

THE NEW YEAR RESET: THE WISDOMTREE U.S. VALUE FUND

Kara Marciscano – Associate, Research
01/07/2022

One of WisdomTree’s flagship value Funds made some notable changes at the start of the new year.

The WisdomTree U.S. Quality Shareholder Yield Fund (QSY) was rebranded as the [WisdomTree U.S. Value Fund \(WTV\)](#). In addition, its expense ratio was reduced by 26 [basis points \(bps\)](#), to 12 bps.

While the name of the Fund has changed, its investment objective remains intact and continues to provide exposure to high-quality companies that are cheaply valued relative to their fundamental characteristics.

[WTV](#) is currently valued at a steep discount to the [Russell 1000 value](#) and [S&P 500](#) indexes across almost every measure of value, including a more than 30% discount to the value benchmarks on [price-to-earnings](#).

In our view, [WTV](#) uses one of the most effective measures of value to select its constituents—shareholder yield. The companies in [WTV](#) are returning significant levels of capital, through dividend and [buybacks](#), relative to their [market capitalization](#).

	Price-to-Earnings	Fwd. Price-to-Earnings	Dividend Yield	Buyback Yield	Shareholder Yield	Price-to-Book	Price-to-Sales	Price-to-Cash Flow
WisdomTree U.S. Value Fund	12.6x	12.2x	1.70%	5.60%	7.30%	2.8x	1.3x	9.9x
Russell 1000 Value Index	19.8x	16.8x	1.80%	1.10%	2.90%	2.8x	2.1x	13.0x
S&P 500 Index	26.1x	22.0x	1.20%	1.30%	2.60%	5.1x	3.2x	18.2x

Sources: WisdomTree, FactSet, FTSE Russell, S&P Global, as of 12/31/21. You cannot invest directly in an index.

For definitions of terms in the chart above, please visit the [glossary](#).

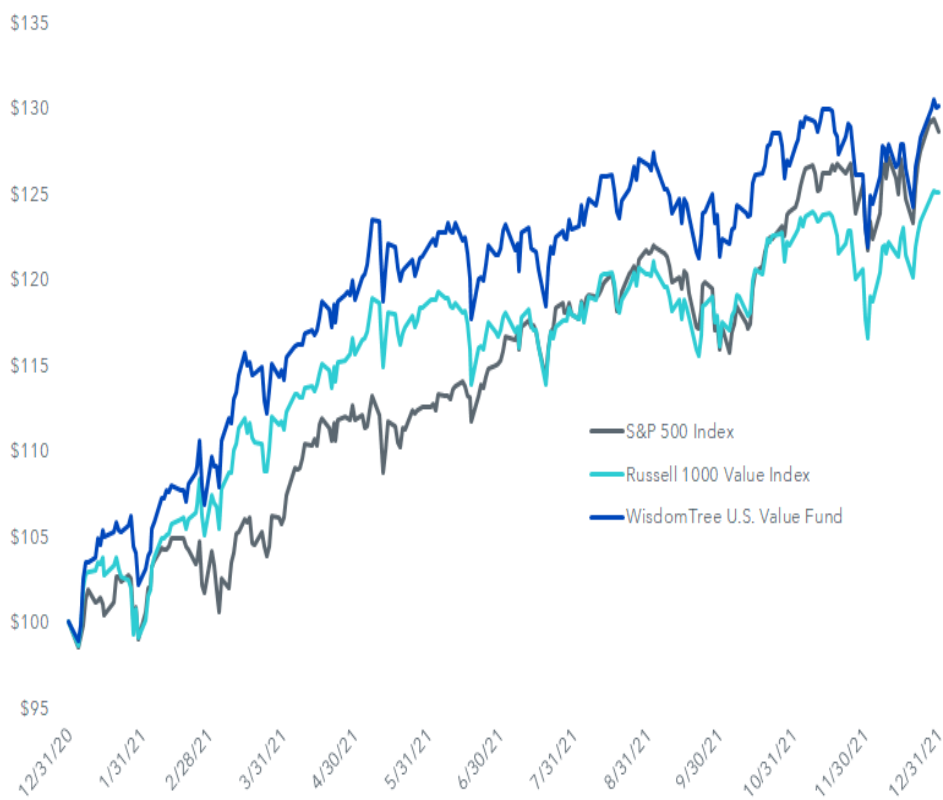
Just prior to the [WTV](#) rebrand, the strategy was reconstituted and rebalanced. This process identifies companies generating excess capital and returning it to shareholders, all while exhibiting superior quality characteristics, like high [return on equity](#) as well as attractive profit and cash flow margins.

