

# SEPTEMBER U.S. DIVIDEND UPDATE

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We suggested in last month's [dividend](#) update that bloated cash balances and strong earnings could bolster [dividend and share buyback increases](#) and support gains for U.S. equities.

While a choppy month for price returns, September didn't disappoint, with a flurry of dividend growth from some of the largest payers.

Microsoft and JPMorgan—both top five U.S. dividend payers—each increased 11%.

Microsoft also announced a whopping \$60 billion stock [buyback](#) plan. That's double the \$30 billion plan that JPMorgan announced last December.

Verizon and Philip Morris increased their dividends 2% and 4%, respectively.

Of the group of the 20 largest dividend payers, there have been 16 dividend increases and four unchanged, combining for an average increase of 4.8% this year.

## Top 20 U.S. Dividend Payers

Name	Indicated Dividend per Share (DPS)		Dividend Stream (bn)		Percent Change	
	11/30/20	9/30/21	11/30/20	9/30/21	Since 11/30/20	5-Yr DPS Growth
Microsoft Corporation	\$2.24	\$2.48	\$16.94	\$18.75	10.71%	7.54%
AT&T Inc.	\$2.08	\$2.08	\$14.82	\$14.82	-	1.89%
Exxon Mobil Corporation	\$3.48	\$3.48	\$14.71	\$14.71	-	4.23%
Apple Inc.	\$0.82	\$0.88	\$13.94	\$14.96	7.32%	8.37%
JPMorgan Chase & Co.	\$3.60	\$4.00	\$10.97	\$12.19	11.11%	17.20%
Johnson & Johnson	\$4.04	\$4.24	\$10.64	\$11.16	4.95%	5.89%
Verizon Communications Inc.	\$2.51	\$2.56	\$10.39	\$10.59	1.99%	2.10%
Chevron Corporation	\$5.16	\$5.36	\$9.93	\$10.32	3.88%	4.74%
AbbVie, Inc.	\$5.20	\$5.20	\$9.18	\$9.18	-	18.56%
Pfizer Inc.	\$1.52	\$1.56	\$8.45	\$8.67	2.63%	5.88%
Procter & Gamble Company	\$3.16	\$3.48	\$7.84	\$8.63	10.00%	4.54%
Philip Morris International Inc.	\$4.80	\$5.00	\$7.48	\$7.79	4.17%	3.70%
Coca-Cola Company	\$1.64	\$1.68	\$7.05	\$7.22	2.44%	3.91%
Merck & Co., Inc.	\$2.60	\$2.60	\$6.58	\$6.58	-	7.78%
Home Depot, Inc.	\$6.00	\$6.60	\$6.46	\$7.11	10.00%	19.10%
Altria Group Inc	\$3.44	\$3.60	\$6.39	\$6.69	4.65%	9.75%
Bank of America Corp	\$0.72	\$0.84	\$6.23	\$7.27	16.67%	23.63%
Walmart Inc.	\$2.16	\$2.20	\$6.12	\$6.23	1.85%	1.92%
Cisco Systems, Inc.	\$1.44	\$1.48	\$6.08	\$6.25	2.78%	6.20%
International Business Machines Corporation	\$6.52	\$6.56	\$5.81	\$5.85	0.61%	4.17%

Sources: WisdomTree, FactSet, MSCI. Top 20 dividend payers from the WisdomTree U.S. Dividend Index eligible universe as of 11/30/20, the Index's annual screening date. Dividend Stream represents the Indicated dividend per share times shares outstanding. Shares outstanding for each company held constant, as of 11/30/20. 5-Yr DPS Growth as reported by MSCI as of each company's latest fiscal year-end filing.

