

A FORCE FOR RETURNS: Shareholder Yield

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Key Takeaways

- + Companies with high shareholder yield have consistently outperformed over the last decade.
- + Buyback-heavy firms enhance earnings per share and create what I call “Committed Shareholders.”
- + Strategies that focus on shareholder yield benefit from reducing their share count.

WisdomTree gained a ton of traction among our long-time investors as we developed fundamental screens that run on a combination of dividend and share buyback yield, which together comprise the total shareholder yield. Let’s go through why we think this stuff works.

Firstly, Figure 1 has a lot of green on the top and red on the bottom. Across the US, developed and emerging markets, stocks that scored highly on a combination of dividend and buyback yield have generally performed well relative to their respective benchmarks over the last decade.

Figure 1: Grouping Stocks By Shareholder Yield Quintile

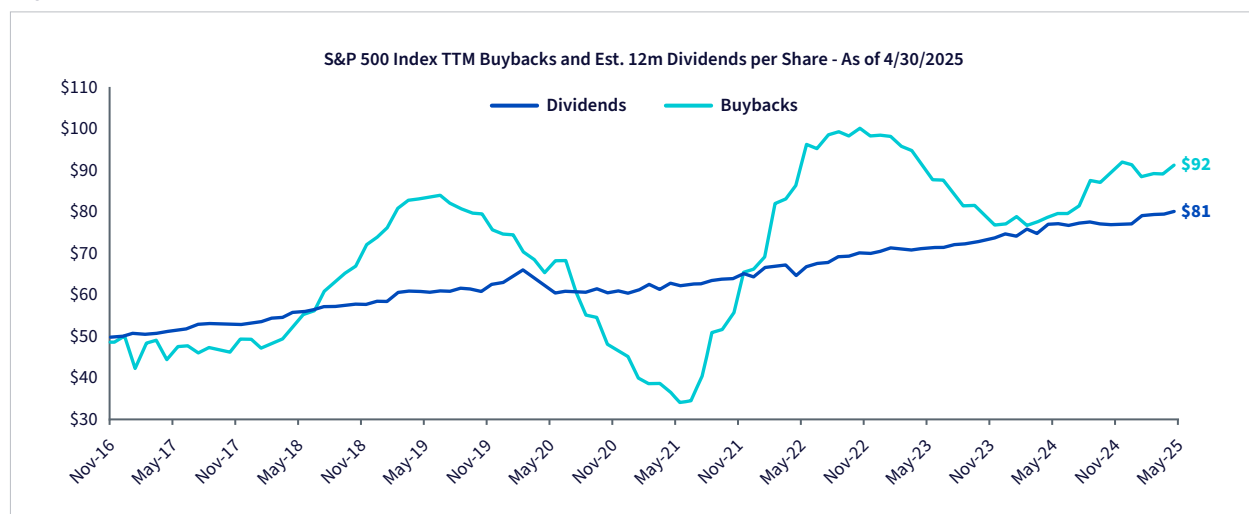
10-Year Returns, Sorted by Shareholder Yield (Dividends Plus Buybacks)								
	U.S. Large Cap	U.S. Mid Cap	U.S. Small Cap	International Large Cap	International Mid Cap	International Small Cap	Emerging Markets	Emerging Markets Small Cap
Grouping	Russell 1000	Russell Mid Cap	Russell 2000	MSCI EAFE	MSCI EAFE Mid Cap	MSCI EAFE Small Cap	MSCI Emerging Markets	MSCI Emerging Markets Small Cap Index
Highest Shareholder Yield	10.74%	9.66%	5.09%	7.31%	7.71%	6.80%	6.85%	7.99%
2nd Quintile	14.58%	11.73%	8.79%	6.24%	5.69%	7.01%	4.60%	7.59%
3rd Quintile	9.73%	10.86%	8.06%	4.80%	2.98%	5.56%	3.25%	4.29%
4th Quintile	11.58%	8.79%	8.32%	6.36%	4.04%	5.16%	2.21%	3.37%
Lowest Shareholder Yield	12.81%	8.82%	7.78%	4.67%	6.02%	6.37%	2.87%	4.01%
Zero or Negative Shareholder Yield	13.32%	6.13%	4.94%	-0.14%	2.68%	2.44%	-1.95%	1.26%
50% First Quintile, 50% Second Quintile	12.66%	10.70%	6.94%	6.78%	6.70%	6.91%	5.73%	7.79%
Index Return	12.32%	8.81%	6.32%	5.45%	5.07%	5.46%	3.07%	4.14%

Source: WisdomTree PATH Software, as of 5/31/2025

Though we have classically been known for dividend-weighting, in recent years our research methodologies have put a greater emphasis on buyback yield in many of our screens.

