A SMOOTHER RIDE WITH QUALITY DIVIDEND GROWTH

Matt Wagner – Associate Director, Research
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We are all familiar with the main equity market storylines of 2023:

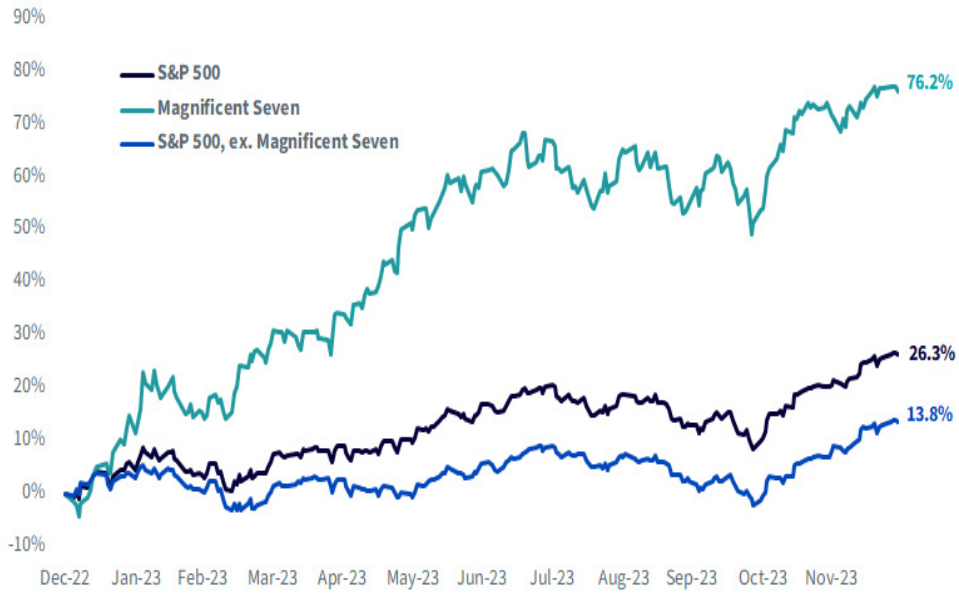
- The recession widely anticipated by Wall Street and Main Street never materialized
- Better-than-expected economic growth resulted in robust gains across equity markets
- A select group of mega-cap growth stocks benefited from excitement around artificial intelligence (AI)

No segment of the market captured more attention than the Magnificent Seven: Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia and Tesla.

These companies collectively accounted for 20% of the S&P 500's weight at the beginning of 2023 (increasing to 28% by year-end) and drove approximately half of the Index's 26% return.

Almost any investment strategy that wasn't over-weight in this handful of names struggled to outperform.

2023 Cumulative Returns



Sources: WisdomTree, FactSet, S&P. You cannot invest directly in an index. Past performance is not indicative of future returns.

The market leadership was a 180-degree reversal from 2022, when companies that did not pay dividends experienced a decline of nearly 39%, significantly greater than the 18% drop in the overall S&P 500.

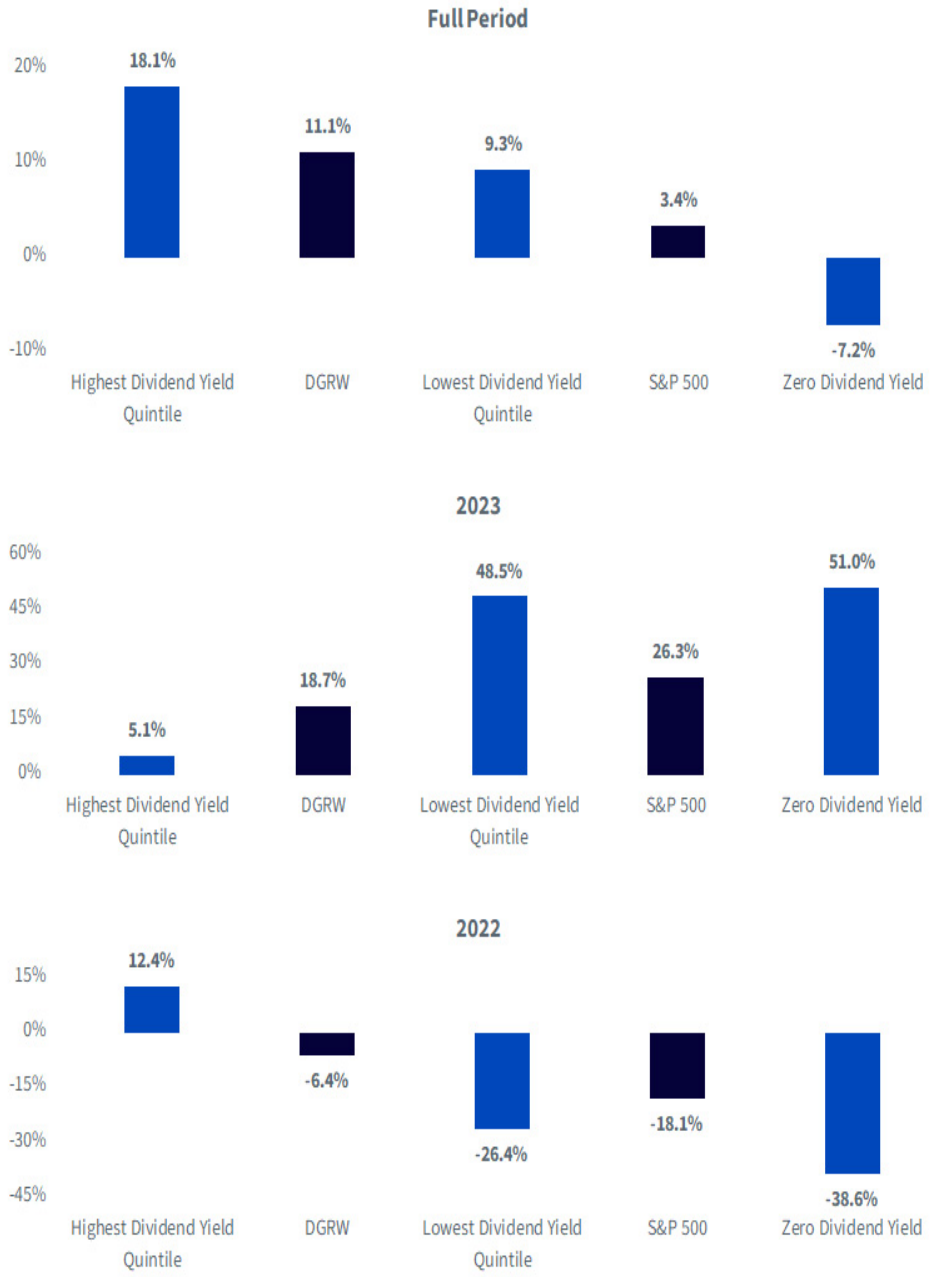
Conversely, companies with the highest dividend yields delivered a strong performance in