## Dividend Initiations/Resumptions

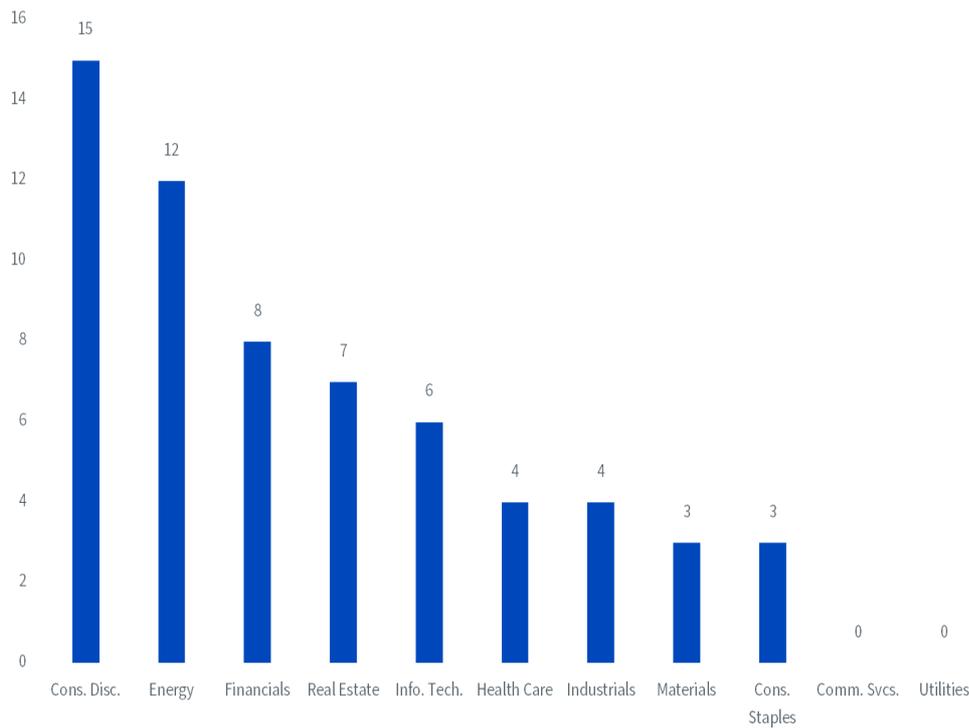
One of the main stories about dividends this year is the number of companies initiating or resuming payouts.

Since the end of the first quarter, 62 initiations/resumptions have been made by [Russell 3000 Index](#) constituents. Among these companies, many are in sectors that were most impacted by 2020 shutdowns—Consumer Discretionary, Energy, Financials and Real Estate.

At WisdomTree's annual domestic Index [rebalance](#) in December, all active dividend payers are eligible for our starting universe. We anticipate more names from these sectors

being added to our dividend Indexes.

**Dividend Initiations/Resumptions since 1Q21**

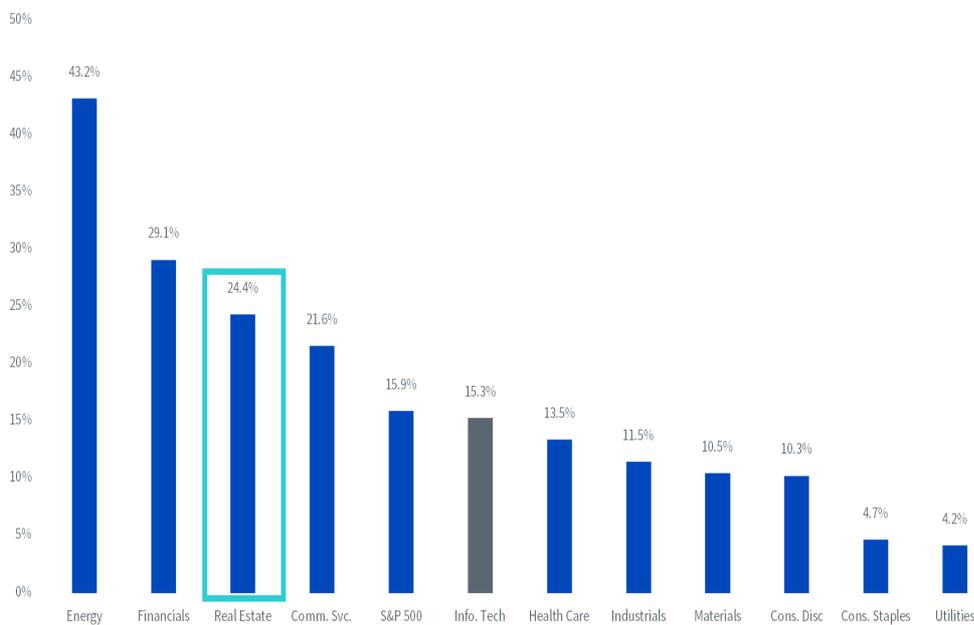


Sources: WisdomTree, FactSet, 9/30/21. Universe is the Russell 3000 Index.

**Real Estate Sector**

With interest rates historically low and property markets recovering from the COVID-19 pandemic, the Real Estate sector has been one of the top performers year-to-date.

**S&P 500 Sector Performance**



Sources: WisdomTree, S&P, 9/30/21. You cannot invest directly in an index. Past performance is not indicative of future returns.

The number of publicly traded Real Estate companies has grown dramatically over the past several years—up from 40 in May 2006, when WisdomTree launched its first dividend Indexes—to nearly 120 today.

The sector’s [market cap weight](#) in the [S&P 1500](#) is just under 3%. Given its high payouts,

the sector’s dividend weight is twice that at around 6%.