Something that is helpful for repurchasers: they may not be as constrained as pure play dividend names. That's because a corporation's dividend program has a certain sanctity to it, especially in the US. To cut the dividend is tantamount to admitting severe trouble in the business model. But looking at the S&P 500 in recent years, we see that buyback programs can more easily be adjusted as economic conditions warrant (Figure 2).

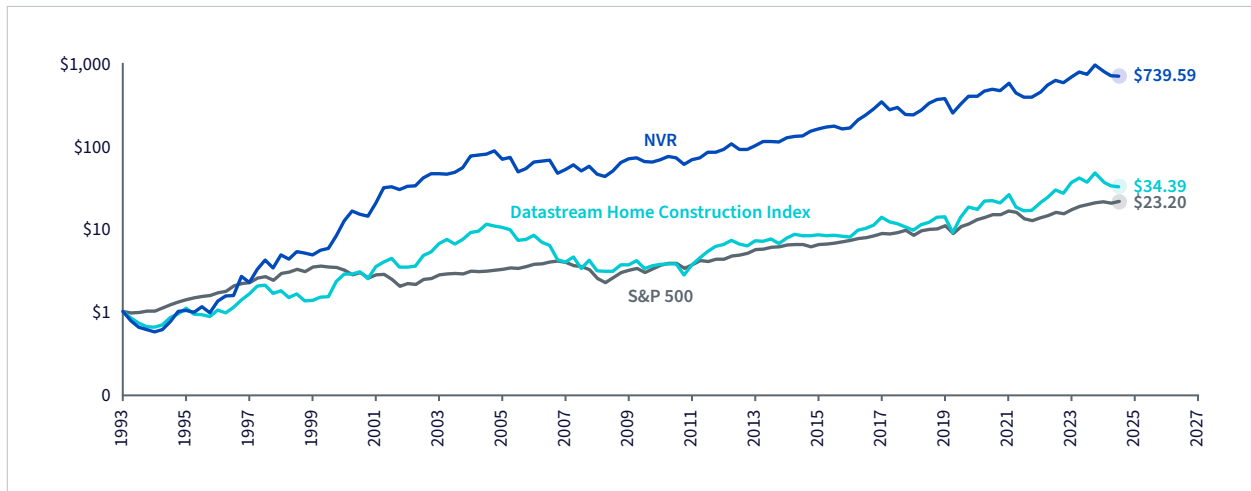
Figure 2: When Trouble Strikes, Buybacks Offer Business Plan Malleability



Source: WisdomTree, FactSet, S&P, since 11/30/2016. You cannot invest directly in an index.

A poster child for buyback programs creating shareholder wealth is NVR, the homebuilder. In the 1990s, the company's management basically decided to repurchase a boatload of stock at every possible opportunity. It stuck to that tactic ever since. Since 1993, the stock is up more than 700-fold.

