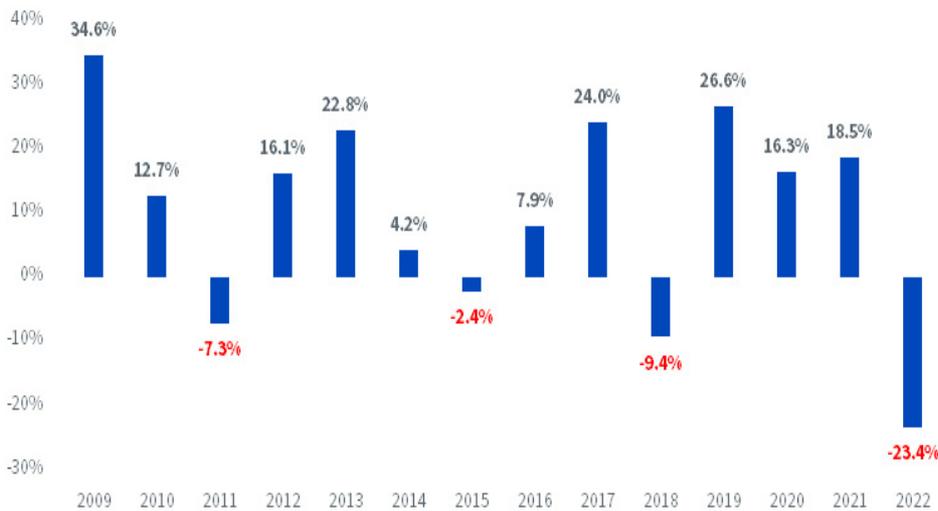


FALLING MARKET PRICES BUT GROWING DIVIDENDS

Matt Wagner – Associate Director, Research
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This year has reminded—or taught—investors about [equity risk premium](#). In the previous 13 years, global stocks ended down just three times. All declines were less than 10%.

Global Equities Calendar Year Returns



Sources: WisdomTree, MSCI, 10/21/22. Global equities measured by MSCI ACWI Index in net total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

U.S.-centric investors have been accustomed to even fewer declines. Equities had only one negative return of less than 5% during the same period.

That 1 in 13 hit rate (8%) is far less than the 18 out of 64 years of negative declines (28% of the time) since the launch of the [S&P 500](#) in 1957.

U.S. Equities Calendar Year Returns



Sources: WisdomTree, S&P, 10/21/22. U.S. equities measured by MSCI USA In gross total returns. You cannot invest directly in an Index. Past performance is not indicative of future returns.

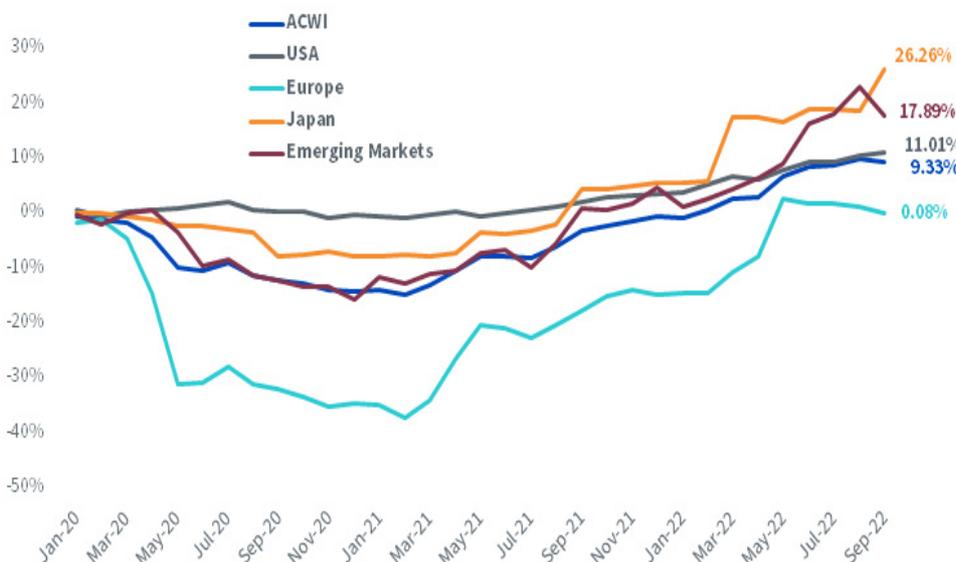
There has been no shortage of forces weighing on equity returns this year, including:

- Slowing and/or negative economic growth
- High and rising [inflation](#)
- Tightening [monetary policy](#)

But [dividend growth](#)—and rising [dividend yields](#)—may be a silver lining for investors.

