The Return of Dividends: Why DHS Is Having a Moment

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Key Takeaways

- Amid rising volatility in 2025, the WisdomTree U.S. High Dividend Fund (DHS) has meaningfully outperformed broader markets, offering a compelling defensive strategy with a 3.5% YTD return versus 13.6% for the S&P 500.
- DHS's under-weight in tech and over-weight in stable, cash-generating sectors like Financials, Utilities and Consumer Staples is proving beneficial as investors rotate away from high-momentum growth stocks.
- With a 3.88% dividend yield and a 14x forward price-to-earnings ratio, DHS presents a valuation-conscious, income-focused alternative for investors seeking returns that don't rely on speculative growth or multiple expansion.

At WisdomTree, our journey began in 2006 with a foundational belief: that dividends matter. The market regime following the global financial crisis1 often rewarded high-growth, non-dividend-paying companies—particularly in the U.S. Technology, Consumer Discretionary and Communication Services sectors. A core tenet of portfolio construction became easy to ignore: the importance of defense.

For much of the past two decades, dividend strategies were overshadowed by the rise of mega-cap growth. But there's a principle in investing—defense can appear as annoying underperformance…until you need it. In 2025, with rising volatility and a difficult-to-predict Trump Administration, there is a growing market rotation away from the Magnificent 7,2 and dividend-paying companies have come back in focus.

Figure 1: Standardized Performance

Fund/Index Name	Fund Ticker Symbol	Fund Inception Date	Fund Expense Ratio	Fund 30-Day SEC Yield	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree U.S. High Dividend Fund (NAV)	DHS	6/16/06	0.38%	3.60%	6.75%	18.60%	8.25%	16.29%	8.95%	7.65%
WisdomTree U.S. High Dividend Fund (MP)	DHS	6/16/06	0.38%	3.60%	6.83%	18.77%	8.22%	16.33%	8.95%	7.65%
Russell 1000 Value Index	N/A	N/A	N/A	N/A	5.05%	15.75%	8.65%	12.51%	8.95%	N/A
S&P 500 Index	N/A	N/A	N/A	N/A	1.44%	18.41%	12.55%	16.85%	12.98%	N/A
Nasdaq 100 Index	N/A	N/A	N/A	N/A	-8.07%	6.44%	10.03%	20.75%	17.22%	N/A

Sources: WisdomTree, Morningstar and FactSet, specifically data from the Fund Comparison Tool in the PATH suite of tools, as of 3/31/25. Fund 30-Day SEC Yield as of 3/31/25. 30-Day SEC Yield = The yield figure reflects the dividends and interest earned during the period, after deduction of the Fund's expenses. This is also referred to as the "standardized yield". NAV denotes total return performance at net asset value. MP denotes market price performance. **You cannot invest directly in an index. 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 DHS's most recent month-end and standardized performance, click here. Performance of less than one year is not annualized.**