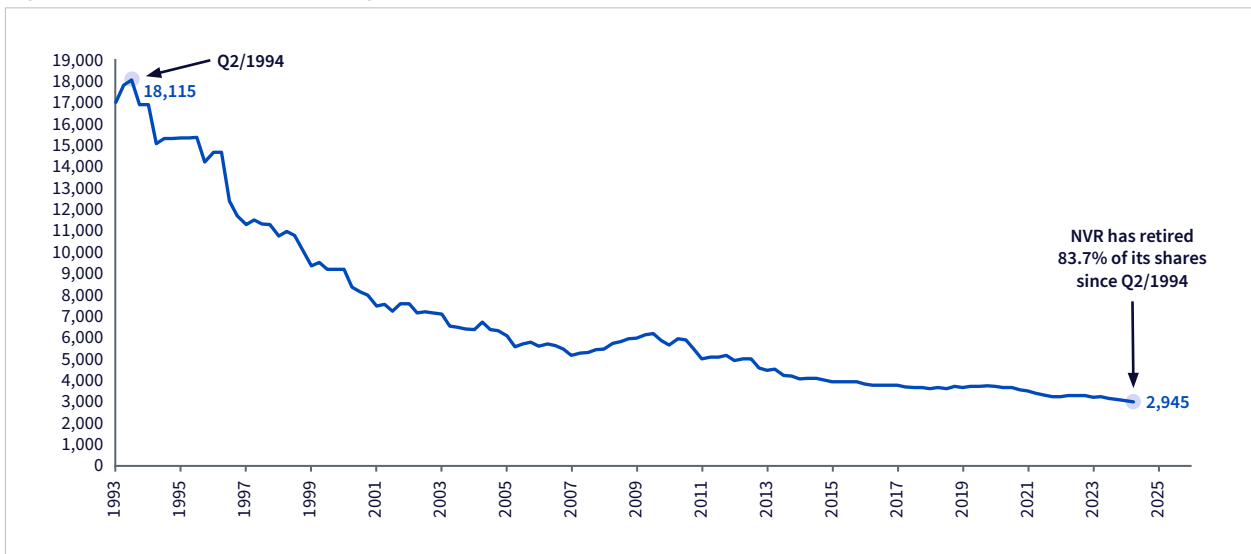
Figure 3: Growth of \$1 in the Homebuilder NVR, Inc.



Source: Refinitiv, 12/31/1993 - 6/2/2025.

NVR's total share reduction over the last 31 years was 83.7% (Figure 3).

Figure 4: NVR's Shares Outstanding (Thousands)



Source: Refinitiv, Q4/1993 - Q1/2025.

A CONCEPTUAL: “THE BUYBACKER VS. THE DILUTER”

Compare two hypothetical companies. One habitually buys back their stock; the other issues stock repeatedly.

Start with your ownership profile in the company that repurchases stock with regularity.

In Figure 5, you buy 1 share of the company that has 100 shares outstanding, or a 1% equity stake. Total earnings are \$100, equal to \$1 per share. The stock’s P/E is 10, so the stock shares trade for \$10. The share price times the shares outstanding, the market capitalization, is \$1,000. Your 1% ownership stake is worth \$10.

The company grows earnings at 8% a year for 10 years, while reducing the share count by 4% per year through a share repurchase program.

You only made the one-time stock purchase and never touched it, but your slice of the pie got bigger. After 10 years, the share buyback program has left only 66.5 shares outstanding, so your 1 share equals 1.50% of the company, up from 1% at the beginning.

Even though the company’s original \$100 in earnings grew 8% per year to \$215.89, earnings PER SHARE rose from \$1.00 to \$3.25 because of the share count reduction. The P/E remains 10, so the stock you bought for \$10 has rallied to \$32.47. Annualized return: 12.5%. Note: the arithmetic doesn’t work out to 8% + 4%. It’s multiplicative, not additive, so the return is slightly higher.

This is just an example. For real-world companies, earnings zigzag. Share repurchase programs come and go. Factories burn down, recessions happen. But I hope this concept helps paint the picture.

Figure 5: The Habitual Share Repurchaser

Ownership Example: Buy and Hold a Company That Buys Back Its Stock Amount of Stock Retired Each Year = 4%										
Scenario	# of Shares Owned	Shares Outstanding Annual Share Reduction: 4%	Ownership Stake	Earnings Earnings Growth: 8%	EPS	Static P/E: 10	Stock Price	Market Cap	Ownership Stake	Annual Return
Today	1	100.0	1.00%	\$100.00	\$1.00	10	\$10.00	\$1,000.0	\$10.00	0.0%
Year 1	1	96.0	1.04%	\$108.00	\$1.13	10	\$11.25	\$1,080.0	\$11.25	+12.5%
Year 2	1	92.2	1.09%	\$116.64	\$1.27	10	\$12.66	\$1,166.4	\$12.66	+12.5%
Year 3	1	88.5	1.13%	\$125.97	\$1.42	10	\$14.24	\$1,259.7	\$14.24	+12.5%
Year 4	1	84.9	1.18%	\$136.05	\$1.60	10	\$16.02	\$1,360.5	\$16.02	+12.5%
Year 5	1	81.5	1.23%	\$146.93	\$1.80	10	\$18.02	\$1,469.3	\$18.02	+12.5%
Year 6	1	78.3	1.28%	\$158.69	\$2.03	10	\$20.27	\$1,586.9	\$20.27	+12.5%
Year 7	1	75.1	1.33%	\$171.38	\$2.28	10	\$22.81	\$1,713.8	\$22.81	+12.5%
Year 8	1	72.1	1.39%	\$185.09	\$2.57	10	\$25.66	\$1,850.9	\$25.66	+12.5%
Year 9	1	69.3	1.44%	\$199.90	\$2.89	10	\$28.87	\$1,999.0	\$28.87	+12.5%
Year 10	1	66.5	1.50%	\$215.89	\$3.25	10	\$32.47	\$2,158.9	\$32.47	+12.5%

Source: WisdomTree. Hypothetical example.

