

# 2022 REBALANCE OVERVIEW: U.S. DIVIDEND INDEXES

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As the year wraps up, [dividend](#) strategies finished a banner 12 months of outperformance compared to their broad-market counterparts.

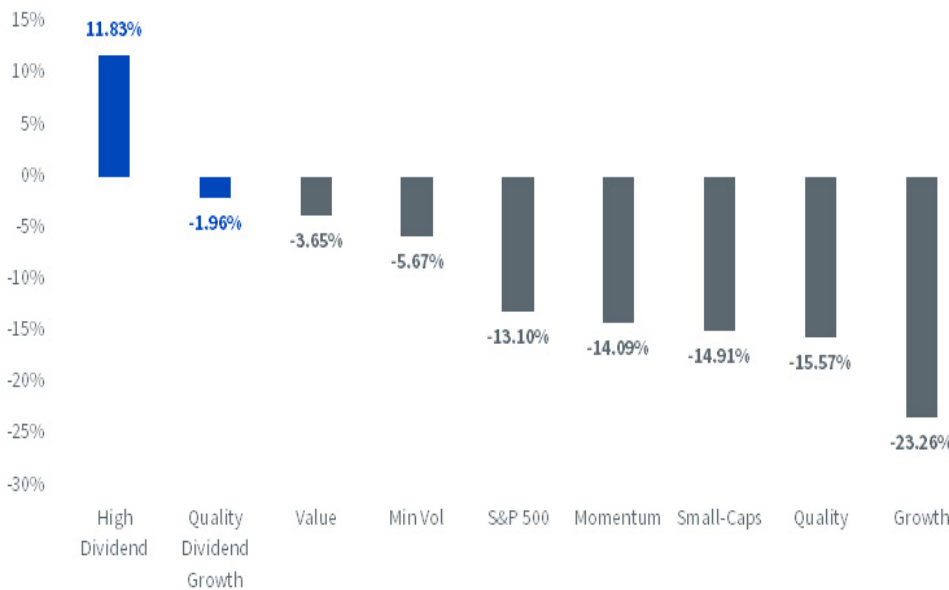
The main driver of this outperformance was the resilience of dividend payers amid the washout in more speculative [growth](#) stocks in the face of rising [interest rates](#).

The [WisdomTree U.S. High Dividend Index \(WTHYE\)](#) outperformed the [S&P 500](#) by almost 25% year-to-date.

The [WisdomTree U.S. Quality Dividend Growth Index \(WTDGI\)](#), which measures the performance of dividend-paying companies with growth characteristics, outperformed the market by more than 11%.

These two dividend benchmarks significantly outperformed other factor benchmarks, such as standard minimum [volatility](#) and standard value indexes, as well.

## Year-to-Date Performance, Select WisdomTree Dividend Indexes vs. Factor Benchmarks



Sources: WisdomTree, S&P, MSCI, FTSE Russell, 12/31/21–11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

## WisdomTree U.S. Dividend Indexes

WisdomTree rebalances its [U.S. Dividend Index \(WTDI\)](#) each December with data as of the end of November.

At this year’s rebalance, the wisdomTree U.S. dividend Indexes saw notable changes in sector weight allocations.

All Indexes but the [WisdomTree U.S. SmallCap Quality Dividend Growth Index](#)

([WTS DG](#)) dropped allocations from Consumer Staples due to prices outpacing dividend growth for that sector compared to others.

Most Indexes also shed some allocations from the Health Care sector, with the WisdomTree U.S. High Dividend Index dropping more than 8% weight from the sector. At the same time, most Indexes increased allocations to the Consumer Discretionary and Financials sectors.

The rebalance tilted most portfolios away from defensive sectors and toward cyclical sectors, with the Financials sector seeing the greatest gross increase in allocations.