As earnings have continued to trend positively, dividend payouts—which tend to be far less [volatile](#) than stock prices—have shown continued growth.

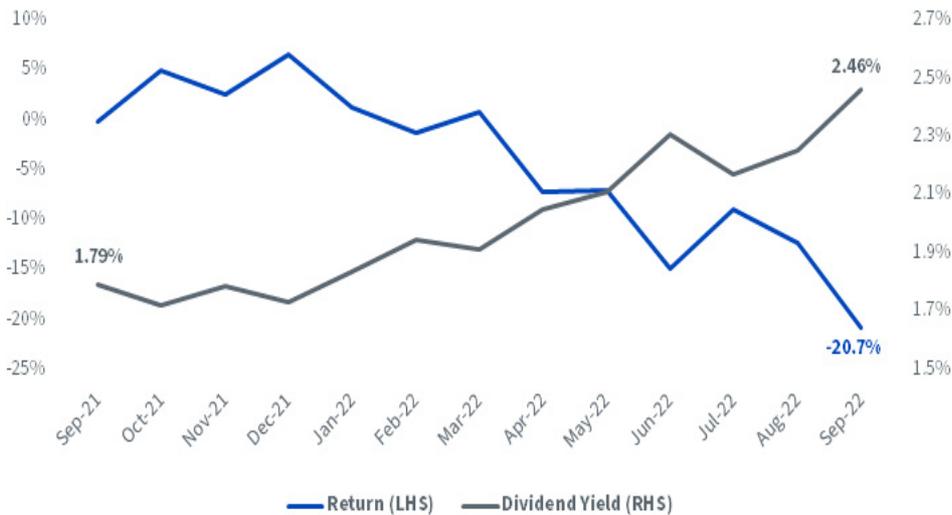
Dividend Growth by Region Since December 2019



Sources: WisdomTree, MSCI, 12/31/19–9/30/22. Dividends are trailing 12-month. Regions represented by respective MSCI Indexes. You cannot invest directly in an Index. Past performance is not indicative of future returns. Dividends are not guaranteed and may fluctuate

As dividends have grown and asset prices have tumbled, dividend yields have steadily crept higher. From September 30, 2021, the dividend yield on the [MSCI ACWI Index](#) has increased from 1.79% to 2.46%.