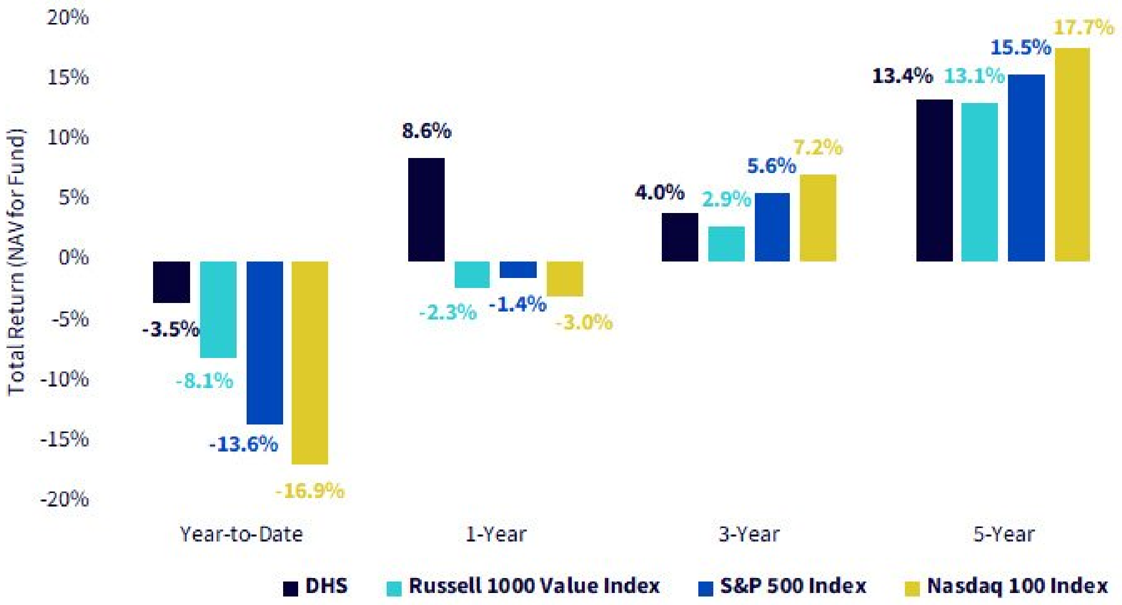
So far, 2025 has been a rough ride—and in a year where everything feels a bit painful return-wise, the WisdomTree U.S. High Dividend Fund (DHS) has been less painful. Down 3.5% year-to-date (YTD), it's held up meaningfully better than the Russell 1000 Value Index (8.1%) and especially theS&P 500 (13.6%). TheNasdaq 100 Index has been the leader for some time, emphasizing exposure to the mega-cap technology-oriented companies we mentioned earlier, and it is down 16.9% over this YTD period. When the market starts to question the price it pays for forward-looking expectations, cash in hand—in the form of dividends—suddenly looks like a more favorable deal.

Zoom out to the **one-year view**, and DHS has maintained its prominence. While broad value and the S&P 500 still reflect losses (2.3% and 1.4%, respectively)DHS is up 8.6%. Again, the Nasdaq 100 Index faced the toughest result, down 3.0%. That's not a fluke. It's a signal. Market leadership is starting to rotate, and strategies that favor durability over disruption are gaining ground.

But move further out—**three, five and 10 years**—and the gravitational pull of megacap tech becomes unavoidable. The S&P 500, supercharged by a handful of dominant growth stocks, lapped both dividend and value benchmarks, and the Nasdaq 100 Index did even better. It's a reminder that in certain regimes, concentration can look like genius…until it doesn't.

In our opinion, the point isn't that dividends always win. It's that they show up when you need them most—and they do so without requiring you to bet the farm on what's next in AI, semiconductors or space colonization.

Figure 2: DHS's Near-Term Outperformance as Defense Became More Important



Sources: WisdomTree, Morningstar and FactSet, specifically data from the Fund Comparison Tool in the PATH suite of tools, as of 4/7/25. NAV denotes total return performance at net asset value. MP denotes market price performance. **You cannot invest directly in an index. 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 DHS's most recent month-end and standardized performance, click here. Performance of less than one year is not annualized.**

Sometimes the standard periods of multiple years can mask the experience that many of us might remember during individual years. For example:

- The S&P 500 Index had a negative calendar-year return during two of the last 10 full calendar years, 2018 and 2022. Many may remember 2022 in particular, as the Federal Reserve was hiking its policy rate quickly to combat inflation. U.S. equities and fixed income were challenged. While people may remember the 18.11% return of the S&P 500 Index, they may not remember that the Nasdaq 100 Index was down more than 32%.
- DHS delivered a strongly defensive result in 2022—a positive 7.88% return while the other benchmarks in figure 3 were all negative. However, 2018 was not as successful.
- We believe that many people have not been looking at DHS because of what is clear in 2023 and 2024, when the Fund dramatically trailed both the S&P 500 and Nasdaq 100 indexes. This is that "annoying underperformance" that we mentioned earlier.

