

WHEN COMPARING DIVIDEND ETFs, BE SURE TO COMPARE APPLE TO APPLE

03/05/2015

[Dividend](#) exchange-traded funds (ETFs) are becoming increasingly popular—and increasingly plentiful. And while you already knew that all dividend growth funds are not the same, it may surprise you to discover just how different they really are. We believe it is critical to understand the differences between the indexes they track and the methodologies they use in order to review and compare them on an “apples to apples” basis. For example, did you know that many of the most popular dividend growth ETFs use backward-looking screens that require 10–20 consecutive years of dividend growth before a company is eligible for inclusion? While this may sound like a good idea, it can keep both new dividend payers and the companies growing their dividends the fastest out of your portfolio for a decade or more. This simply doesn’t make sense to us. Take Apple¹, for example. Apple is now the second-largest dividend payer in the United States. And with the record earnings the company just reported, it could easily move up to first place soon. But if your ETF uses backward-looking screens, as most do, you likely won’t see Apple in your portfolio until 2023 (at the earliest).

So, how do you know if your ETF uses backward-looking screens? • Look for the benchmark index • Review the index methodology • See if they require a set number of years of increasing dividends But some ETFs, such as the [WisdomTree U.S. Dividend Growth Fund \(DGRW\)](#), are based on Indexes with forward-looking methodologies and many quality requirements. We think this is a better idea and will help investors capture the future of dividend growth. **Read more about [Apple’s dividends](#). Learn more about [DGRW](#).** ¹Apple weight was 4.35% in the WisdomTree U.S. Dividend Growth Fund as of 2/17/15.

Important Risks Related to this Article

There are risks associated with investing, including 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. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile. 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.

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)

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

Dividend : A portion of corporate profits paid out to shareholders.