**Rebalance Sector Changes**

Index	Comm. Svcs.	Cons. Disc.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info. Tech.	Materials	Real Estate	Utilities
WT U.S. Quality Dividend Growth Index	-1.5%	0.5%	-2.4%	-1.0%	8.6%	-5.1%	-2.7%	2.9%	0.0%	0.6%	0.2%
WT U.S. SmallCap Quality Dividend Growth Index	0.2%	7.6%	0.0%	3.7%	3.4%	0.3%	-6.5%	-1.3%	0.3%	1.3%	-9.0%
WT U.S. Dividend Index	0.1%	0.5%	-2.9%	-0.8%	1.1%	-0.8%	1.9%	-0.1%	0.0%	1.0%	0.0%
WT U.S. High Dividend Index	0.4%	3.3%	-5.6%	-2.4%	5.8%	-8.0%	-0.7%	3.6%	0.6%	1.3%	1.7%
WT U.S. LargeCap Dividend Index	0.2%	0.3%	-2.7%	-0.8%	1.3%	-0.3%	1.9%	0.1%	-0.2%	0.2%	0.2%
WT U.S. MidCap Dividend Index	-0.4%	0.1%	-2.9%	-0.6%	0.3%	-0.4%	2.1%	2.4%	-1.0%	1.3%	-1.0%
WT U.S. SmallCap Dividend Index	-0.3%	3.6%	-0.4%	2.4%	-1.2%	0.7%	-1.0%	0.0%	1.8%	1.8%	-7.2%

Sources: WisdomTree, FactSet, as of 11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

Looking at Index fundamentals, return on equity improved for four of the seven Indexes, and the [WisdomTree U.S. SmallCap Dividend Index \(WTSDI\)](#) saw the largest increase, from 14.5% to 20.5%.

**Rebalance Changes, Fundamentals**

Index	Change		
	Div. Yield	Return on Equity	Return on Assets
WT U.S. Quality Dividend Growth Index	-0.2%	-2.7%	-3.9%
WT U.S. SmallCap Quality Dividend Growth Index	-0.2%	6.0%	1.0%
WT U.S. Dividend Index	-0.1%	0.2%	0.0%
WT U.S. High Dividend Index	0.2%	-1.1%	-0.6%
WT U.S. LargeCap Dividend Index	-0.1%	0.0%	-0.1%
WT U.S. MidCap Dividend Index	-0.2%	-0.4%	0.2%
WT U.S. SmallCap Dividend Index	-0.3%	2.9%	0.2%

Sources: WisdomTree, FactSet, as of 11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

Another result of the rebalance is that the Indexes are trading at discounts to their

respective benchmarks, as can be seen in the table below.

Including the below indexes, all rebalanced U.S. dividend indexes (with the exception of the WisdomTree U.S. Dividend Index) currently trade at discounts to the S&P 500 Index.

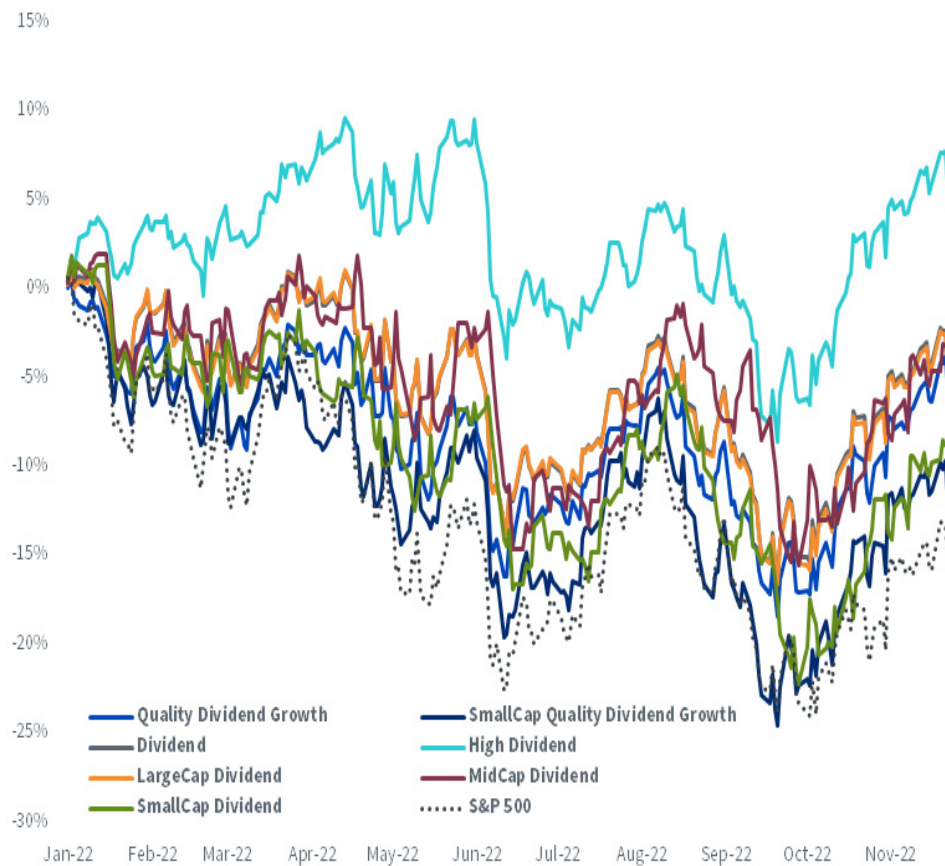
**Select WisdomTree Dividend Index Valuations**

