

2023 MARKET UPDATE: BUYER BEWARE

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While many investors bemoaned market returns in 2022, a bright spot in the U.S. market was the [WisdomTree U.S. High Dividend strategy \(DHS\)](#). Although the high-growth [Nasdaq Composite Index](#) declined 19.21% and the [S&P 500 Index](#) declined 18.11%, [DHS](#) was up 7.88%, providing one of the few bright spots of 2022.

Despite near-term headwinds, our team believes there could be a multi-year cycle for [value](#) investing, and [DHS](#) represents one of the lowest-priced segments of the market.

Name	Average Annual Total Returns as of 3/31/23					
	YTD	1-Year	3-Year	5-Year	10-Year	Expense Ratio
WisdomTree U.S. High Dividend Fund NAV Returns	-7.76%	-2.49%	17.81%	7.85%	8.63%	0.38%
WisdomTree U.S. High Dividend Fund Market Price Returns	-7.71%	-2.70%	17.82%	7.84%	8.61%	0.38%
S&P 500 Index	9.91%	-7.73%	18.60%	11.19%	12.24%	-
S&P 500 Equal Weight Index	1.60%	-6.31%	22.06%	9.96%	11.01%	-
NASDAQ Composite Index	21.40%	-8.58%	18.48%	10.45%	11.73%	-

Source: WisdomTree, as of 5/19/23. You cannot invest directly in an Index. The performance data quoted represents past performance and is no guarantee of future results. Investment returns and the 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. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance as well as Fund holdings, click [here](#).

What's Driving Returns

The challenge investors currently face putting fresh dollars to work in the S&P 500 centers around narrow market leadership and concentration risk. The S&P 500's return year-to-date was driven almost entirely by five stocks that either comprise a large percentage weight or have returns that may be difficult to sustain going forward.

Given the current macro uncertainty, we still believe in anchoring portfolios to high-quality dividend payers with attractive levels of income.

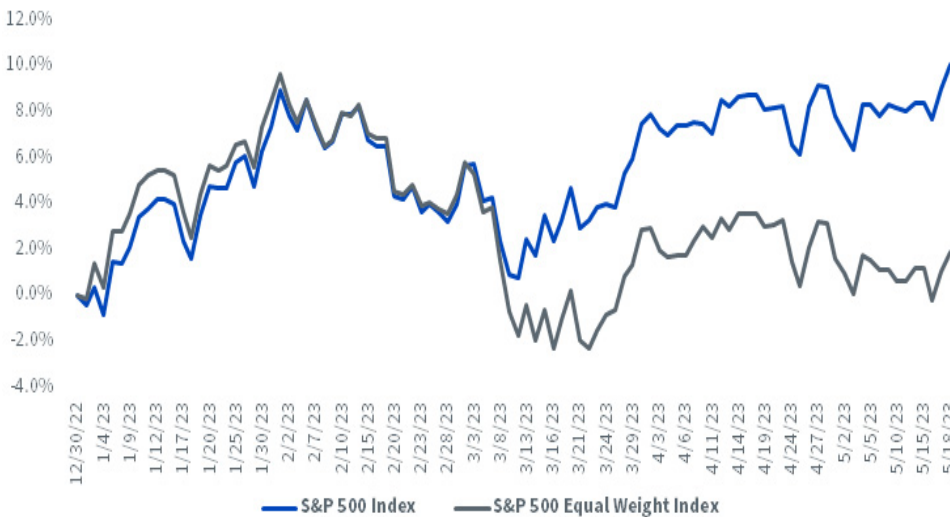
YTD: S&P 500 Contribution to Total Return

	Weight	YTD Performance	Contribution to Return
Apple, Inc.	6.0%	33.6%	2.0%
Microsoft Corp.	5.6%	30.9%	1.7%
NVIDIA Corp.	1.1%	106.7%	1.2%
Amazon.com, Inc.	2.3%	37.2%	0.9%
Meta Platforms, Inc.	0.8%	101.6%	0.9%
Top 5 Total	15.9%	42.0%	6.7%
Positive YTD (249)	43.9%	14.0%	6.2%
Neagtive YTD (249)	40.2%	-10.3%	-4.2%

Source: WisdomTree, as of 5/17/23. Past performance is not indicative of future results.

Seen another way, the dispersion between the [S&P 500 Equal weight Index](#) and the S&P 500 Index is at some of the most stretched levels of the last five years. In short, the market would be modestly positive YTD but for the concentration in a few select names.

