

# OUR U.S. DIVIDEND FUNDS ARE TURNING 10 YEARS OLD

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It is amazing to me that some of our [dividend](#)-focused strategies are already going to hit their 10-year anniversary of live performance history on June 16, 2016. Time really does fly. To put things into context, on June 16, 2006: • The [U.S. 3-Month Treasury Bill](#) had an [interest rate](#) of 4.9%. (As of March 31, 2016, it was at 0.19%.)<sup>1</sup> • The [S&P 500 Index](#) closed at 1,252. (As of March 31, 2016, it was at 2,059.)<sup>2</sup> • There was no such term as “[smart beta](#)” yet,<sup>3</sup> just as there was no such thing as an iPhone<sup>4</sup> or an iPad<sup>5</sup>—three things that it would be difficult to imagine not hearing multiple references to each and every day, at least if you work in financial services and are tasked with developing innovative approaches to indexing. So, how have our strategies done compared to their respective peer group? **Average Annual Returns**

Fund	Fund Information			Total Return NAV (%)					Market Price (%)				
	Ticker	Exp. Ratio	Inception Date	YTD	1-Year	3-Year	5-Year	Since Fund Inception	YTD	1-Year	3-Year	5-Year	Since Fund Inception
WisdomTree Total Dividend Fund	DTD	0.28%	6/16/2006	4.26%	2.84%	10.62%	11.80%	7.09%	4.24%	2.65%	10.63%	11.78%	7.08%
WisdomTree LargeCap Dividend Fund	DLN	0.28%	6/16/2006	3.82%	3.04%	10.44%	11.76%	6.86%	3.79%	2.93%	10.43%	11.75%	6.83%
WisdomTree MidCap Dividend Fund	DON	0.38%	6/16/2006	7.31%	2.98%	12.64%	12.90%	8.91%	7.31%	2.89%	12.60%	12.89%	8.85%
WisdomTree SmallCap Dividend Fund	DES	0.38%	6/16/2006	6.26%	-1.70%	9.41%	10.62%	7.01%	6.28%	-1.83%	9.35%	10.63%	7.00%
WisdomTree High Dividend Fund	DHS	0.38%	6/16/2006	7.90%	7.88%	10.89%	13.18%	6.36%	7.89%	7.83%	10.86%	13.17%	6.36%
WisdomTree Dividend ex-Financials Fund	DTN	0.38%	6/16/2006	8.06%	2.96%	10.18%	12.30%	8.07%	8.02%	2.90%	10.17%	12.28%	8.05%

Source: WisdomTree, for period from 6/16/06 to 3/31/16.

## Respective

## Morningstar

## Peer

## WisdomTree's Results vs. Groups

Ticker	Fund	Fund Inception Date	Morningstar Category	YTD	1-Year	3-Year	5-Year	Since Fund Inception
DTD	WisdomTree Total Dividend Fund	6/16/2006	Large Value	86%	90%	88%	94%	83%
DTN	WisdomTree Dividend ex-Financials Fund	6/16/2006	Large Value	98%	90%	83%	97%	98%
DLN	WisdomTree LargeCap Dividend Fund	6/16/2006	Large Value	85%	91%	86%	94%	86%
DHS	WisdomTree High Dividend Fund	6/16/2006	Large Value	97%	98%	91%	99%	77%
DON	WisdomTree MidCap Dividend Fund	6/16/2006	Mid-Cap Value	98%	98%	99%	99%	94%
DES	WisdomTree SmallCap Dividend Fund	6/16/2006	Small Value	95%	91%	92%	99%	80%

Source: Morningstar Direct, for period from 6/16/06 to 3/31/16.

**Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns 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. Performance data for the most recent month-end is available at [www.wisdomtree.com](http://www.wisdomtree.com).**

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

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• **Impressive “Since**

**Inception” Results:** Between June 16, 2006, and March 31, 2016, a LOT has happened in U.S. equity markets. Any equity strategy would have been tested by the large upward or downward moves. In our opinion, over such a period it is difficult to beat more than half of managers in a respective peer group. • **Remarkable Five-Year Results:** For the five years ended March 31, 2016, every single WisdomTree Fund we show beat more than 90% of its respective peer group. [DHS](#), [DON](#) and [DES](#) all beat 99% of their respective categories over this time frame. • **Strong Results Thus Far in 2016:** In this [volatile](#) quarter, many of WisdomTree's domestic dividend Funds were able to outperform significant portions of their peer groups. In the Large [Value](#) category, [DTD](#) and [DLN](#) outperformed around 85% of their peers, while [DTN](#) and [DHS](#) beat more than 95% of their peers. In the Small Value and Mid-Cap Value categories, [DES](#) beat 95% while [DON](#) beat an impressive 98% of its peer group.<sup>6</sup> **Prospects for 2016** It is important to put these strategies in their

appropriate context in order to understand and frame the potential paths of performance that might be observed. The Indexes they track:

- Are not growth or [momentum](#) Indexes—and we saw that growth and momentum were two avenues of outperformance in 2015. While these trends may not continue in 2016, usually in times of volatility, like we've seen thus far in 2016, a focus on dividend-paying stocks has tended to provide some degree of relative outperformance.
- Are focused solely on dividend payers. We cited at the outset that the period of nearly 10 years during which these Indexes have been live has seen the 3-Month T-bill go from an interest rate of almost 5.0% to approximately 20 [basis points \(bps\)](#). Lower interest rates are supportive for high-dividend<sup>7</sup> stocks, as individuals search for sources of income outside low-yielding fixed income. If markets are volatile and [risk-off](#) sentiment becomes more pervasive than [risk-on](#) sentiment, interest rates may remain lower for longer and ultimately continue to provide a supportive element for income-generating equity approaches.
- Are flexible, in that they are [rebalanced](#) once a year to reflect the conditions of the dividend-paying landscape as they exist at that time. One example of this is the Information Technology sector. This represented a very low exposure in 2006, when many large companies in this sector were not paying dividends. As of the most recent Index screening date—November 30, 2015—many of these firms had begun paying dividends, allowing them to be considered for inclusion since these Indexes do not require multiple years of past dividend history for their constituents. Sources of uncertainty—be it the U.S. presidential election, China's growth prospects, oil price levels or other items yet to enter the forefront of our attention span—may lead to continued volatility. Dividend-focused strategies may therefore remain at the forefront.

<sup>1</sup>Source: Bloomberg. <sup>2</sup>Source: Bloomberg. <sup>3</sup>Source: While it's quite difficult to indicate the first use of the term "smart beta," Towers Watson is credited with coining the phrase and wrote "Understanding Smart Beta" in July 2013. <sup>4</sup>Source: "Apple Reinvents the Phone with iPhone," Macworld San Francisco press release, 1/9/07. <sup>5</sup>Source: "Apple Launches iPad," Apple press release, 1/27/10. <sup>6</sup>Paragraph refers to the quarter ending 3/31/16. <sup>7</sup>High dividend: Refers to a component of the methodology of the [WisdomTree High Dividend Index](#), which selects the 30% highest-yielding stocks from the [WisdomTree Dividend Index](#) universe on an annual basis.

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You cannot invest directly in an index.

## **DEFINITIONS**

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

**1-3 month U.S. Treasury Bill** : A short-term debt obligation backed by the U.S. government with a maturity of less than 3 months.

**Interest rates** : The rate at which interest is paid by a borrower for the use of money.

**S&P 500 Index** : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

**Smart Beta** : A term for rules-based investment strategies that don't use conventional market-cap weightings.

**Volatility** : A measure of the dispersion of actual returns around a particular average level.&nbsp;.

**Value** : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

**Momentum Factor** : Characterized by assets with recent price increase trends over time. This term is also associated with the Momentum Factor which associates these stock characteristics with excess return vs the market over time.

**Basis point** : 1/100th of 1 percent.

**Rebalance** : An index is created by applying a certain set of selection and weighting rules at a certain frequency. WisdomTree rebalances, or re-applies its rules based selection and weighting process on an annual basis.