Figure 3: The Last 10 Calendar Years

Fund/Index Name	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
DHS	-0.61%	17.85%	11.68%	-7.25%	22.58%	-5.68%	23.11%	7.88%	-0.19%	17.97%
Russell 1000 Value Index	-3.83%	17.34%	13.66%	-8.27%	26.54%	2.80%	25.16%	-7.54%	11.46%	14.37%
S&P 500 Index	1.38%	11.96%	21.83%	-4.38%	31.49%	18.40%	28.71%	-18.11%	26.29%	25.02%
Nasdaq 100 Index	9.75%	7.27%	32.99%	0.04%	39.46%	48.88%	27.51%	-32.38%	55.13%	25.88%

Sources: WisdomTree, Morningstar and FactSet, specifically data from the Fund Comparison Tool in the PATH suite of tools, as of 12/31/24. NAV denotes total return performance at net asset value. MP denotes market price performance. **You cannot invest directly in an index. 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 DHS's most recent month-end and standardized performance, click here.**

What You *Don't* Own Matters Just as Much as What You Do

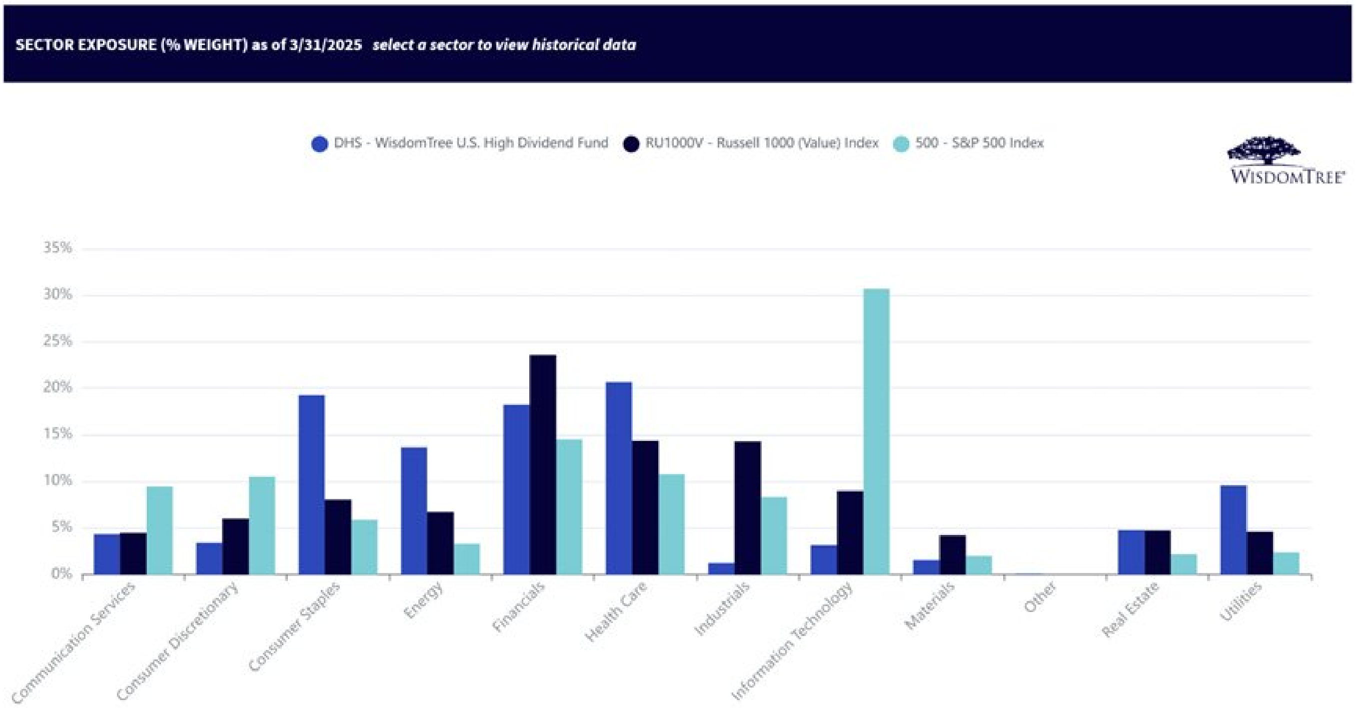
One look at figure 4 and the story becomes obvious: **DHS is not trying to be everything to everyone**. It's deliberately not chasing tech. While the S&P 500 leans hard into Information Technology (north of 30% exposure), DHS sits comfortably with single-digit weight. That's not an accident—it's the product of a strategy that asks a different question: "Who's paying shareholders today?" rather than "Who's growing the fastest?"

