

ANALYZING THE GLOBAL DIVIDEND STREAM

Tripp Zimmerman – Director, Research
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Each year, we monitor the global *Dividend Stream*[®] for growth so we can refresh the weights of the underlying constituent companies in various WisdomTree Indexes.

This year, the global *Dividend Stream* of the WisdomTree Global Dividend Index has reached a new high, and regionally only the developed international market is below its previous respective high. Recently, the developed international and emerging markets were exhibiting lower growth than the U.S., but this year saw double-digit gains for both regional markets outside the U.S., with only a modest increase for the U.S. The global *Dividend Stream* is measured in U.S. dollars, so foreign currency strength over the past year helped slightly with growth rates. The global Dividend Stream was able to grow at 8.77% over the most recent one-year period in U.S. dollar terms and 7.85% in local currency terms.

To calculate the global *Dividend Stream*, we start with the 5,890 investable *dividend* payers in the [WisdomTree Global Dividend Index](#). We then take the dividends per share for each company and multiply them by their shares outstanding. The table below aggregates the *Dividend Stream* of each company by its respective region and shows a percentage breakdown by region.

Dividend Stream

	5/31/2008	5/31/2009	5/31/2010	5/31/2011	5/31/2012	5/31/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
United States	\$288.02	\$255.13	\$225.35	\$253.85	\$293.14	\$339.93	\$393.92	\$424.28	\$447.27	\$467.98
Developed World	\$660.11	\$458.88	\$458.14	\$580.92	\$539.79	\$568.68	\$610.96	\$563.18	\$585.71	\$647.02
Emerging Markets	\$135.57	\$105.82	\$109.25	\$169.48	\$169.68	\$183.43	\$185.11	\$183.82	\$193.14	\$218.66
WT Global Dividend Index Total	\$1,083.70	\$819.83	\$792.74	\$1,004.25	\$1,002.61	\$1,092.04	\$1,189.99	\$1,171.29	\$1,226.12	\$1,333.66
Growth		-24.35%	-3.30%	26.68%	-0.16%	8.92%	8.97%	-1.57%	4.68%	8.77%

% Weight of Dividend Stream

	5/31/2008	5/31/2009	5/31/2010	5/31/2011	5/31/2012	5/31/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
United States	26.6%	31.1%	28.4%	25.3%	29.2%	31.1%	33.1%	36.2%	36.5%	35.1%
Developed World	60.9%	56.0%	57.8%	57.8%	53.8%	52.1%	51.3%	48.1%	47.8%	48.5%
Emerging Markets	12.5%	12.9%	13.8%	16.9%	16.9%	16.8%	15.6%	15.7%	15.8%	16.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: WisdomTree, as of 9/30/17.

Dividend Stream Adjustment in Emerging Markets

Every year ahead of the [annual rebalance](#), we conduct a thorough review of our current index methodologies and determine if any adjustments or enhancements need to be made. Historically, outside of India, we have weighted each constituent by its full dividend market cap, meaning there is no adjustment for privately held or non-publicly traded shares (i.e., float). Over the past few years, we have been monitoring the impact on emerging markets and decided this year to apply the investability weighting factor across the *Dividend Stream* of all emerging market companies, instead of penalizing just India.

The below table outlines the differences by analyzing the full and float-adjusted dividend market cap across sectors and regions in the [WisdomTree Emerging Markets Dividend Index](#). The right side of the table is looking at the change after the appropriate caps and volume adjustments have been applied. The right side is also considering changes between a company’s price and dividend growth over the past year.

- **Sector Changes:** Considering just the float adjustment, it is not surprising to us that there was increased exposure to private sectors such as Information Technology and decreases from more public sectors like Energy, Telecom and Utilities. Historically, as emerging markets are developing, governments are keen to make strategic investments in firms that provide public goods.
- **Country Changes:** Taiwan and South Korea saw increased weights. It could be argued that these countries are among the more “developed” in the emerging market classification and also have developed technology industries. Although India still saw a drop when looking at just before and after float on the left side of the table, because it is not the only country being penalized, it saw a weight increase in the Index. Countries such as Brazil and Russia saw weight decreases due to large state ownership among some of their largest dividend payers.

Sector	No Capping and/or Volume Adjustments			Includes Capping and/or Volume Adjustments		
	Full Dividend Market Cap	Float-Adjusted Dividend Market Cap	Differences	Old Index Weight	New Index Weight	Difference
Financials	30.09%	32.38%	2.29%	26.10%	24.98%	-1.12%
Information Technology	12.30%	17.30%	5.00%	14.52%	19.23%	4.70%
Energy	12.59%	10.14%	-2.45%	11.20%	11.25%	0.05%
Materials	10.01%	9.61%	-0.40%	9.23%	10.62%	1.39%
Telecommunication Services	8.91%	6.84%	-2.07%	10.67%	7.59%	-3.08%
Consumer Discretionary	6.06%	6.61%	0.55%	6.71%	7.33%	0.62%
Consumer Staples	7.36%	5.98%	-1.38%	8.06%	6.64%	-1.42%
Industrials	6.01%	5.63%	-0.38%	6.71%	6.24%	-0.47%
Utilities	5.33%	4.07%	-1.27%	5.67%	4.51%	-1.16%
Health Care	1.33%	1.44%	0.11%	1.12%	1.60%	0.48%

Country	No Capping and/or Volume Adjustments			Includes Capping and/or Volume Adjustments		
	Full Dividend Market Cap	Float-Adjusted Dividend Market Cap	Differences	Old Index Weight	New Index Weight	Difference
China	24.30%	25.14%	0.85%	22.78%	22.98%	0.21%
Taiwan	14.86%	20.70%	5.84%	17.20%	21.75%	4.55%
South Korea	8.40%	10.95%	2.56%	9.80%	11.48%	1.68%
Russia	8.46%	6.80%	-1.66%	9.03%	7.22%	-1.81%
South Africa	5.20%	7.25%	2.05%	5.66%	7.02%	1.36%
India	9.09%	5.71%	-3.39%	2.62%	6.19%	3.57%
Brazil	7.38%	5.42%	-1.96%	6.93%	5.50%	-1.43%
Thailand	4.81%	3.37%	-1.45%	5.82%	3.44%	-2.38%
Malaysia	4.04%	3.31%	-0.73%	4.53%	3.23%	-1.30%
Mexico	2.77%	2.99%	0.23%	2.99%	2.93%	-0.06%
Indonesia	3.30%	2.39%	-0.91%	3.26%	2.40%	-0.86%
Turkey	1.95%	1.60%	-0.35%	2.35%	1.62%	-0.74%
Chile	1.89%	1.45%	-0.44%	2.44%	1.47%	-0.98%
Poland	1.17%	1.18%	0.01%	1.55%	1.06%	-0.49%
Philippines	1.39%	0.94%	-0.46%	1.84%	0.94%	-0.90%
Czech Republic	0.74%	0.50%	-0.24%	0.88%	0.47%	-0.41%
Hungary	0.26%	0.32%	0.06%	0.32%	0.32%	0.00%

Source: WisdomTree, as of 9/30/17. Old Index weight is the weight of the WisdomTree Emerging Markets Dividend Index as of 9/30/17. New Index weight is the anticipated weight after the index rebalance, based on 9/30/17 screening information. Subject to change.

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DEFINITIONS

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

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

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.