Now we can do the same exercise for the other company, the share diluter.

This company's earnings also grew 8%, from \$100 to \$215.89. But instead of buying back stock, it was issuing stock. You never sold your single share, but your original 1% stake has dwindled to 0.68%. Because of the dilution, earnings per share only rose from \$1.00 to \$1.46. At the end of the period, the stock ended up at \$14.58, less than half the stock price of the company that was buying back shares. The 3.8% return on the share diluter pales in comparison to the 12.5% return of the company that consistently bought back shares.

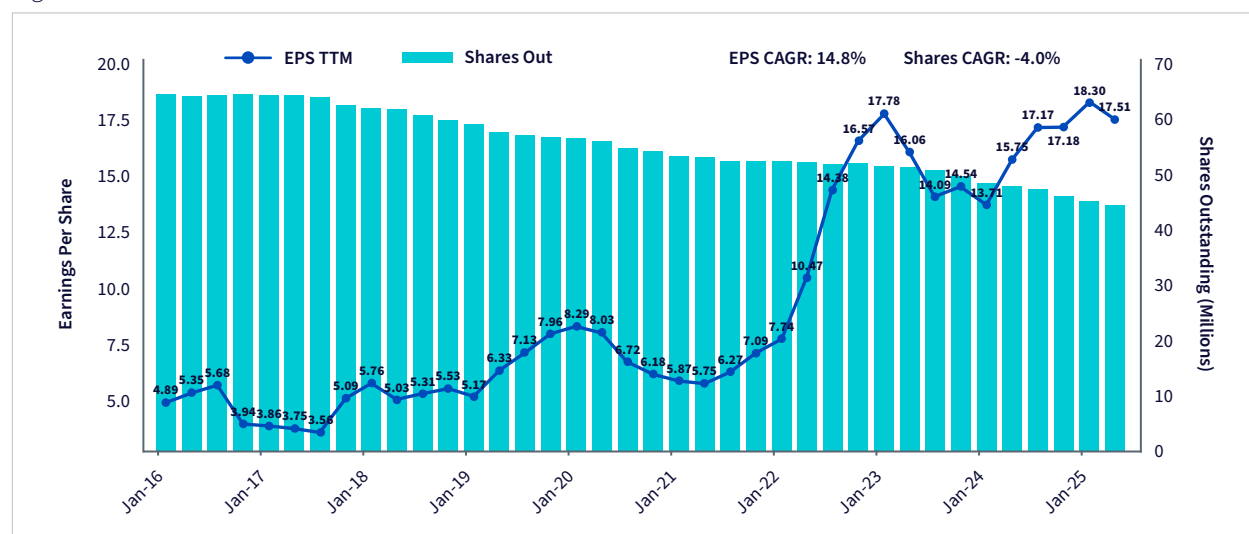
Figure 6: The Habitual Share Diluter

Ownership Example: Buy and Hold a Company That Issues Stock Amount of Stock Issued Each Year = 4%										
Scenario	# of Shares Owned	Shares Outstanding Annual Share Count Increase: 4%	Ownership Stake	Earnings Earnings Growth: 8%	EPS	Static P/E: 10	Stock Price	Market Cap	Ownership Stake	Annual Return
Today	1	100.0	1.00%	\$100.00	\$1.00	10	\$10.00	\$1,000.0	\$10.00	0.0%
Year 1	1	104.0	0.96%	\$108.00	\$1.04	10	\$10.38	\$1,080.0	\$10.38	+3.8%
Year 2	1	108.2	0.92%	\$116.64	\$1.08	10	\$10.78	\$1,166.4	\$10.78	+3.8%
Year 3	1	112.5	0.89%	\$125.97	\$1.12	10	\$11.20	\$1,259.7	\$11.20	+3.8%
Year 4	1	117.0	0.85%	\$136.05	\$1.16	10	\$11.63	\$1,360.5	\$11.63	+3.8%
Year 5	1	121.7	0.82%	\$146.93	\$1.21	10	\$12.08	\$1,469.3	\$12.08	+3.8%
Year 6	1	126.5	0.79%	\$158.69	\$1.25	10	\$12.54	\$1,586.9	\$12.54	+3.8%
