

A DIVIDEND GROWTH SLOW-DOWN: EVALUATING PROSPECTS AND DRIVERS

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WisdomTree conducts the annual [rebalance](#) of its U.S. [dividend](#) Index family in December of each year, with the [screening date](#) occurring on the last trading day of November.¹ The annual screening process provides a plethora of data about how dividends for the U.S. equity markets have changed over time and presents important information about the underlying market [fundamentals](#). In the table below, we look at the [Dividend Stream](#)[®] for the [WisdomTree Dividend Index](#), WisdomTree's broadest and most inclusive dividend Index. Dividends, a key gauge of the market's underlying fundamentals, continue to reach new highs, but the growth in the upcoming year's dividends—measured by our indicated Dividend Stream—points to the slowest growth in dividends since 2010.

WisdomTree Dividend Index (WTDI) Dividend Stream

Sector in WisdomTree Dividend Index (WTDI)	November 30, 2007	November 30, 2008	November 30, 2009	November 30, 2010	November 30, 2011	November 30, 2012	November 30, 2013	November 30, 2014	November 30, 2015	November 30, 2016	Growth 11/30/2015–11/30/2016	Growth: 11/30/2007–11/30/2016
Consumer Discretionary	\$ 19.37	\$ 18.29	\$ 15.96	\$ 19.42	\$ 22.70	\$ 27.59	\$ 32.40	\$ 38.78	\$ 43.11	\$ 44.03	2.13%	127.31%
Consumer Staples	\$ 33.13	\$ 34.88	\$ 36.92	\$ 39.88	\$ 43.55	\$ 45.02	\$ 49.39	\$ 52.55	\$ 56.87	\$ 59.12	3.95%	78.45%
Energy	\$ 20.95	\$ 22.89	\$ 22.94	\$ 24.34	\$ 27.60	\$ 31.87	\$ 36.19	\$ 40.84	\$ 40.26	\$ 35.97	-10.66%	71.70%
Financials	\$ 95.72	\$ 62.23	\$ 29.36	\$ 33.03	\$ 45.33	\$ 54.79	\$ 65.25	\$ 79.09	\$ 89.46	\$ 97.19	8.64%	1.54%
Health Care	\$ 26.83	\$ 29.03	\$ 25.88	\$ 27.97	\$ 31.76	\$ 34.54	\$ 36.93	\$ 39.48	\$ 43.29	\$ 46.17	6.67%	72.10%
Industrials	\$ 30.77	\$ 34.14	\$ 25.35	\$ 27.37	\$ 31.60	\$ 34.57	\$ 37.98	\$ 43.46	\$ 45.96	\$ 46.64	1.46%	51.56%
Information Technology	\$ 16.17	\$ 17.89	\$ 19.27	\$ 22.18	\$ 27.51	\$ 44.01	\$ 51.96	\$ 55.85	\$ 60.02	\$ 63.23	5.35%	291.05%
Materials	\$ 12.73	\$ 12.47	\$ 8.75	\$ 11.15	\$ 13.70	\$ 14.74	\$ 14.49	\$ 15.35	\$ 14.00	\$ 14.29	2.08%	12.24%
Telecommunication Services	\$ 15.45	\$ 16.96	\$ 17.45	\$ 18.33	\$ 19.15	\$ 19.12	\$ 18.55	\$ 21.19	\$ 22.78	\$ 23.48	3.09%	51.97%
Utilities	\$ 17.40	\$ 18.46	\$ 19.04	\$ 20.19	\$ 21.08	\$ 22.66	\$ 23.19	\$ 23.72	\$ 25.19	\$ 26.14	3.80%	50.24%
Total Dividend Stream	\$ 288.53	\$ 267.25	\$ 220.92	\$ 243.86	\$ 283.98	\$ 328.92	\$ 366.32	\$ 410.30	\$ 440.94	\$ 456.26	3.47%	58.13%
Total ex-Financials	\$ 192.81	\$ 205.02	\$ 191.56	\$ 210.83	\$ 238.64	\$ 274.13	\$ 301.07	\$ 331.21	\$ 351.48	\$ 359.07	2.16%	86.23%
Year-over-Year dividend growth (%)		-7%	-17%	10%	16%	16%	11%	12%	7%	3%		

Sources: WisdomTree, Bloomberg, as of 11/30/16. Past performance is not indicative of future results. Dividend Stream is reported in billions of U.S. dollars. You cannot invest directly in an index. Subject to change.

Visit the [wisdomTree Dividend Index](#) page for current holdings.

Highlights of This Year's Rebalance:

- **Record Dividend Stream:** 2016 marks the seventh consecutive year of growth for the U.S. *Dividend Stream* and a new high—58% above the mark set in 2007. Although the growth was positive, this was the first time in seven years that dividend growth wasn't above its longer-term average of 5.6%. The *Dividend Stream*, which considers both [shares outstanding](#) and [dividends per share](#), was biased downward due to the reduction in shares outstanding (approximately 1.5% in aggregate). Adding back the 1.5% share reduction can get you closer to an aggregate 5% growth per share.²
- **Financials Displayed Highest Growth:** The sector has grown its dividends more than 8.5% since last year's screening and has averaged almost 19% growth per year since hitting bottom in 2009. Also, the Financial sector's dividends just eclipsed their previous high set in 2007—the last sector to do so. Growth was led by Citigroup and Bank of America, which grew their indicated dividends per share by 220% and 50%, respectively.
- **Only Energy Saw Reduction:** The Energy sector saw a *Dividend Stream* drop of 10%, the only sector to record a reduction in dividends. Exxon remains the largest dividend payer in the U.S., with an indicated *Dividend Stream* of \$12.4 billion, and was able to slightly grow its dividend by 2.7% over the period. Chevron, the second-largest dividend payer in the sector, also grew its dividend over the period, albeit by less than 1%. But large cuts of more than 60% from ConocoPhillips, the Williams Companies, National

Oilwell Varco and Anadarko Petroleum drove the decline.

- **Tech Titan Growth:** Information Technology sector dividends have grown a remarkable 290% since November 30, 2007. At its prior peak, this sector constituted only 5.6% of the *Dividend Stream*, whereas now it constitutes almost 14.0% and is the second-largest dividend-paying sector behind Financials.

Conclusion

With the slowdown in aggregate dividend growth of the market and rising [interest rates](#) putting pressure on some of the highest-yield segments of the market such as Utilities, it is perhaps increasingly important to focus on pockets of the market with the best potential to grow dividends.

Certainly some of President-elect Trump's focus on cutting corporate tax rates and allowing companies to repatriate offshore cash might cause a positive impetus and stimulus for dividend growth toward the end of the year and into 2018.

In future articles we'll look at dividend growth across a variety of indexes and look toward where we see the most long-term potential for dividend growth based on current fundamentals.

¹The annual screening date is when each qualifying company's indicated dividends per share are measured; the actual rebalancing transactions that adjust the Index to these new weights occur in December.

²Each calendar year mentioned refers to the November 30 screening date for that year.

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DEFINITIONS

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.

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

Annual screening date: The screening date refers to the date upon which characteristics of eligible constituent firms are measured, whereas the rebalance refers to when the results from the screening date are implemented by way of Index weights and constituents.

Fundamentals: Attributes related to a company's actual operations and production as opposed to changes in share price.

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

Shares outstanding: all the shares of a corporation or financial asset that have been authorized, issued and purchased by investors.

Dividends per Share: The sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

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