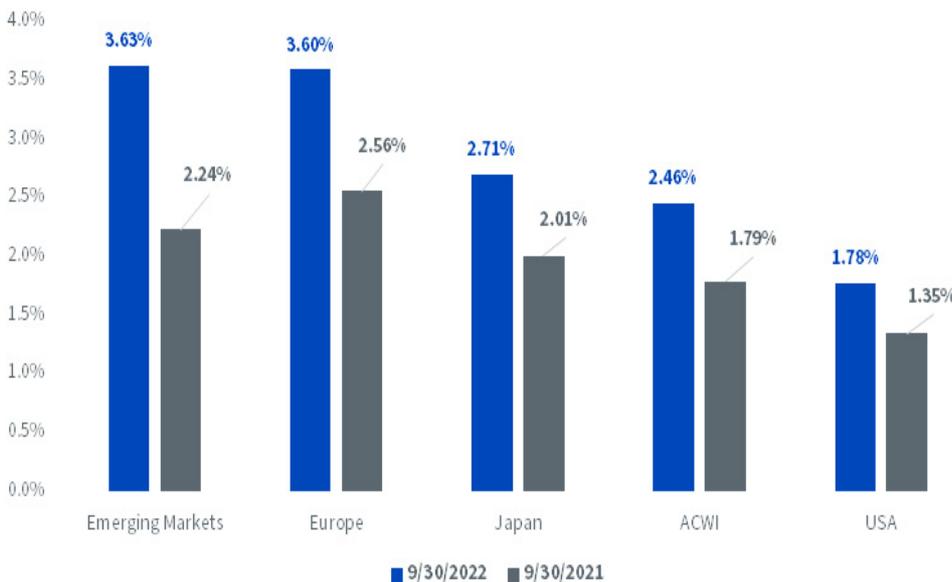
MSCI ACWI Index



Sources: WisdomTree, MSCI, 9/30/21-9/30/22. Return based on net total returns. You cannot invest directly in an Index. Past performance is not indicative of future returns. Dividends are not guaranteed and may fluctuate.

Across markets, we have seen the biggest increases in yield from [Emerging Markets](#)—an increase of 1.39% from 2.24% to 3.63%.

MSCI Index Dividend Yields



Sources: WisdomTree, MSCI. You cannot invest directly in an Index. Past performance is not indicative of future returns. Dividends are not guaranteed and may fluctuate.

In aggregate, global equities have a *Dividend Stream*[®] of \$1.4 trillion. Forty-four percent of dividends come from the U.S., far less than its 61% share of the global market cap.

If we look at Dividend Stream-weighted versions of U.S. equities, we see a yield of 3.6% —twice as high as the 1.8% yield on the [market cap-weighted](#) Index.

For global equities, the market cap-weighted yield is 2.4% compared to a 5.2% Dividend Stream-weighted yield.

Global *Dividend Stream* Summary

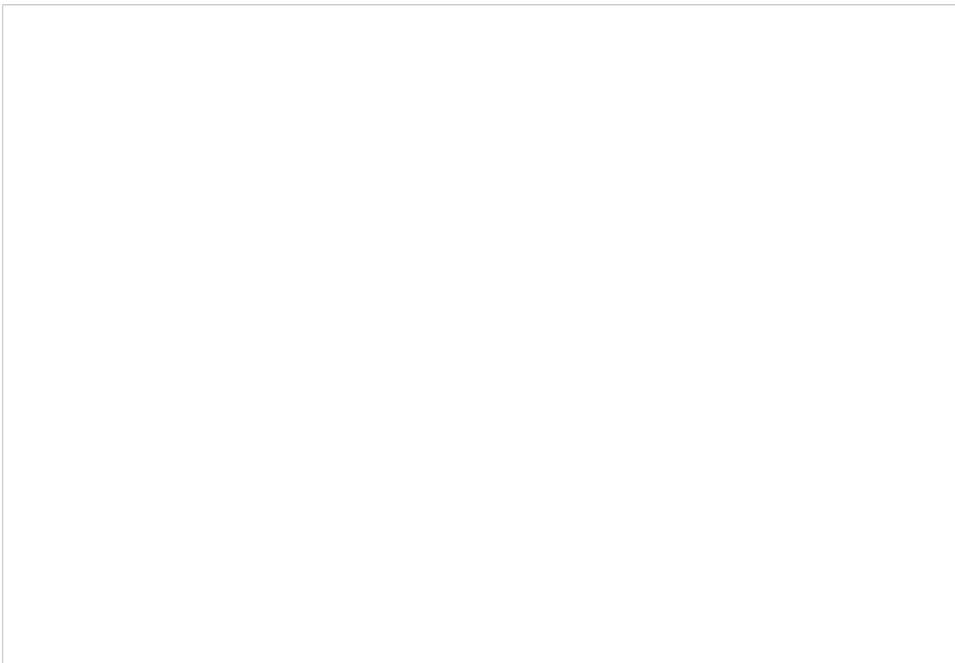
						Dividend Yield	
	Dividend Stream (\$bn)	Dividend Weight	Market Cap (\$bn)	Market Cap Weight	% Market Cap Dividend Payers	Dividend Stream Weighted	Market Cap Weighted
United States	\$626.8	43.9%	\$35,665.4	61.0%	74.1%	3.6%	1.8%
Europe	\$319.1	22.4%	\$8,975.8	15.4%	94.4%	5.6%	3.5%
Japan	\$92.8	6.5%	\$3,453.4	5.9%	98.6%	4.2%	2.7%
Canada	\$59.9	4.2%	\$1,864.7	3.2%	92.2%	4.5%	3.1%
Developed Asia	\$91.2	6.4%	\$1,909.3	3.3%	92.8%	6.5%	4.3%
Emerging Markets	\$236.6	16.6%	\$6,602.5	11.3%	85.5%	8.8%	3.2%
Global	\$1,426.3	100.0%	\$58,471.2	100.0%	81.1%	5.2%	2.4%