Year 7	1	131.6	0.76%	\$171.38	\$1.30	10	\$13.02	\$1,713.8	\$13.02	+3.8%
Year 8	1	136.9	0.73%	\$185.09	\$1.35	10	\$13.52	\$1,850.9	\$13.52	+3.8%
Year 9	1	142.3	0.70%	\$199.90	\$1.40	10	\$14.04	\$1,999.0	\$14.04	+3.8%
Year 10	1	148.0	0.68%	\$215.89	\$1.46	10	\$14.58	\$2,158.9	\$14.58	+3.8%

Source: WisdomTree. Hypothetical example.

My colleague Matt Wagner found some nice examples of habitual repurchasers. Carlisle companies, which makes roofing products, presents a cool visual (Figure 7). There are a lot of people scanning for the next hot stock, when meanwhile we have the Carlises of the world earning money in the roofing business, buying shareholders out and then repeating the process. The stock was below \$20 per share during the GFC; today it is \$374.

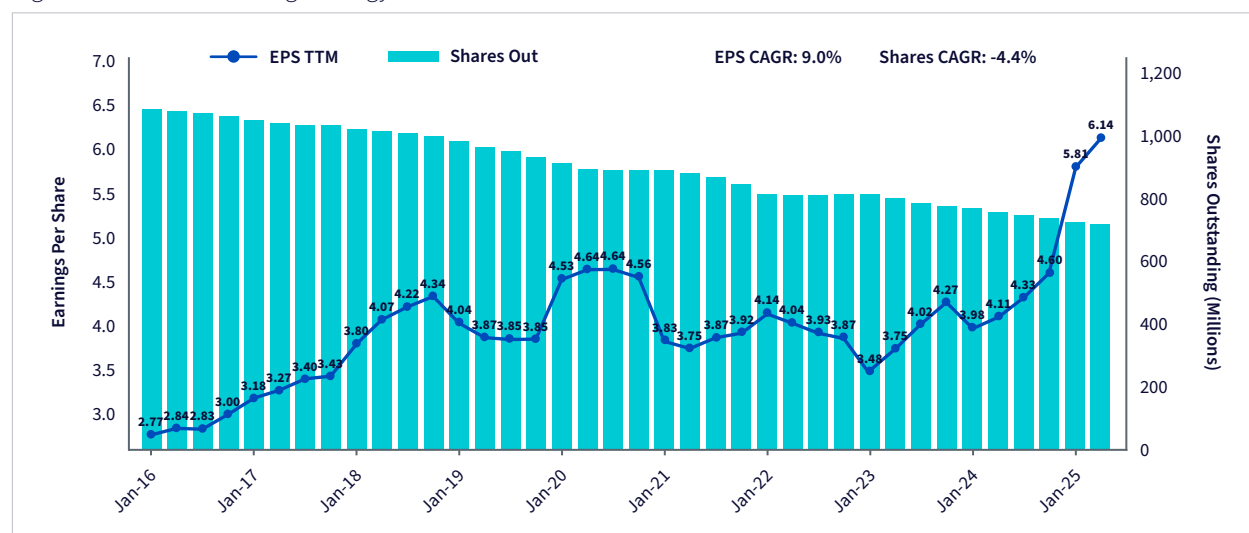
Figure 7: Share Reduction at Carlisle



Source: WisdomTree, as of 5/31/2025.

How about BNY? It's another one that methodically bought stock over the years (Figure 8). The stock price has tripled since the start of the chart. This is the type of stock that shows up in WTV's screens.

Figure 8: BNYEPS-Boosting Strategy



Source: WisdomTree, as of 5/31/2025.

THE BUYBACK EFFECT: “THE COMMITTED SHAREHOLDER”

Beyond the dollars and cents of all this, I have another concept that I think is a byproduct of these stock repurchase programs. I haven't seen this theory anywhere else.

Here's where my head is on “The Committed Shareholder.”

