

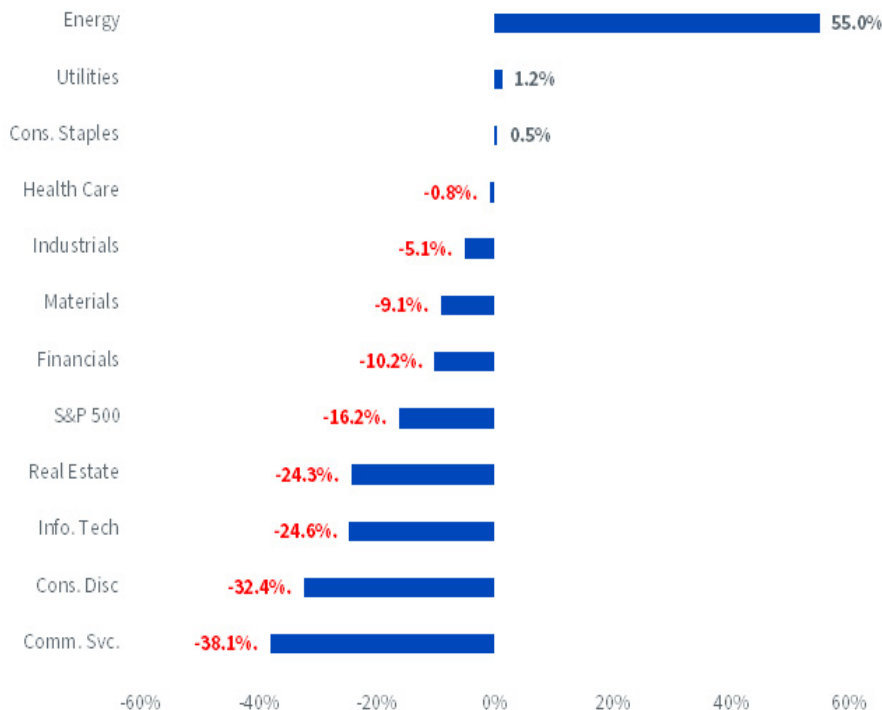
# 2022 ANNUAL RECONSTITUTION: U.S. HIGH DIVIDENDS

Matt Wagner – Associate Director, Research  
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The Energy sector has been just about the only bright spot for U.S. equities in 2022. The sector has been one of just three with positive returns, and the only one with returns greater than 2%.

Unlike nearly every other sector, Energy companies have had a tailwind from this year’s surge in [inflation](#) as outperformance has been directly tied to the jump in oil prices over the last 18 months.

## Year-to-Date S&P 500 Sector Returns

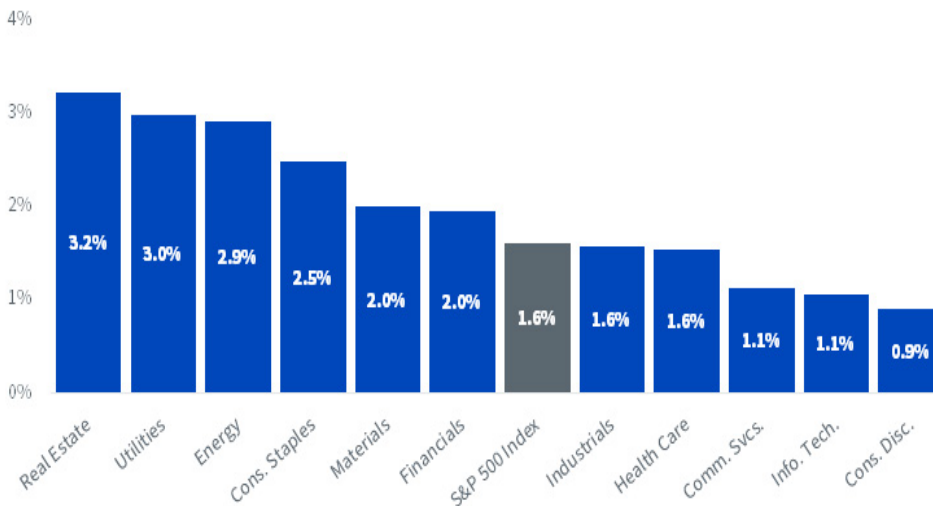


Sources: WisdomTree, S&P, as of 12/9/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

Another major factor in explaining performance across sectors has been dividend yields. Each sector, other than Real Estate, with a dividend yield greater than the [S&P 500](#) has outperformed.

The sectors with the lowest yields—Communication Services, Information Technology and Consumer Discretionary—have had the worst returns.

