fund	6/16/2006	Large Value	98%	90%	83%	97%	98%
DLN	WisdomTree LargeCap Dividend Fund	6/16/2006	Large Value	85%	91%	86%	94%	86%
DHS	WisdomTree High Dividend Fund	6/16/2006	Large Value	97%	98%	91%	99%	77%
DON	WisdomTree MidCap Dividend Fund	6/16/2006	Mid-Cap Value	98%	98%	99%	99%	94%
DES	WisdomTree SmallCap Dividend Fund	6/16/2006	Small Value	95%	91%	92%	99%	80%

Source: Morningstar Direct, for period from 6/16/06 to 3/31/16.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns 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. Performance data for the most recent month-end is available at www.wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

 The percent of peer group beaten is the funds' total-return percentile rank relative to all funds in the same Morningstar Category and is subject to change each month. Regarding ranking of funds: 1=best, and 1,437=worst, using the 6/1/14–3/31/16 time frame as an example where there were 1,437 managers with performance extending through the full period.

• **Impressive "Since Inception" Results:** Between June 16, 2006, and March 31, 2016, a LOT has happened in U.S. equity markets. Any equity strategy would have been tested by the large upward or downward moves. In our opinion, over such a period it is difficult to beat more than half of managers in a respective peer group. • **Remarkable Five-Year Results:** For the five years ended March 31, 2016, every single WisdomTree Fund we show beat more than 90% of its respective peer group. DHS, DON and DES all beat 99% of their respective categories over this time frame. • **Strong Results Thus Far in 2016:** In this volatile quarter, many of WisdomTree's domestic dividend Funds were able to outperform significant portions of their peer groups. In the Large Value category, DTD and DLN outperformed around 85% of their peers, while DTN and DHS beat more than 95% of their peers. In the Small Value and Mid-Cap Value categories, DES beat 95% while DON beat an impressive 98% of its peer group.6 **Prospects for 2016** It is important to put these strategies in their appropriate context in order to understand and frame the potential paths of performance that might be observed. The Indexes they track: • Are not growth or momentum Indexes—and we saw that growth and momentum were two avenues of outperformance in 2015. While these trends may not continue in 2016, usually in times of volatility, like we've seen thus far in 2016, a focus on dividend-paying stocks has tended to provide some degree of relative outperformance. • Are focused solely on dividend payers. We cited at the outset that the period of nearly 10 years during which these Indexes have been live has seen the 3-Month T-bill go from an interest rate of almost 5.0% to approximately 20 basis points (bps). Lower interest rates are supportive for high-dividend7 stocks, as individuals search for sources of income outside low-yielding fixed income. If markets are volatile and risk-off sentiment becomes more pervasive than risk-on sentiment, interest rates may remain lower for longer and ultimately continue to provide a supportive element for income-generating equity approaches. • Are flexible, in that they are rebalanced once a year to reflect the conditions of the dividend-paying landscape as they exist at that time. One example of this is the Information Technology sector. This represented a very low exposure in 2006, when many large companies in this sector were not paying dividends. As of the most recent Index screening date—November 30, 2015—many of these firms had begun paying dividends, allowing them to be considered for inclusion since these Indexes do not require multiple years of past dividend history for their constituents. Sources of uncertainty—be it the U.S. presidential election, China's growth prospects, oil price levels or other items yet to enter the forefront of our attention span—may lead to continued volatility. Dividend-focused strategies may therefore remain at the forefront. 1Source: Bloomberg. 2Source: Bloomberg. 3Source: While it's quite difficult to indicate the first use of the term "smart beta," Towers Watson is credited with coining the phrase and wrote "Understanding Smart Beta" in July 2013. 4Source: "Apple Reinvents the Phone with iPhone," Macworld San Francisco press release, 1/9/07. 5Source: "Apple Launches iPad," Apple press release, 1/27/10. 6Paragraph refers to the quarter ending 3/31/16. 7High dividend: Refers to a component of the methodology of the WisdomTree High Dividend Index, which selects the 30% highest-yielding stocks from the WisdomTree Dividend Index universe on an annual basis.

Important Risks Related to this Article

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

Funds focusing their investments on certain sectors and/or smaller companies may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility.

Please read each Fund's prospectus for specific details regarding each Fund's risk profile.