Year-To-Date Returns

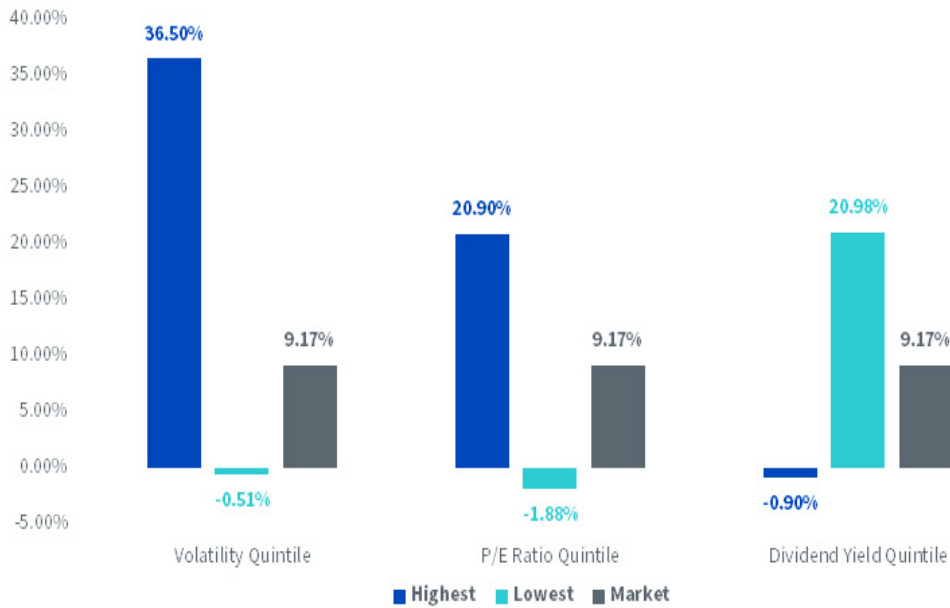


Source: WisdomTree, as of 5/19/23. Past performance is not indicative of future results. You cannot invest directly in an Index.

Looking under the Hood

Additionally, performance so far this year appears to be the exact opposite of 2022. When ranking stocks into quintiles, we see that high-[volatility](#), high-[P/E](#) and low-[dividend-yielding](#) stocks are outperforming the market by double digits.

YTD S&P 500 Index Total Returns



Source: WisdomTree, as of 4/30/23. Past performance is not indicative of future results. You cannot invest directly in an Index.

Turning to [valuations](#), the market is not cheap. Our [daily market dashboard](#) shows the S&P 500 currently trading at 18.9x forward earnings or a 5.3% earnings yield. While not quite at the extremes we saw in 2021, the challenge will be maintaining these levels of earnings given that we are near peak margins for S&P 500 companies. Should the economy continue to soften in the face of [Fed rate hikes](#), the market may be disappointed.

S&P 500 Index Forward P/E Ratio



Source: WisdomTree, as of 5/19/23. You cannot invest directly in an Index.

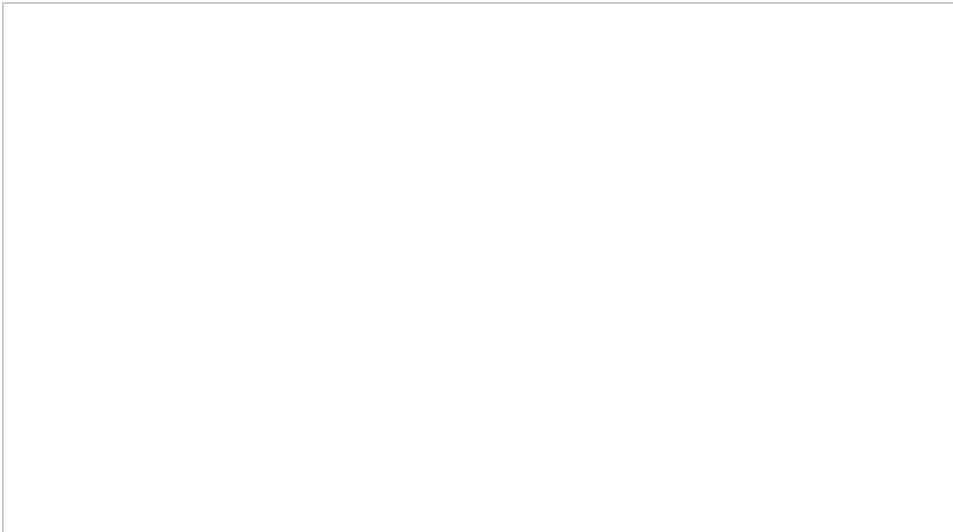
Tilting Away from Concentration Risk

So, after looking at a rather challenging market for returns, what is an investor to do? We think anchoring to companies with strong fundamentals, attractive levels of income and cheap valuations may be a solid option over the next 12–18 months. With comparable quality metrics versus the market ([return on equity](#) of 17.7% vs. 18.4%), a dividend yield of 4.75% and 11x forward earnings, [DHS](#) could make a lot of sense for investors. While performance has lagged year-to-date on account of the high-vo1, low-dividend and high-P/E stock rally, we think valuations are compelling.

Dividend yield as of 5/9/23. The performance data quoted represents past performance and

is no guarantee of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end performance, please click [here](#).

DHS Forward P/E Ratio



While cheap valuations aren't a catalyst on their face, they do help solve many of the challenges we've highlighted for market returns going forward. With the Fed committed to bringing [inflation](#) lower, we believe a high-dividend strategy like [DHS](#) may provide investors with an additional margin of safety should the narrative of a less aggressive Fed not materialize.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of DHS please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/dhs>

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.

Related Funds

+ [WisdomTree U.S. High Dividend Fund](#)

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

IMPORTANT INFORMATION

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You cannot invest directly in an index.

DEFINITIONS

Nasdaq Composite Index: The market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

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.

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.

S&P 500 Equal Weight Index: Designed to track the equally weighted performance of the 500 constituents in the S&P 500 Index.

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

Price-to-earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

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

Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Federal Reserve: The Federal Reserve System is the central banking system of the United States.

Rate Hike: refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

Return on Equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Inflation: Characterized by rising price levels.