

The Long Game of Dividend Growth Investing

Published February 24, 2026

Christopher Gannatti, CFA

Global Head of Research

Key Takeaways

- With markets volatile in early 2026, nearly 13 years of live results show that the [WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#) has delivered competitive long-term returns with a strong Sharpe ratio profile, reinforcing the case for emphasizing profitability and forward-looking earnings growth rather than simply backward-looking dividend streaks.
- While all five large-cap dividend growth ETFs target companies increasing payouts, their sharply different sector tilts, ranging from Technology and Communication Services to Utilities and Financials, have led to meaningfully different volatility, drawdown patterns and quality characteristics that investors must weigh when positioning for the next cycle.
- Strategies with heavier exposure to asset-light, high-return on equity (ROE) sectors have exhibited stronger earnings growth expectations than more utility-heavy approaches, suggesting investors concerned about durability and valuation risk may want to consider a quality-focused allocation such as [DGRW](#) to navigate shifting market leadership.

In 2013, we developed what is now known as WisdomTree's Quality Dividend Growth methodology. At the time, many of the largest technology companies paid no dividend at all. Today, it is increasingly difficult to find mega-cap tech firms that are not returning cash to shareholders and growing those payments consistently. Markets have evolved, leadership has shifted and volatility has come and gone, but the discipline of focusing on profitable companies with sustainable dividend growth has endured. As we move through early 2026's market turbulence, it is worth stepping back and reassessing nearly 13 years of live results through a long-term lens, focusing on some of the largest exchange-traded funds (ETFs) that represent strategies targeting this concept of 'dividend growth1.

When I start looking at results, I try to simplify the picture into three things:

- Average annual returns, preferably over a period of more than 10 years, if possible.
- Average annual volatility, to give a sense of the experience of generating those returns.
- Average annual Sharpe ratio, which measures units of return in excess of a risk-free rate relative to the level of volatility.

We see the results in Figure 1a.

Figure 1a: A Performance Snapshot of Different U.S. Dividend Growth Equity ETFs

Characteristic	DGRW	VIG	SDY	DVY	DGRO
Annualized Returns	12.7%	11.8%	10.0%	10.3%	12.3%
Annualized Volatility	13.7%	13.1%	14.1%	15.0%	13.7%
Sharpe Ratio	0.89	0.87	0.63	0.60	0.85

Sources: WisdomTree, FactSet, Morningstar specifically data from the Fund Comparison Tool in the PATH suite of tools, accessed February 13, 2026 with returns as of February 12, 2026, and both volatility and Sharpe ratio as of December 31, 2025. The period for these statistics starts as far back as possible for all strategies shown, June 10, 2014, the inception for DGRO. Green indicates a more favorable level for a characteristic, measured relative to the other ETFs, whereas red indicates a less favorable level for that characteristic. 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](#).**

To help with further context:

- The [WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#) is designed to track the total return performance of, before fees and expenses, the [WisdomTree U.S. Quality Dividend Growth Index](#). This strategy focuses on dividend-paying companies, weighted by their cash dividends, and focused on companies with higher return on equity, return on assets, and earnings growth expectations. **Notably, it does not focus on past dividend growth behavior for constituents.**
- VIG, the Vanguard Dividend Appreciation Index Fund ETF Shares, is designed to track the total return performance of the S&P U.S. Dividend Growers Index. is designed to measure the performance of U.S. companies that have followed a policy of consistently increasing dividends every year for at least 10 consecutive years. The index excludes the top 25% highest-yielding² eligible companies from the index.
- SDY, the State Street SPDR S&P Dividend ETF, is designed to track the total return performance of the [S&P High Yield Dividend Aristocrats Index](#). The index is designed to measure the performance of companies within the S&P Composite 1500® that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 years.

- DVY, the iShares Select Dividend ETF, is designed to track the total return performance of the Dow Jones U.S. Select Dividend Index. The index aims to represent the U.S.'s leading stocks by dividend yield. Dividend policy over the prior 5-year period factors into the potential inclusion analysis.
- DGRO, the iShares Core Dividend Growth ETF, is designed to track the total return performance of the Morningstar U.S. Dividend Growth Index. The index is designed to provide exposure to securities in the Morningstar U.S. Markets Index with a history of uninterrupted dividend growth and the capacity to sustain that growth.