## S&P 500 Sector Dividend Yields



Sources: WisdomTree, S&P, FactSet, as of 11/30/22. You cannot invest directly in an index.

**Index Attribution**

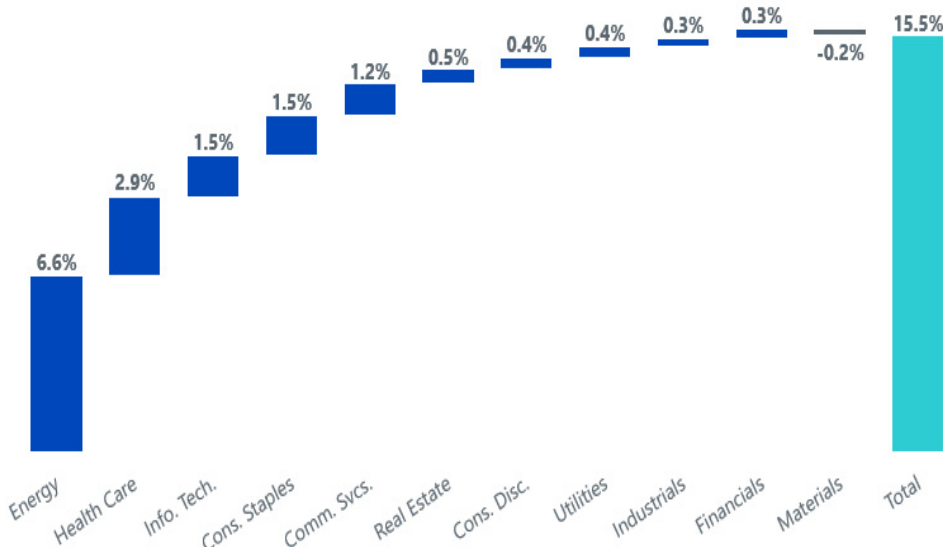
The [wisdomTree U.S. High Dividend Index](#) has outperformed the [Russell 1000 Value Index](#) by over 15% year to date through November 30, 2022.

Much of the outperformance can be explained by an over-weight allocation to Energy. Of that outperformance, 6.6%—a little less than half the 15.5% total outperformance—is attributed to the Energy sector.

The remainder of the Index’s outperformance has come from over-weight allocations to high dividend sectors/stocks that have outperformed and avoiding the lower-yielding sectors/stocks that have lagged.

The Index’s outperformance has been spread broadly across sectors with positive attribution coming from 10 of 11 sectors (only the Materials sector detracted, by 0.2%).

**Year-to-Date Attribution wisdomTree U.S. High Dividend Index versus Russell 1000 Value Index**



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

**Annual Rebalance**

At the market close on December 13, the wisdomTree U.S. High Dividend Index executed its annual rebalance.

Each December, the Index selects companies in the top 30% of the U.S. equity market by yield. Constituents' weights are set by a modified [Dividend Stream](#)<sup>®</sup> weighting in which companies with greater cash dividends receive larger weights.

After the rebalance, the dividend yield of the Index increased by 20 [basis points](#), pushing the yield above 4%. The Index's 4.09% yield is well above the 2.13% yield of the Russell 1000 Value Index.

In addition to the high dividend yield, the Index also has significantly lower [valuation](#) multiples, while also having higher [return on equity](#) and [return on assets](#) than the Russell 1000 Value Index.