Source: WisdomTree, MSCI, as of 9/30/2022. Universe is MSCI ACWI IMI. Israel Included In Europe. Developed Asia Includes Singapore, Australia, Hong Kong, and New Zealand. U.S. dividends are indicated. International dividends are trailing. Dividend Stream and Market Cap totals are adjusted for investability factors. You cannot invest directly in an index.

Amid the market volatility, the high-dividend segments of the ACWI Index—the first through third quintiles in the below chart—have outperformed.

The non-dividend segment of the market has had the worst performance, down more than 30%.

MSCI ACWI Index Dividend Yield Quintiles



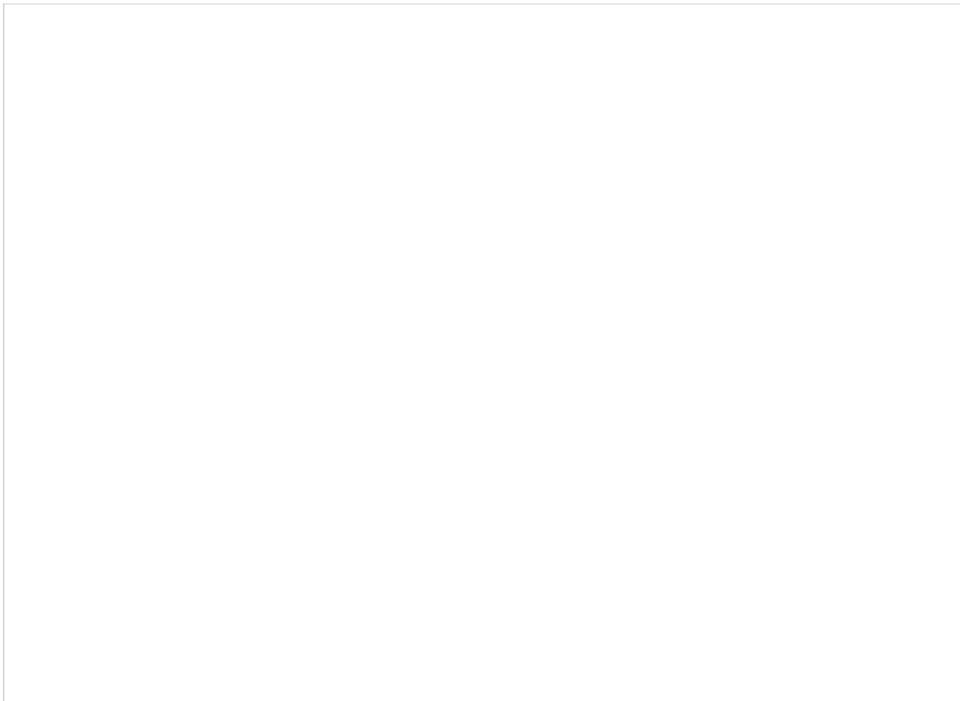
WisdomTree Global Dividend Index

At the market close on October 20, the [WisdomTree Global Dividend Index \(WTGDIV\)](#) underwent its annual reconstitution.

The fundamentals-based rebalancing process generally results in a weight increase to companies increasing their payouts and less weight to companies with decreased payouts.