**S&P 1500 Real Estate Sector**



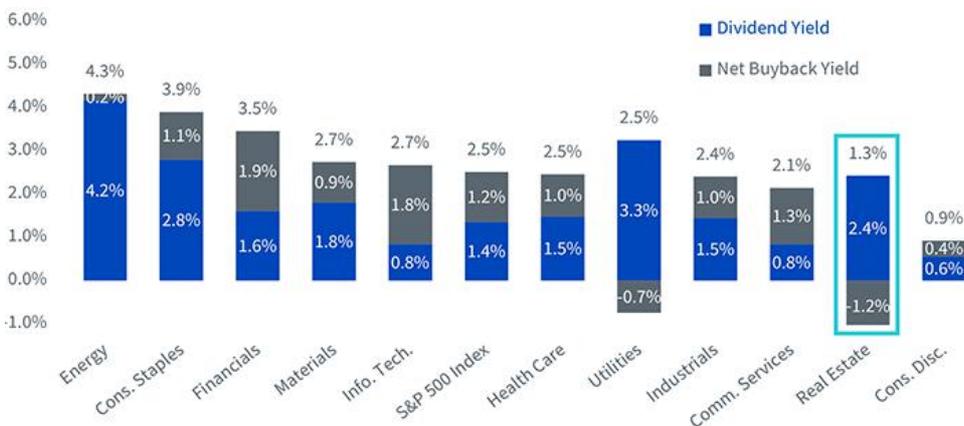
Sources: WisdomTree, S&P, 5/31/06-9/30/21. You cannot invest directly in an index.

**REITs**—which make up much of the Real Estate sector—are a unique class of equities. They are required to pay out at least 90% of their taxable income as dividends.

As a result of the payout requirement, the sector has the fourth-highest dividend yield. On the other hand, it is also one of only two sectors that have a negative **net buyback yield**—meaning companies issue more in shares than they buy back. That’s why some index providers choose to exclude the sector from dividend indexes.

Removing Real Estate means removing exposure to a sector with a premium dividend yield and one that has not only performed well in 2021 but is growing in weight (i.e., importance) in market cap-weighted benchmark indexes.

**S&P 500 Index—Total Shareholder Yield by Sector**



Sources: WisdomTree, FactSet, as of 9/30/21. Past performance is not indicative of future results. You cannot invest directly in an index.

For WisdomTree’s U.S. dividend Indexes, we have chosen to include Real Estate companies with caps—either at 5% or 10%, depending on the Index.

As we show below, some dividend Indexes—like the **FTSE High Dividend Yield Index** and the **Morningstar Dividend Yield Focus Index**—have no exposure.

On the other end of the spectrum, the **S&P 500 High Dividend Index** has a 16% weight to the sector—an over-weight of over 13% relative to the **S&P 500**.

We believe our approach of including Real Estate within guardrails strikes a good balance of broadness, maximizing yield and mitigating tracking risk relative to comparable value indexes.

In a low-rate environment, the premium income of the sector and its price appreciation

potential makes it an attractive component of our dividend Indexes, in our view.

**Percent Index Weight: Real Estate**

Index	Weight
S&P 500 High Dividend	16.0%
WisdomTree U.S. MidCap Dividend	9.8%
WisdomTree U.S. SmallCap Dividend	9.8%
WisdomTree U.S. High Dividend	5.5%
WisdomTree U.S. Dividend	5.3%
Russell 1000 Value	4.7%
WisdomTree U.S. LargeCap Dividend	4.4%
FTSE High Dividend Yield	0.0%
Morningstar Dividend Yield Focus	0.0%

Sources: WisdomTree, S&P, FTSE Russell, Morningstar, 9/30/21. You cannot invest directly in an index.

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.

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+ [August U.S. Dividend Update](#)

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## DEFINITIONS

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

**Buyback**: When a company uses its own cash to purchase its own outstanding shares; may positively impact the share price.

**Russell 3000 Index**: Measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

**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.

**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.

**Real estate investment trust (REIT)**: Investment structure containing a basket of different exposures to real estate, be it directly in properties or in mortgages. Returns predominantly relate to changes in property values and income from rental payments.

**Net Buyback Yield**: A company's net share buyback is the difference between the capital raised by issuing new shares and the money the company spent on buying back any outstanding shares. A positive net share buyback means that more was spent on buying back existing shares than received from issuing new shares. Net buyback yield is the amount of a company's net buybacks divided by its market capitalization. Please note that net buyback yield does not represent a dividend paid by the company.

**FTSE High Dividend Yield Index**: Designed to represent the performance of companies after implementing a forecast dividend yield ranking process.

**Morningstar Dividend Yield Focus Index**: This focused benchmark tracks income-producing securities issued by financially healthy companies with sustainable profits. The index includes the top 75 income-producing stocks that meet certain eligibility criteria. The index aims to maximize yield by using a fundamental, dividend-based weighting system.

**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.