Forward Price-to-Earnings Ratio					
WT U.S. LargeCap Dividend Index	15.2x	WT U.S. MidCap Dividend Index	12.3x	WT U.S. SmallCap Dividend Index	12.6x
S&P 500 Index	18.0x	S&P MidCap 400 Index	13.1x	S&P SmallCap 600 Index	13.8x
Russell 1000 Value Index	16.3x	Russell MidCap Value Index	20.6x	Russell 2000 Value Index	22.6x

Sources: WisdomTree, FactSet, as of 11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

Notably, every WisdomTree U.S. dividend index outperformed the S&P 500 year-to-date.

**Year-to-Date Performance, WisdomTree Dividend Indexes vs. S&P 500**



Sources: WisdomTree, S&P, 12/31/21–11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

The market landscape is rife with fears of lingering [inflation](#), higher interest rates and the possibility of a [recession](#) in 2023. These conditions are causing more investors to consider dividend strategies, which have acted much more defensively with rising volatility. We think the [macro](#) environment should still reward a focus on dividend-paying stocks in 2023 as the focus for the market turns to the sustainability of earnings estimates.

**WisdomTree U.S. Dividend Index Top 20 Holdings**

Name	Sector	Weight	Dividends Per Share		Change
			11/30/2021	11/30/2022	YoY
Exxon Mobil Corporation	Energy	3.11%	\$ 3.52	\$ 3.64	3.41%
Apple Inc.	Information Technology	3.04%	\$ 0.88	\$ 0.92	4.54%
Microsoft Corporation	Information Technology	2.81%	\$ 2.48	\$ 2.72	9.67%
Chevron Corporation	Energy	2.28%	\$ 5.36	\$ 5.68	6.05%
AbbVie, Inc.	Health Care	2.18%	\$ 5.64	\$ 5.93	5.15%
Pfizer Inc.	Health Care	1.87%	\$ 1.56	\$ 1.60	2.65%
Johnson & Johnson	Health Care	1.64%	\$ 4.24	\$ 4.52	6.63%
JPMorgan Chase & Co.	Financials	1.63%	\$ 4.00	\$ 4.00	0.12%
Coca-Cola Company	Consumer Staples	1.58%	\$ 1.68	\$ 1.76	4.76%
Philip Morris International Inc.	Consumer Staples	1.56%	\$ 5.00	\$ 5.07	1.50%
Merck & Co., Inc.	Health Care	1.54%	\$ 2.76	\$ 2.92	5.82%
PepsiCo, Inc.	Consumer Staples	1.32%	\$ 4.30	\$ 4.60	6.98%
Cisco Systems, Inc.	Information Technology	1.30%	\$ 1.48	\$ 1.52	2.70%
UnitedHealth Group Incorporated	Health Care	1.28%	\$ 5.80	\$ 6.60	13.84%
Procter & Gamble Company	Consumer Staples	1.20%	\$ 3.48	\$ 3.66	5.06%
Home Depot, Inc.	Consumer Discretionary	1.07%	\$ 6.60	\$ 7.61	15.24%
Bank of America Corp	Financials	0.98%	\$ 0.84	\$ 0.88	4.82%
Bristol-Myers Squibb Company	Health Care	0.96%	\$ 1.96	\$ 2.16	10.29%
McDonald's Corporation	Consumer Discretionary	0.93%	\$ 5.52	\$ 6.08	10.15%
United Parcel Service, Inc. Class B	Industrials	0.92%	\$ 4.08	\$ 6.09	49.17%

Source: WisdomTree, as of 11/30/22. 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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## DEFINITIONS

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

**Growth**: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

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

**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.

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

**Inflation**: Characterized by rising price levels.

**Recession**: two consecutive quarters of negative GDP growth, characterized generally by a slowing economy and higher unemployment.

**Macro**: Focused on issues impacting the overall economic landscape as opposed to those only impacting individual companies.