Of course, there are nuances to each of these approaches, but the overall focus is the same—large-cap stocks, predominantly, with a specific policy of looking at the underlying dividend behavior of underlying constituents. **DGRW is the only approach in which the underlying strategy is not focused on past dividend growth behavior.**

Figure 1b: Standardized Performance

Fund/Index Name	Fund Ticker Symbol	Fund Inception Date	Fund Expense Ratio	Year-to-Date	1-Year	3-Year	5-Year	10-Year
WisdomTree U.S. Quality Dividend Growth Fund (NAV)	DGRW	5/22/13	0.28%	12.24%	12.24%	15.93%	12.67%	13.68%
WisdomTree U.S. Quality Dividend Growth Fund (MP)	DGRW	5/22/13	0.28%	12.20%	12.20%	15.94%	12.66%	13.67%
Vanguard Dividend Appreciation Index Fund ETF Shares (NAV)	VIG	4/21/06	0.04%	14.18%	14.18%	15.21%	11.27%	13.09%
Vanguard Dividend Appreciation Index Fund ETF Shares (MP)	VIG	4/21/06	0.04%	14.16%	14.16%	15.21%	11.29%	13.09%
State Street SPDR S&P Dividend ETF (NAV)	SDY	11/8/05	0.35%	8.18%	8.18%	6.36%	8.46%	9.82%
State Street SPDR S&P Dividend ETF (MP)	SDY	11/8/05	0.35%	8.17%	8.17%	6.38%	8.47%	9.82%
iShares Select Dividend ETF (NAV)	DVY	11/3/03	0.38%	11.64%	11.64%	9.45%	11.96%	10.38%
iShares Select Dividend ETF (MP)	DVY	11/3/03	0.38%	11.61%	11.61%	9.49%	11.97%	10.38%
iShares Core Dividend Growth ETF (NAV)	DGRO	6/10/14	0.08%	15.74%	15.74%	14.23%	11.69%	13.10%
iShares Core Dividend Growth ETF (MP)	DGRO	6/10/14	0.08%	15.70%	15.70%	14.24%	11.70%	13.09%

Sources: WisdomTree, FactSet specifically data from the Fund Comparison Tool in the PATH suite of tools, accessed February 13, 2026 with returns as of December 31, 2025. 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 the relevant ticker: [DGRW](#), [VIG](#), [SDY](#), [DVY](#), [DGRO](#).**

Same 'Dividend Growth' Concept but Very Different Portfolios

On the surface, each strategy sits under the banner of "dividend growth." But the sector exposures tell a far more nuanced story. Some approaches lean heavily into Technology and Communication Services,

capturing the structural shift toward cash-generative mega-cap growth. Others tilt meaningfully toward Utilities, Financials or Industrials, reflecting a more traditional income orientation. These differences are not cosmetic; rather, they shape return patterns, volatility profiles and drawdown behavior over full cycles. Analysis of dividend policies and potential growth may be a common thread, but sector composition could have a big impact on how each portfolio participates in market leadership, economic sensitivity and structural change. The overall concept may be similar. The economic exposure is not.