That sector tilt—away from the frothy and toward the fundamental—defines the **defensive DNA** of DHS. It's right there in the over-weight allocations to **Consumer Staples, Utilities, Energy** and **Health Care**. These aren't the sectors that dominate headlines, but they do tend to hold up when the headlines turn sour.

Financials and **Energy** together account for over 30% of DHS—two sectors that, while cyclical, also represent valuation discipline and free cash flow. These are businesses that have had to prove themselves in high-rate environments. And in a world where capital is no longer free, that starts to matter again.

The under-weight to **Information Technology**, and to a lesser extent to **Communication Services**, has felt like a liability in the growth-dominated years. But in 2025, it's looking more like a cushion.

Figure 4: DHS Emphasized a Defensive Sector Orientation



Sources: WisdomTree, Morningstar and FactSet, specifically data from the Fund Comparison Tool in the PATH suite of tools, as of 3/31/25. The Nasdaq 100 Index holdings and sector exposures are not accessible in this system. **You cannot invest directly in an index. Exposures are subject to change.**

When You Don't Own the Magnificent 7

Look at DHS's top holdings. There's no Apple. No NVIDIA. No Microsoft. No Alphabet, Amazon, Meta or Tesla. In fact, the **total exposure to the Magnificent 7 is zero**. This is a portfolio that has deliberately not owned the market's most talked-about—and most concentrated—drivers of return over the past five years.

Names like **Philip Morris, Johnson & Johnson, Exxon Mobil** and **AbbVie**—these are household names, yes, but also steady compounders with strong balance sheets and consistent dividend policies. In fact, the top 10 names in DHS account for over **42%** of the portfolio, and every one of them pays you to own them.

Contrast that with the **S&P 500**, where more than a third of the index is concentrated in just 10 companies—seven of which are tech-driven giants. That's a bet on continued dominance by a handful of firms that have already defied gravity for a decade.

The **Russell 1000 Value Index** may be Value, but its top holdings do overlap with those of the S&P 500 Index and total only about 18% of the portfolio.

DHS expresses something different: *intentional concentration* in income-generating companies. It's not designed to beat the S&P 500 Index in momentum-driven bull markets. It's designed to act like ballast when the future starts to feel uncertain.

Figure 5: DHS Avoided the Magnificent 7

DHS		Russell 1000 Value Index		S&P 500 Index	
Company Name	**Weight**	**Company Name**	**Weight**	**Company Name**	**Weight**
Philip Morris International	5.50%	Berkshire Hathaway	3.66%	Apple	7.25%
Johnson & Johnson	5.50%	JPMorgan Chase & Co.	2.89%	NVIDIA	6.07%
Exxon Mobil	5.18%	Exxon Mobil	1.94%	Microsoft	5.85%
AbbVie	4.96%	Walmart	1.66%	Amazon.com	3.94%
Chevron	4.30%	UnitedHealth Group	1.58%	Alphabet	3.60%
Altria Group	4.03%	Johnson & Johnson	1.55%	Meta Platforms	2.89%
PepsiCo	3.78%	Proctor & Gamble	1.24%	Berkshire Hathaway	1.87%
AT&T	3.52%	Bank of America	1.19%	Broadcom	1.85%
Merck & Co	2.67%	Chevron	1.06%	Tesla	1.62%
Gilead Sciences	2.62%	Wells Fargo	1.01%	JPMorgan Chase & Co.	1.48%
Total	**42.06%**	**Total**	**17.78%**	**Total**	**36.42%**

Sources: WisdomTree, Morningstar and FactSet, specifically data from the Fund Comparison Tool in the PATH suite of tools, as of 3/31/25. The Nasdaq 100 Index holdings and sector exposures are not accessible in this system. **You cannot invest directly in an index. Holdings subject to change.**