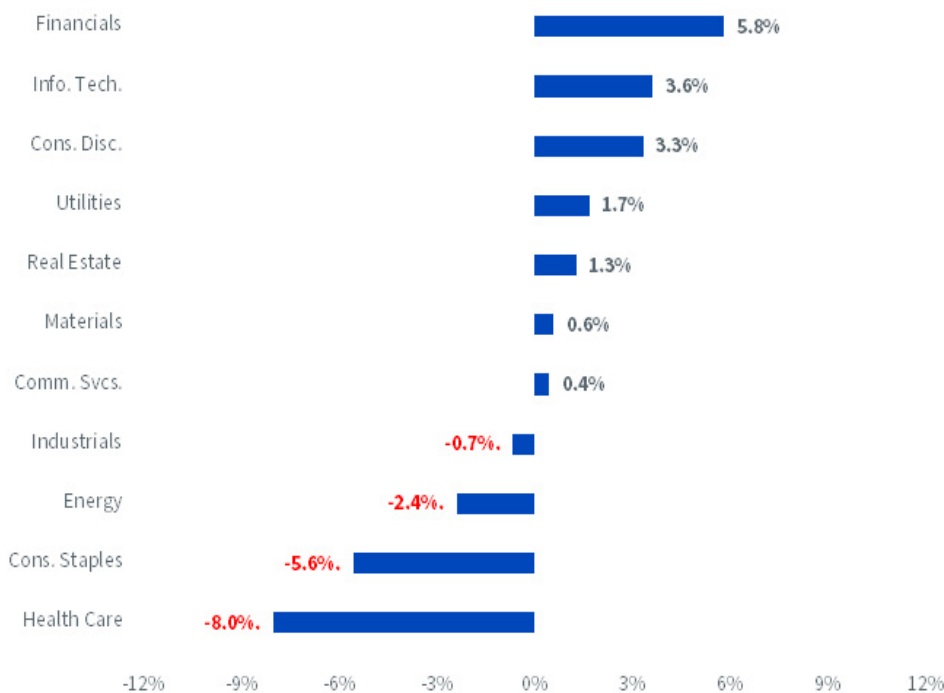
### Fundamentals

Characteristics	Pre-Rebalance	Post-Rebalance	Russell 1000 Value	S&P 500
<b>Size</b>				
Wgt. Avg. Market Cap (\$bn)	\$161.7	\$115.8	\$141.4	\$441.9
Median Market Cap (\$bn)	\$2.5	\$2.5	\$11.3	\$31.3
Over \$10 billion	91.4%	80.8%	91.2%	99.0%
\$2 billion-\$10 billion	6.8%	13.5%	8.8%	1.0%
Under \$2 billion	1.8%	5.7%	0.1%	0.0%
<b>Valuation &amp; Other Characteristics</b>				
Price-to-Earnings (Trailing)	13.2x	11.4x	16.3x	20.0x
Price/Earnings (Forward)	12.2x	11.1x	15.1x	18.3x
Price-to-Book	2.8x	2.1x	2.5x	4.1x
Price-to-Sales	1.8x	1.5x	1.7x	2.4x
<b>Dividend Yield</b>	<b>3.89%</b>	<b>4.09%</b>	<b>2.13%</b>	<b>1.61%</b>
Return on Equity	20.0%	18.9%	15.0%	19.8%
Return on Assets	3.8%	3.2%	3.0%	4.3%
Number of Holdings	379	397	850	503

Sources: WisdomTree, Russell, FactSet, as of 11/30/22. The Index rebalance took place after the close on 12/13/22. You cannot invest directly in an index.

From a sector perspective, the Index had notable additions to Financials (+6%), Information Technology (+4%) and Consumer Discretionary (+3%), while trimming from Health Care (-8%) and Consumer Staples (-6%).

### Rebalance Sector Weight Changes

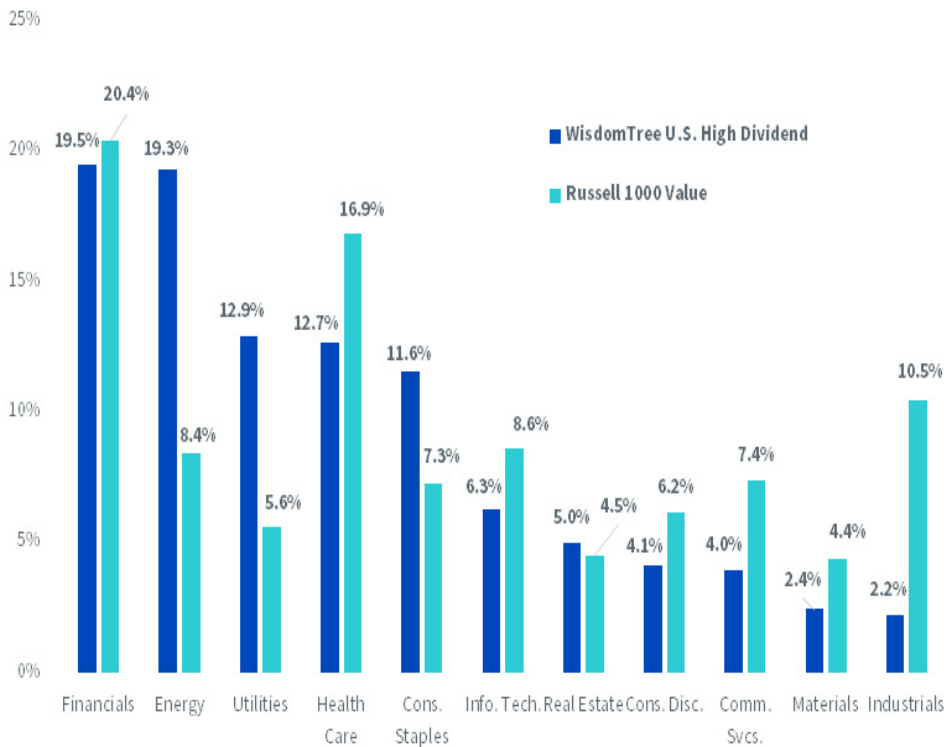


Sources: WisdomTree, Russell, FactSet, as of 11/30/22. The Index rebalance took place after the close on 12/13/22. You cannot invest directly in an index.