2022, with positive returns exceeding 12%.

The WisdomTree U.S. Quality Dividend Growth Fund (DGRW) strategically selects dividend-paying companies based on their high profitability and growth characteristics. In 2022, DGRW outperformed the S&P 500 by more than 11%, primarily due to its under-weight exposure to non-dividend-paying tech companies.

In 2023, the Fund lagged the S&P 500 by 7.6%. This underperformance was largely driven by its collective under-weight in the Magnificent Seven (averaging 10.5% under-weight), accounting for 5% of total underperformance (or nearly 70% of the total underperformance).

Over the full period, DGRW maintained an edge over the S&P 500 of more than 700 basis points cumulatively.



Sources: WisdomTree, FactSet, S&P, 12/31/21–12/29/23. You cannot invest directly in an index. Performance of dividend yield quintiles measures constituents within the S&P 500.

Past performance is not indicative 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 and standardized performances and to download the Fund prospectus, click here.

For definitions of terms in the charts above, please visit the glossary.

Though mega-cap growth garnered the most attention last year, investors should be reminded that each style index was up well over 10%.

Style Box Performance

	2023		
	Value	Blend	Growth
Large	11.46%	26.53%	42.68%
Mid	12.71%	17.23%	25.87%
Small	14.65%	16.93%	18.66%

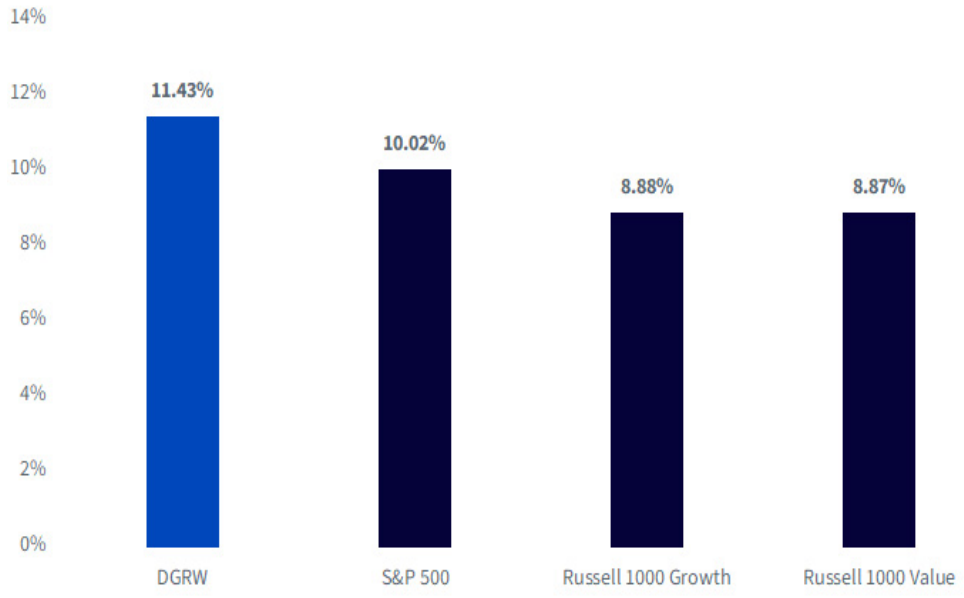
Sources: WisdomTree, Russell. Large-, mid- and small-cap indexes are the Russell 1000, Russell Midcap and Russell 2000 Indexes, respectively, and their corresponding growth and value style indexes. Index returns are gross total returns. You cannot invest directly in an index. Past performance is not indicative of future returns.

Conclusion

Through the choppiness of the last several years, DGRW outperformed the S&P 500 by more than 1.4% annualized. It has been a smoother ride through all the volatility when you zoom out.

Often, investors think a dividend fund requires value leadership for outperformance—this outperformance came amid a backdrop of a directionless market for value versus growth, justifying an allocation for DGRW at the core of an investor's portfolio.

Annualized Three-Year Return



Sources: WisdomTree, S&P, Russell, as of 12/31/23. You cannot invest directly in an index.

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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 DGRW please visit the Fund's fund detail page at https://www.wisdomtree.com/investments/etfs/equity/dgrw

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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You cannot invest directly in an index.

DEFINITIONS

Artificial intelligence : machine analysis and decision-making.

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.

Magnificent 7 : Refers to a group of high-performing U.S. stocks including Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA)

Basis point : 1/100th of 1 percent.

Mega Cap : Market Capitalization over $100 Billion.

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

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 tim.

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.