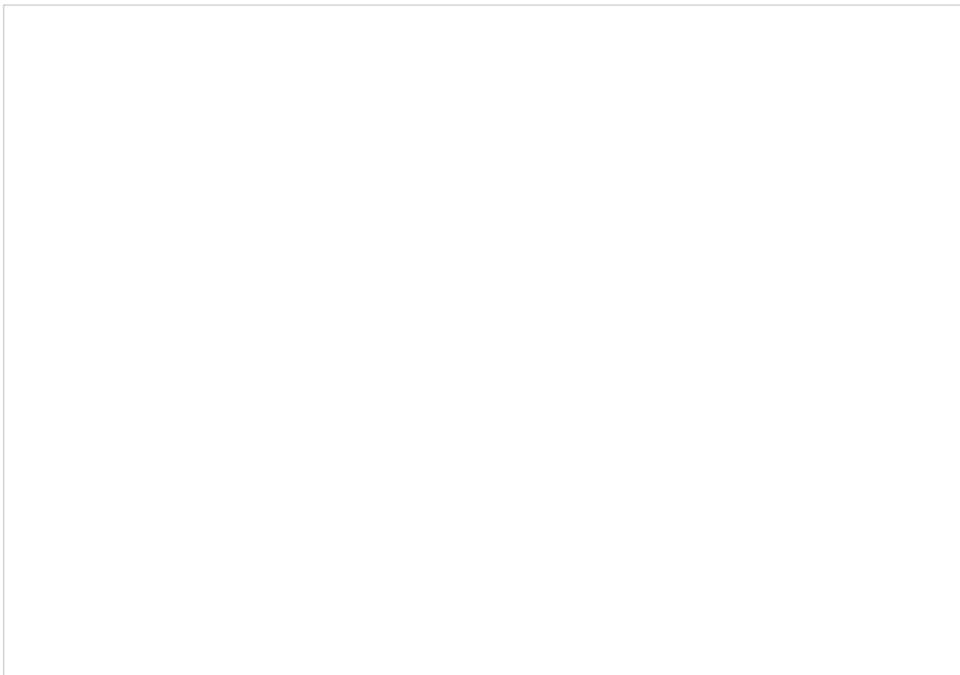
From a sector perspective, the biggest change was an increase in weight of more than 3% to the Energy sector.

WisdomTree Global Dividend Index Sector Weights



From a country perspective, there were similarly modest changes. The United States remains at 44%, the largest weight, ahead of the 8% exposure for Japan. Those weights compare to a 61% weight for the U.S. and a 6% weight for Japan in the market cap-weighted MSCI ACWI Index.

WisdomTree Global Dividend Index Country Weights



The largest dividend payer as of the screening date was Microsoft, with a nearly \$21 billion *Dividend Stream*.

With the boom in commodities prices, we see Materials companies BHP and Rio Tinto also in this top 20 list.

Top 20 Global Dividend Payers



Saudi Arabia Inclusion

Saudi Arabia was added as an eligible country at this year's rebalance.

Saudi Arabia was added to the [MSCI Emerging Markets Index](#) in 2019 and has since grown to a roughly 5% weight of that Index. Given its growing market cap and the increased market access for investors, we felt now was a good time to add the country to our universe.

Saudi Arabian Oil Co. (Saudi Aramco) is the world's largest cash dividend payer at nearly \$75 billion. Given that much of its shares are closely held by insiders and/or the Saudi government, just 1% of its market cap weight is included in market cap-weighted indexes.

WisdomTree's dividend Indexes make a similar adjustment for emerging market dividend payouts. After making this adjustment, Saudi Aramco is just the 347th largest dividend payer in our Global Dividend Index starting universe.

In aggregate, Saudi Arabia has about a 0.5% weight in the WisdomTree Global Dividend Index (WTGDIV), which is roughly in line with its weight in the MSCI ACWI Index.

Top 10 Saudi Arabia Dividend Payers



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.

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

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DEFINITIONS

Equity risk premium: Refers to an excess return that investing in the stock market provides over a risk-free rate.

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.

Inflation: Characterized by rising price levels.

Monetary policy: Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Dividend growth: The growth in trailing 12-month dividends for the specified universe.

Dividend yield: A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

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

MSCI ACWI Index: A free-float adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

Emerging market: Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

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

Market capitalization-weighting: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

MSCI Emerging Markets Index: a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as "emerging markets" by MSCI.