

OCTOBER DIVIDEND UPDATE

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For many, the fall season brings cherished traditions: tailgating, apple picking, hiking.

WisdomTree has a tradition of our own: the annual [Global Dividend Index](#) reconstitution.

The aim of the reconstitution is to refresh exposure to regular cash-[dividend](#) payers, with an eye toward giving greater weight to companies paying greater cash dividends.

Given the broad-based rebound in dividends this year, we saw an increase of about 1,000 constituents, from 4,662 to 5,663. As a by-product of its modified [dividend weighting](#), the [dividend yield](#) of the Index increased modestly from 3.19% to 3.38%.

WisdomTree Global Dividend Index: Fundamentals

| Characteristic | Pre-Rebalance | Post-Rebalance |
|--------------------------|---------------|----------------|
| Number of Holdings | 4,662 | 5,663 |
| Dividend Yield | 3.19% | 3.38% |
| Price/Earnings | 15.30 | 13.95 |
| Price/Earnings (ex. neg) | 14.89 | 13.74 |
| Price/Book | 2.21 | 2.01 |
| Price/Sales | 1.61 | 1.47 |
| Return on Equity | 14.03% | 13.71% |
| Return on Assets | 2.04% | 1.75% |

Sources: WisdomTree, FactSet. Pre-rebalance fundamentals as of 10/21/21 and post-rebalance fundamentals as of 10/22/21. You cannot invest directly in an Index.

Sector Changes

From a sector perspective, Financials had the biggest increase in weight, followed by Materials and Energy.

- **Financials:** Many banks—particularly in Europe and Australia—were required to cease or reduce dividend payouts at the height of the pandemic in 2020. Over the past 12 months, these dividends have been largely reinstated.
- **Materials:** Big Materials companies—like Vale, BHP, Rio Tinto and Fortescue—have made year-over-year increases of more than 100% in their dividend payouts on the back of soaring commodities prices.
- **Energy:** Brent crude has skyrocketed from below \$20 a barrel in April 2020 to more than \$80 a barrel currently, helping Energy sector profits, and dividend payouts, rebound.

WisdomTree Global Dividend Index: Sector weights

| Sector | Pre-Rebalance | Post-Rebalance | Change |
|------------------------|---------------|----------------|--------|
| Financials | 20.63% | 22.98% | 2.35% |
| Information Technology | 13.26% | 11.55% | -1.72% |
| Consumer Staples | 10.77% | 10.36% | -0.41% |
| Industrials | 9.68% | 9.85% | 0.17% |
| Health Care | 11.00% | 9.44% | -1.55% |
| Materials | 6.63% | 7.90% | 1.27% |
| Consumer Discretionary | 6.40% | 6.79% | 0.40% |
| Utilities | 5.51% | 5.88% | 0.38% |
| Real Estate | 5.14% | 5.32% | 0.18% |
| Communication Services | 6.93% | 5.05% | -1.88% |
| Energy | 4.04% | 4.87% | 0.83% |

Sources: WisdomTree, FactSet. Pre-rebalance fundamentals as of 10/21/21 and post-rebalance fundamentals as of 10/22/21. You cannot invest directly in an index.

Country Changes

Markets that had the most stable payouts in 2020—like the U.S. and Japan—saw their weight reduced at rebalance relative to countries—like those in Europe—that swiftly slashed payouts and resumed them in 2021.

WisdomTree Global Dividend Index: Country Weights

| Countries | Pre-Rebalance | Post-Rebalance | Change |
|----------------|---------------|----------------|--------|
| France | 2.66% | 4.18% | 1.52% |
| Sweden | 0.80% | 1.75% | 0.95% |
| Italy | 0.89% | 1.60% | 0.71% |
| United Kingdom | 5.54% | 6.18% | 0.65% |
| Netherlands | 0.91% | 1.07% | 0.15% |
| Spain | 0.93% | 1.08% | 0.15% |
| Japan | 9.44% | 8.59% | -0.86% |
| United States | 46.45% | 40.41% | -6.04% |

Sources: WisdomTree, FactSet. Pre-rebalance fundamentals as of 10/21/21 and post-rebalance fundamentals as of 10/22/21. You cannot invest directly in an index.

Largest Payers

The list of the largest global dividend payers is diverse across countries and sectors. Among the 20 largest, there are nine countries and seven sectors represented.

- The three largest are Info. Tech. giants Microsoft, Samsung Electronics and Apple
- As mentioned previously, the large Materials companies can be seen on this top 20 list after a boom in payouts reflecting rising commodities prices
- There are four sectors tied for the greatest representation (four companies) on the top 20 list: Info. Tech., Consumer Staples, Health Care and Materials

Top 20 Global Dividend Payers

| Name | Dividend Stream (\$bn) | Country | Sector |
|--|------------------------|----------------|------------------------|
| Microsoft Corporation | \$17.28 | United States | Information Technology |
| Samsung Electronics Co., Ltd. | \$15.20 | Korea | Information Technology |
| Apple Inc. | \$14.05 | United States | Information Technology |
| Vale S.A. | \$13.79 | Brazil | Materials |
| China Construction Bank Corporation Class H | \$12.13 | China | Financials |
| JPMorgan Chase & Co. | \$11.06 | United States | Financials |
| Johnson & Johnson | \$10.90 | United States | Health Care |
| Verizon Communications Inc. | \$10.44 | United States | Communication Services |
| Taiwan Semiconductor Manufacturing Co., Ltd. | \$9.77 | Taiwan | Information Technology |
| AbbVie, Inc. | \$9.19 | United States | Health Care |
| BHP Group Ltd | \$8.88 | Australia | Materials |
| Pfizer Inc. | \$8.75 | United States | Health Care |
| Rio Tinto plc | \$8.55 | United Kingdom | Materials |
| Nestle S.A. | \$8.30 | Switzerland | Consumer Staples |
| Procter & Gamble Company | \$8.06 | United States | Consumer Staples |
| Fortescue Metals Group Ltd | \$7.96 | Australia | Materials |
| Novartis AG | \$7.83 | Switzerland | Health Care |
| Philip Morris International Inc. | \$7.56 | United States | Consumer Staples |
| Coca-Cola Company | \$7.21 | United States | Consumer Staples |
| Toyota Motor Corp. | \$7.16 | Japan | Consumer Discretionary |

Sources: WisdomTree, FactSet, IHS Markit, as of 9/30/21. Universe is the WisdomTree Global Dividend Index. Dividend Stream* = Dividends per share x shares outstanding.

Dividend Growth Can Offset [Inflation](#)

Equities are an inflation [hedge](#) to a certain extent. As input prices go up, companies can pass on higher costs to consumers and distribute those earnings in the form of dividends.

As we've seen from this global dividend rebalance, certain sectors of the market—notably Materials and Energy—are more direct inflation hedges than sectors like Consumer Staples. As commodity prices have increased, dividend growth has gone hand in hand.

Focusing on quality companies with the pricing power and profitability to continue increasing dividends may be important in this above-average inflation environment.

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

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

Dividend weighted: Constituent securities represented within the Index in proportion to their contribution to the dividend stream of the Index.

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

Inflation: Characterized by rising price levels.

Hedge: Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.