Figure 2: The Sector DNA of Dividend Growth Strategies

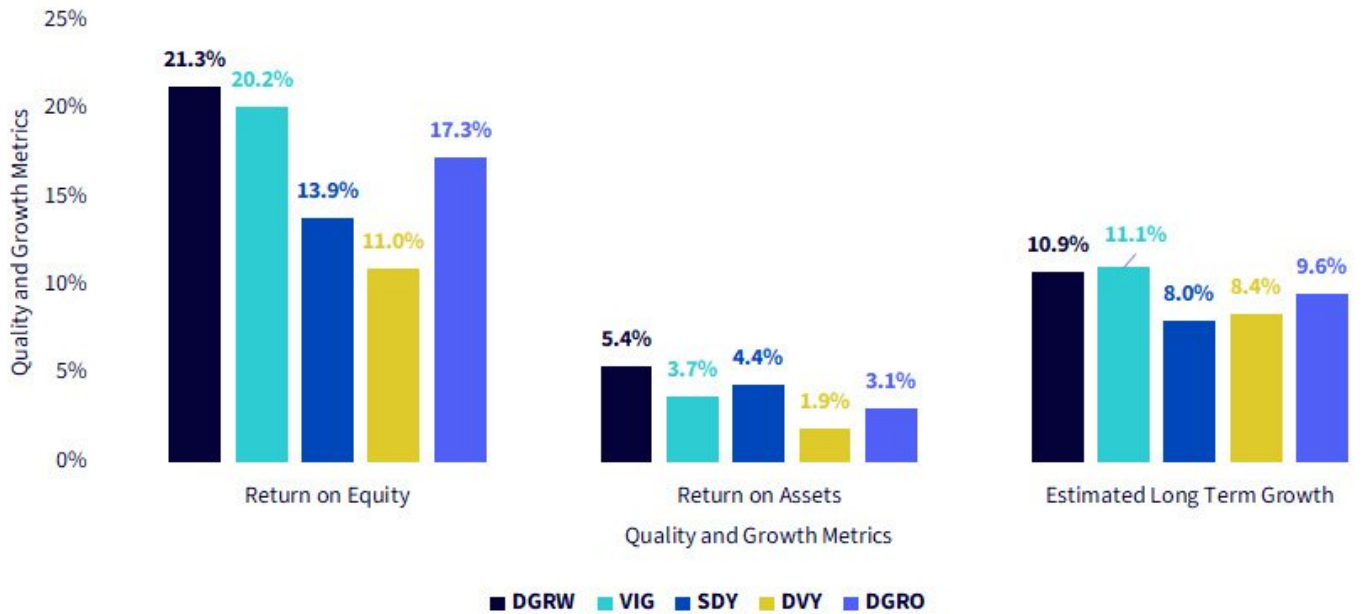
Sector	DGRW	VIG	SDY	DVY	DGRO
Communication Services	12.5%	0.5%	3.0%	4.6%	0.2%
Consumer Discretionary	8.8%	4.8%	4.4%	6.9%	6.2%
Consumer Staples	6.8%	9.5%	17.6%	10.8%	12.9%
Energy	7.8%	2.7%	4.3%	6.4%	6.0%
Financials	11.7%	22.1%	10.4%	26.5%	20.1%
Health Care	13.5%	16.7%	6.9%	5.6%	17.0%
Industrials	9.8%	10.9%	20.1%	2.4%	12.5%
Information Technology	25.5%	27.1%	6.4%	6.1%	15.5%
Materials	3.5%	3.0%	8.9%	6.3%	2.8%
Real Estate	0.0%	0.0%	4.3%	0.0%	0.0%
Utilities	0.2%	2.6%	13.8%	24.4%	6.9%

Sources: WisdomTree, FactSet, Morningstar, with data as of January 31, 2026. Green refers to a larger sector exposure for a given strategy, whereas red refers to a smaller sector exposure for a given strategy. **Subject to change.**

Sector Exposure and the Quality Trade-Off

Sector weights are not just about economic sensitivity; they meaningfully influence fundamental characteristics. Strategies like SDY and DVY, with larger allocations to Utilities, tend to exhibit lower average return on equity and return on assets, reflecting the capital-intensive and regulated nature of that sector. Earnings growth expectations also tend to be more modest, consistent with stable but slower-growing cash flows. By contrast, portfolios with heavier exposure to Information Technology and Communication Services typically show stronger profitability metrics and higher expected earnings growth, driven by asset-light business models and structural revenue expansion. Over time, those fundamental differences can compound into materially different risk-adjusted outcomes.