Share repurchase programs quietly reshape a company's ownership base. Buyback programs phase out the “weak hands,” shareholders who rent the stock, people who don't vote their proxy, program traders, speculators.

If you own a stock, you don't really want these uncommitted players as co-owners anyway. Enter what I call the “Committed Shareholder” concept. It's a group of people and institutions whose very presence on the stock's ownership list is something that creates value.

Who are these investors and why don't they sell their stock when a company is buying in the open market? Better yet, can these long-term owners help a stock's performance?

It starts with a founder, maybe two or three. Suppose the business finds early success, or at the very least, early promise. To raise money, the original shareholders make the conscious decision to dilute themselves to raise capital. The newly added investor might be their sibling, best friend, a former co-worker.

With each fundraising round comes new players: family office angel investors, then boutique venture capitalists, perhaps a large VC player or two. Next, the IPO.

Now the firm is public, with thousands of owners, chopped into millions or billions of individual shares. As the years pass, the once-youthful company still has many original stockholders. The founder's cousin, the original employees, some heirs: the company has a special sentimentality to these people.

Not everything that Committed Shareholders bring to the table is positive. Some simply lucked into their equity stake. It could very well be that a Committed Shareholder's profile is that of a family member who ponied up money to help someone they love dearly, even though they themselves haven't a lick of business sense. Make no mistake: they will receive a proxy card and they will vote it, business sense or not.

Also, some original stockholders have sentimentality with respect to the company's origins. That could be a real problem, an anvil on the company's shoulders if, say, a takeover bid materializes.

The company's changing life cycles cause the utility value of some original owners to wane. Consider the venture capitalists. What they brought to the table “in the first inning” was super helpful. They knew who to call, who to run documents by, who could offer some insight into tricky dilemmas. But now the firm is a multinational conglomerate, with multinational conglomerate opportunities and problems. The VCs' networks are no longer optimal for the company.

Still, I think the Committed Shareholders bring many more positives than negatives. First and foremost, they certainly are not swing traders, nor do they own the stock because some momentum screen identified it. Unlike many investors, the Committed Shareholders are likely to think beyond next quarter's earnings.

Their stake is large, maybe difficult to liquefy. Not only that, but if the buyback program continues, their ownership percentage will only grow. The shareholders who own big slugs of stock are in this business whether they chose this path or not; the company's state of affairs come 2040 or 2050 is of paramount importance to them. These people and institutions pay attention. And if they don't feel that they have the expertise, the people who manage their money can step in.

Now, the buyback program. Who is the seller?

Unfortunately, maybe it's the CEO. Let's get real: sometimes a buyback announcement's timing coincides with the vesting of management's stock. "No one ever sold a stock because they thought it was going higher."

The action isn't always nefarious; holding concentrated stock positions can make even the most ardent believer lose sleep.

There is another reason management may call for a buyback:

Corporate leaders can profit from a payout even if there is no economic benefit to shareholders from distributing the cash, especially when the payout takes the form of a buyback. For example, a repurchase can enable executives to hit EPS bonus targets or engage in indirect insider trading. Such payout manipulation comes largely at the expense of public shareholders, who pay (directly or indirectly) for every extra dollar an executive takes home.¹

But consider the sellers into these repurchase programs. There is likely at least one, maybe several VC firms who arrived in the early days who really have no reason to still be hanging around. Big, publicly-traded companies are simply not their specialty. As they sell, it leaves a greater ownership stake for the Committed Shareholders.

Another investor who decides to move on is the one who saw the stock pop higher on the buyback announcement and viewed that as an opportunity to find the exit door. As these people and entities hit the sell button, the shareholder roster narrows. The remaining Committed Shareholders' equity stake rises accordingly.

There is something I want to highlight that is a potential issue whenever stock gets repurchased: that very action weakens the balance sheet. After all, the cash gets up and walks out the door when shares are bought.

Why does the Committed Shareholder stick it out when the balance sheet takes a hit?

Because many companies who choose to buy their stock tend to have a high degree of justifiable confidence in their business model. In assessing public policy in recent years, researchers at King's College London and Queen Mary University of London determined that:

The Covid-19 crisis is associated with a lower repurchase likelihood for financially constrained firms or those with high cash flow volatility, while undervalued firms repurchased more shares during the pandemic period.²

In other words, when the going got tough, the strong companies came through in the clutch. They had balance sheets that could take the hit.