The Payoff: Real Income, Right Now

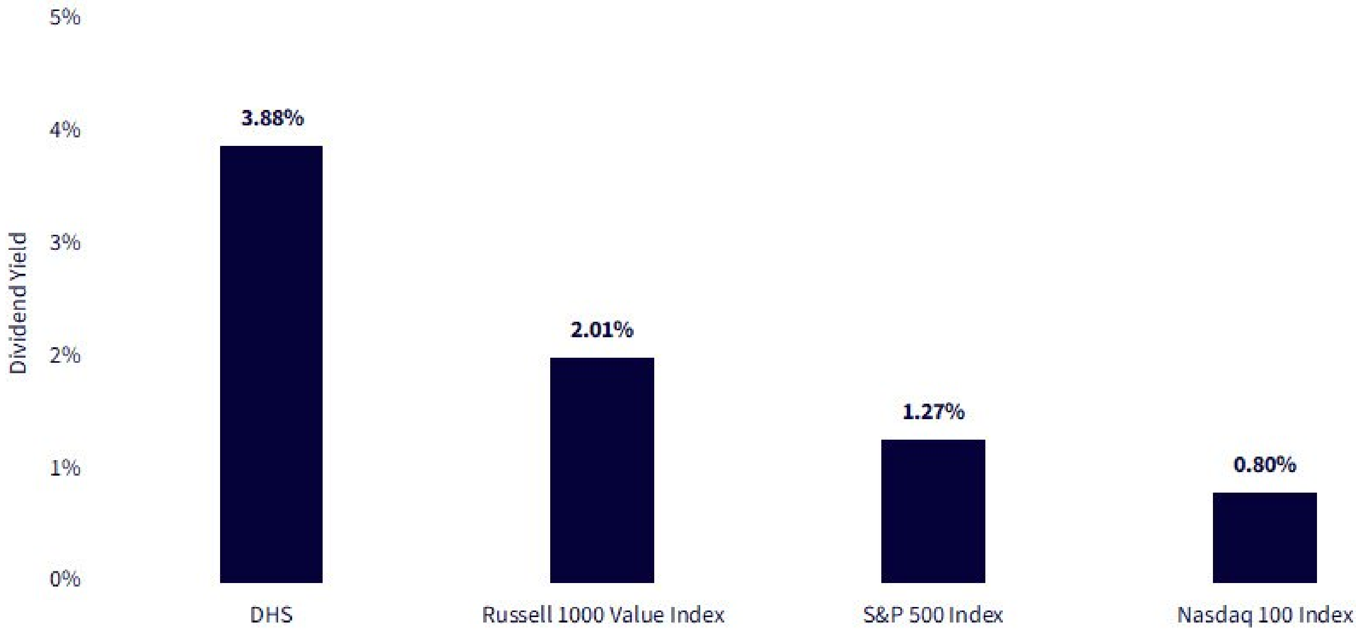
DHS offers a **3.88% dividend yield**3—nearly double the Russell 1000 Value Index and more than triple the S&P 500. That's not a rounding error. That's a fundamentally different approach to equity investing.

Where most portfolios today are implicitly betting on multiple expansion, DHS delivers a return stream that doesn't require perfect timing or endless growth. It pays you to be patient. It pays you through the volatility.

Importantly, this isn't yield for yield's sake. These are not distressed businesses with unsustainable payout ratios. DHS is built from the ground up and seeks to **mitigate the risk of exposure to value traps and companies paying unsustainable dividends**. The highest weight is not in companies with the highest yields but rather in those companies that are distributing the most cash in aggregate to their shareholders.

In a world where cash once again has a cost and equity markets are repricing risk, **income is strategy-**—not just an outcome.

Figure 6: DHS Tilted toward Higher Dividend-Yielding Companies



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Valuation Discipline in an Expensive Market