Figure 3: Sector Decisions Show as Quality & Growth Outcomes



Sources: WisdomTree, FactSet, Morningstar, with data as of January 31, 2026. Green refers to a larger sector exposure for a given strategy, whereas red refers to a smaller sector exposure for a given strategy. **Subject to change.**

Conclusion: Position for the Cycle, Not the Headline

Dividend growth is not a monolith. Sector exposure, profitability and earnings growth expectations meaningfully shape long-term outcomes. In calmer markets, those differences can feel subtle. During volatility, they compound. Investors concerned about valuation risk are often concerned about durability—owning businesses that can sustain cash flows and adapt across cycles. A disciplined focus on quality and growth does not eliminate drawdowns, but it can help position portfolios with stronger foundations when uncertainty inevitably resurfaces.

Figure 4: Additional Information

Fundamentals	WisdomTree U.S. Quality Dividend Growth Fund	iShares Select Dividend ETF	SPDR S&P Dividend ETF	Vanguard Dividend Appreciation Index Fund ETF Shares	iShares Core Dividend Growth ETF
Inception Date	5/22/13	11/3/03	11/8/05	4/21/06	6/10/14
Objective	The WisdomTree U.S. Quality Dividend Growth Fund seeks to track the total return performance of, before fees and expenses, the WisdomTree U.S. Quality Dividend Growth Index. This strategy seeks to include companies that have initiated a dividend policy and that have the potential to grow dividends as flexibly as possible. The focus is on earnings growth expectations, return on equity and return on assets, characteristics that may lead to better potential future dividend growth.	The iShares Select Dividend ETF seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities, as represented by the Dow Jones U.S. Select Dividend Index. This index does require 5 years of non-negative dividend-per-share growth, and has a process that tilts more in the direction of a higher dividend yield.	The SPDR S&P Dividend ETF seeks to track the investment results, after fees and expenses, of the S&P High Yield Dividend Aristocrats Index. This index requires constituents to demonstrate 20 years of consecutive year-over-year dividend growth, and has a weighting mechanism that does tilt toward higher dividend yield.	The Vanguard Dividend Appreciation Index Fund ETF Shares seeks to track the total return performance of, before fees and expenses, the S&P U.S. Dividend Growers Index. This index focuses on stocks that have demonstrated 10 consecutive years of year-over-year dividend growth, and it also excludes companies higher on the spectrum of dividend yields, seeking to avoid potential value-traps.	The iShares Core Dividend Growth ETF seeks to track the total return performance of, before fees and expenses, the Morningstar US Markets Index. The Morningstar Dividend Growth Indexes are designed to target dividend-paying stocks with a record of consistent dividend growth and the capacity to sustain that growth. To be eligible for inclusion, companies must have increased their dividend payments for five or more consecutive years. Forward-looking screens are applied to favor companies with the strength to continue their dividend growth.
SEC 30-Day Yield	1.36%	3.79%	2.60%	1.57%	2.14%
Total Expense Ratio	0.28%	0.38%	0.35%	0.04%	0.08%
Underlying Index Name	WisdomTree U.S. Quality Dividend Growth Index	Dow Jones U.S. Select Dividend Index	S&P High Yield Dividend Aristocrats Index	S&P U.S. Dividend Growers Index	Morningstar US Markets Index
Total Assets Under Management (millions)	\$16,201.65	\$22,798.26	\$21,824.04	\$102,000.00	\$38,371.32

Sources: Fund sponsor websites and fund pages, with assets under management data current as of February 12, 2026. **Subject to change.**

1 The ETFs were selected as among the largest ETFs by assets under management as of February 2026 that have, in their underlying index, a focus on some measure of ‘dividend growth’ for underlying constituents.

2 Yield refers to dividend-yield.

Important Risks Related to this Article

All funds are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund to fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund.

DGRW: There are risks associated with investing, including possible loss of principal. Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. Growth stocks are generally more sensitive to market movements than other types of stocks. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. The Fund is non-diversified, as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. 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. The composition of the Index is governed by an Index Committee and the Index may not perform as intended. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For additional fund disclosures, click the relevant ticker: [VIG](#), [SDY](#), [DVY](#), [DGRO](#).