¹ Are Buybacks Really Shortchanging Investment?, Jess M. Fried, Charles C.Y. Wang, Harvard Business Review, March-April 2018

² Precautionary versus Signalling Motive of Share Repurchases: Evidence from Policy Uncertainty and the Covid-19 Crisis, Zhong Chen, Zicheng Lei, Chunling Xia, British Journal of Management, 11/6/2022.

For the Committed Shareholder, the clock is our best friend because their firm- and industry-specific knowledge increases as they follow the company's affairs through the years.

Let's consider the journey of someone like the founder's next-door neighbor, who put money into the venture on Day 1 and has stayed the course. As time passes, this person has dialed into a dozen quarterly earnings calls, maybe two dozen, maybe three dozen. Maybe they have tried the product or service. They have an opinion about the company's CEO, the CFO, and whether the corporate headquarters is a waste of money. They know the competitors. Heck, maybe they worked at the company too.

Buyback programs reduce the shareholder roster to an ever-dwindling coterie of these people. When it comes time for big decisions, whether it's mergers, acquisitions, divestitures, whatever, their status as high information players serves the best interests of the shareholder base as a collective. And I think that's a chunk of why we have had success with buyback strategies through the years.

I've met a ton of people who aren't "Wall Street types" who tell me they have owned this or that stock for 10 or 20 years. You know what? Maybe they aren't glued to a spreadsheet, maybe they didn't go to Harvard, but a bunch of these people follow, read up on and have solid insights into the company that has been part of their life all these years. These are your Committed Shareholders. When companies buy back stock, they say goodbye to traders and goodbye to weak hands, while winnowing the field to owners who want a seat at the table.

*If my Committed Shareholder theory resonates, a fund that is heavy on buyback screens is the **WisdomTree U.S. Value Fund (WTV)**. The **WisdomTree European Opportunities Fund (OPPE)** also puts a big emphasis on share repurchasers, as does the **WisdomTree Japan Opportunities Fund (OPPJ)**. Also, the **WisdomTree Japan Hedged Equity Fund (DXJ)** screens very high on shareholder yield, because of its dividend focus.*

NVR, Carlisle and BNY comprised 0.28%, 1.43% and 0.00% of WTV, respectively, as of 07/22/2025.

Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.

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There are risks associated with investing, including the possible loss of principal.

WTV: 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. While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models and the models may not perform as intended.

OPPE: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in Europe, thereby the impact of events and developments associated with the region can adversely affect performance. The Fund invests in derivatives in seeking to obtain a dynamic currency hedge exposure. The securities of small-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than larger capitalization stocks or the stock market as a whole. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. Derivatives used by the Fund may not perform as intended. 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 or take defensive positions in declining markets.

OPPJ: Foreign investing involves specific risks, such as risk of loss from currency fluctuation or political or economic uncertainty. 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. This Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Japan has and may continue to experience security concerns, war, threats of war, aggression and/or conflict, terrorism, economic uncertainty, sanctions or the threat of sanctions, natural and environmental disasters, the spread of infectious illness, widespread disease or other public health issues and/or systemic market dislocations that lead to increased short-term market volatility and have adverse long-term effects on Japan and world economies and disrupt the orderly functioning of securities markets generally, which may negatively impact the Fund's investments. Because the Fund invests primarily in the securities of companies in Japan, the Fund's performance is expected to be closely tied to social, political and economic conditions within Japan and to be more volatile than the performance of more geographically diversified funds. Investments in non-U.S. securities involve political, regulatory, and economic risks that may not be present in investments in U.S. securities. The Fund invests in derivatives in seeking to obtain a dynamic currency hedge exposure. Investments in currency involve additional special risks, such as credit risk, interest rate fluctuations, derivative investments which can be volatile and may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. Derivatives investment can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. Derivatives used by the Fund may not perform as intended. The securities of small-capitalization companies generally trade in lower volumes and are subject to greater and more unpredictable price changes than larger capitalization stocks or the stock market as a whole. The Fund invests in the securities included in, or representative of, its Index. The Index may not perform as intended.

DXJ: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. The Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Investments in currency involve additional special risks, such as credit risk, interest rate fluctuations, derivative investments which can be volatile and may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. 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 each Fund's prospectus for specific details regarding each Fund's risk profile.

You cannot invest directly in an index.

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