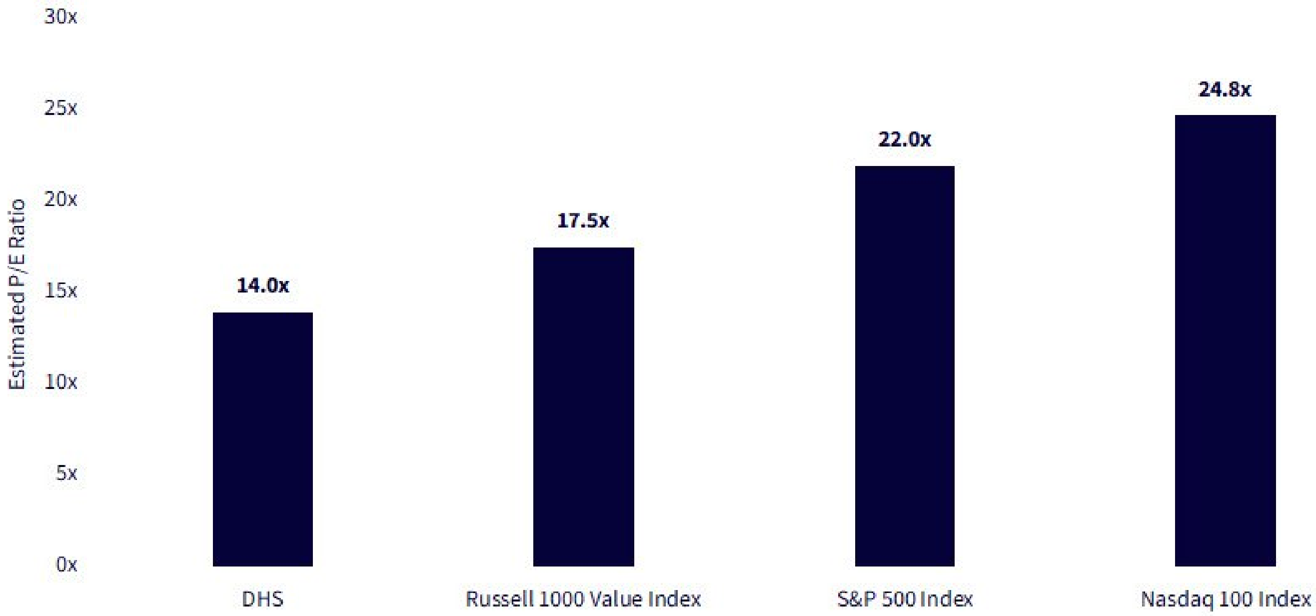
With the **S&P 500 trading at 22 times forward earnings**, investors are once again leaning heavily on the idea that growth will justify the price. The Nasdaq 100 Index saw an even higher valuation. The Russell 1000 Value Index is more modest, but still sits at 17.5 times. Neither feels particularly cheap by historical standards, especially with real rates now positive and capital no longer free.

Then there's **DHS—clocking in at just 14.0 times**.

That number isn't just lower; it's anchored in a portfolio of dividend payers with high return-on-equity metrics and a strict valuation discipline at the time of rebalancing. It reflects a different logic: don't pay up for potential, pay less for profitability that already exists.

In an era where multiple expansion may be limited, we believe **starting valuation matters more than ever**.

Figure 7: DHS Dialed Down the Estimated P/E Ratio



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Conclusion: When the Market Narrative Changes, So Should the Toolkit

For much of the last decade, being under-weight in tech or over-weight in dividends felt like a drag—an anchor in a market that rewarded speed over stability, potential over profit. But in 2025, **the narrative is shifting**, and DHS is meeting the moment.

In a market defined by extreme concentration, extended valuations and rising macroeconomic uncertainty, **DHS offers something refreshingly scarce: balance**. It is a portfolio built not on dreams of disruption but on durable cash flows, capital return and valuation discipline. The Fund has delivered strong **relative performance in a tough environment**, and its **sector and stock positioning** shows a clear intentionality: real businesses, paying real income, at reasonable prices.

Where others are asking, *"How much longer can the Magnificent 7 lead?"*, DHS has already moved on.

1 The global financial crisis played out in global markets during portions of 2008 and 2009. After this period, interest rates across much of the developed world were at or near record lows for extended periods, an environment that was very favorable for growth-oriented equities.

2 Refers to Apple, Amazon.com, Alphabet, Microsoft, Meta Platforms, Nvidia and Tesla.

3 As of 4/15/25, DHS's SEC 30-day Yield = 3.94%. **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 DHS's prospectus, click here. For DHS's most recent month-end and standardized performance, click here.**

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. 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.