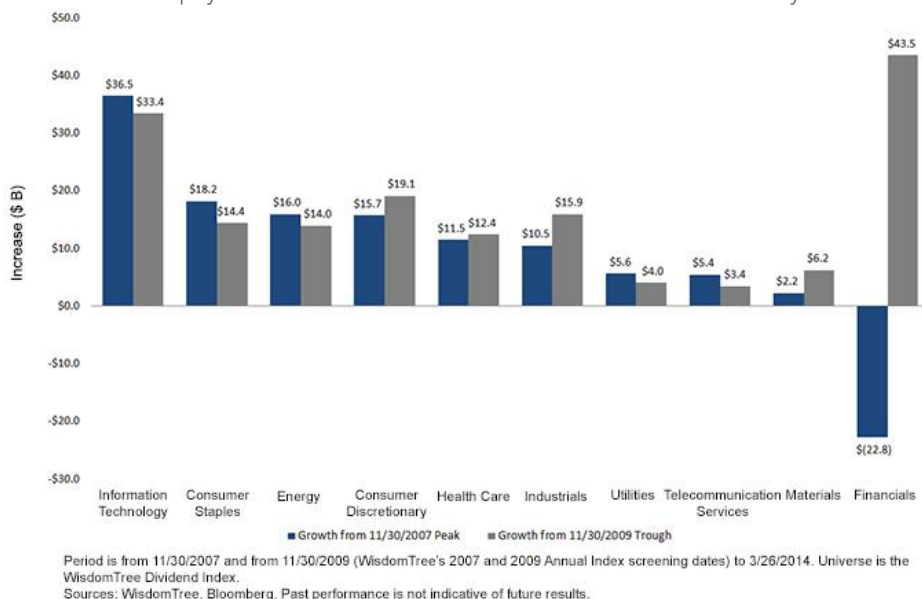


# FAST AND FURIOUS DIVIDEND GROWTH TO START 2014

Tripp Zimmerman — Director, Research  
04/17/2014

In today's environment, investors are interested in positioning their portfolios for the inevitable normalization of interest rates as the [Federal Reserve](#) winds down its [quantitative easing](#) program. One particular area of focus have been equities that exhibit dividend growth—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 2014. **The top five increases in cash [Dividend Streams®](#) in 2014 have been:** • Bank of America increased its dividend fivefold, the first increase since 2009, for an approximate dollar increase of \$1.7 billion. • Wells Fargo announced an increase of 16.7%—this means approximately \$1.1 billion more will be returned to shareholders. • J.P. Morgan increased its dividend per share by 5.3%, resulting in an incremental increase of \$600 million being returned to shareholders. • PepsiCo increased its dividend by over 15%, meaning that an additional \$530 million will be paid out as dividends. • Rounding out the top five, Cisco Systems increased its dividend per share by almost 12%, meaning that an additional \$410 million will be returned to shareholders. While Financials have stolen the show in 2014 with some blockbuster dividend announcements following the recent stress test announcements, companies in all 10 market sectors are increasing their dividends. Below 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 26, 2014, the firms in the [WisdomTree Dividend Index](#) have already grown their dividends an additional \$20 billion since WisdomTree's latest domestic screening date (11/30/2013). This means the current indicated *Dividend Stream* is nearly \$387 billion. Below we dissect the key drivers of the increased dividend payouts over this latest cycle. **Dividend Stream Growth**



## • Information Technology:

This sector accounts for almost 37% of the increase in dividends from November 30, 2007, to March 26, 2014, with \$36.5 billion of the \$98.7 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. This sector accounted for about 20% of the increase from the November 30, 2009, low. • **Financials:** At the November 30, 2007, screening date, financials comprised approximately one-third of the total *Dividend Stream*, but today they account for only 18%. Recent growth has been strong—with over \$43 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. On the other hand, financials are still over \$22 billion short of their November 30, 2007, high—the only sector that is still below its pre-financial crisis highs. • **Broad 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 they were on November 30, 2009. **Positioning to Capture the Market's Dividend Growth** We 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 looking backward and on regular cycles of 5, 10 or 20 years of consecutive dividend growth 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 Bank of America, Wells Fargo and J.P. Morgan). 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.**

#### 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. ALPS Distributors, Inc. is not affiliated with Bank of America, Wells Fargo, J.P. Morgan, PepsiCo or Cisco Systems.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

## **IMPORTANT INFORMATION**

**U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.**

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

## **DEFINITIONS**

**Federal Reserve** : The Federal Reserve System is the central banking system of the United States.

**Quantitative Easing (QE)** : A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

**Dividend Stream** : Refers to the regular dividends per share multiplied by the number of shares outstanding.

**WisdomTree Dividend Index** : Measures the performance of dividend-paying companies incorporated in the United States that pay regular cash dividends and meet WisdomTree's eligibility requirements. Weighted by indicated cash dividends.