Relative to the Russell 1000 Value, the wisdomTree U.S. High Dividend Index has notable over-weight allocations to Energy (+10%), Utilities (+7%) and Consumer Staples (+4%). Its most notable under-weight allocation is to Industrials (-8%).

The Real Estate sector is capped at 5%, which puts that sector’s weight roughly in line with the Russell 1000 Value Index.

**Index Sector weights**



Sources: WisdomTree, Russell, FactSet, as of 11/30/22. The Index rebalance took place after the close on 12/13/22. You cannot invest directly in an index.

The strong performance of dividend paying Consumer Staples and Health Care companies reduced the dividend yield of some large companies below 3%, removing them from the highest dividend yield segment of U.S. equities.

Verizon, which had a high dividend yield of 6.7%, was dropped from the Index based on its [composite risk screen \(CRS\)](#).

AT&T and IBM—each consistently high-yield companies—were screened out on the CRS in 2021 and became eligible at this year’s rebalance.

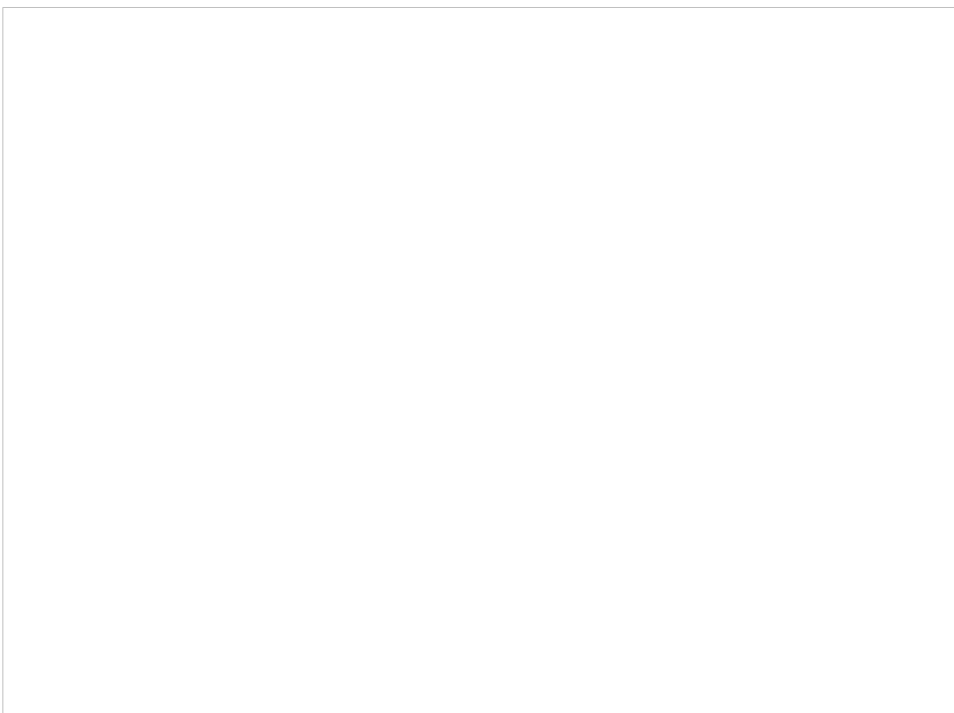
**Top Adds/Drops**



The single holding cap for this Index is 5%, which is why four holdings have 5.0% weights.

Each Top 10 holding has a dividend yield above 3%, with Altria having the highest yield at 8.08%.

**Top 10 Holdings**



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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**Related Funds**

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

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

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## DEFINITIONS

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

**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.

**Russell 1000 value Index**: A measure of the large-cap value segment of the U.S. equity universe, selecting from the Russell 1000 Index.

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

**Basis point**: 1/100th of 1 percent.

**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.

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

**Return on assets (ROA)**: Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.

**Composite risk score**: A term that refers to combining multiple factors—for example quality and momentum—to quantify the potential riskiness of a security relative to comparable companies.