Before we launch into the details of the rebalance, let’s recap [WTV](#)’s 2021 performance.

[WTV](#) outperformed both the Russell 1000 value Index and the S&P 500 Index in 2021, returning 30.2% compared to 25.1% (+507 bps) for the Russell 1000 value and 28.7% (+151 bps) for the S&P 500.

Relative to the value benchmark, [WTV](#)’s [up capture](#) was 106%, while its [down capture](#) was 100%. This indicates that [WTV](#) outperformed the Russell 1000 value during periods of positive performance and performed in line with the benchmark during negative periods.

2021 Performance—Growth of \$100

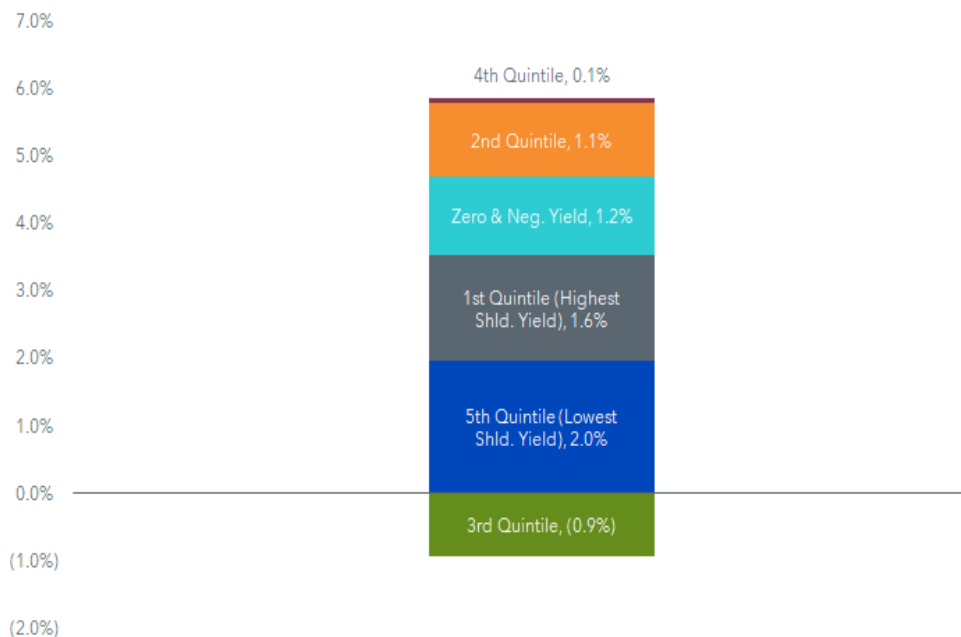


	S&P 500 Index	Russell 1000 Index	WisdomTree U.S. Value Fund
2021 Return	28.7%	25.1%	30.2%
2021 Volatility	12.9%	13.2%	14.0%
2021 Max Up	2.4%	2.5%	2.8%
2021 Max Down	(2.6%)	(2.7%)	(2.5%)

Sources: WisdomTree, FactSet, Bloomberg, S&P Dow Jones indices, FTSE Russell, for the period 12/31/20-12/31/21. Past performance is not indicative of future results. You cannot invest directly in an index. WTV performance at NAV.

As intended by the strategy’s mandate, the majority of [WTV](#)’s outperformance was driven by having an overweight allocation to the highest shareholder yield companies and underweight allocation to the low shareholder yield and negative yielding companies.

2021 Performance Attribution vs. Russell 1000 Value Index



Source: WisdomTree, FactSet, Russell for the period 12/31/20–12/31/21. Past performance is not indicative of future results. You cannot invest directly in an index. WTV performance at NAV.

The WTV Rebalance Results

According to S&P Global, 2021 is expected to be a record year for share repurchases within the S&P 500 Index. Q3 2021 buybacks were \$235 billion, surpassing the prior quarterly record of \$223 billion. Similarly, dividends are also expected to reach a new annual high in 2021.¹

Such a high capital return environment provides an interesting backdrop for a shareholder yield focused strategy like [WTV](#).

By design, the rebalance process increased the aggregate shareholder yield characteristics of the Fund while maintaining key quality metrics. With a shareholder yield of 7.4%, [WTV](#) is valued very attractively relative to both the Russell 1000 Value and S&P 500 indexes, both below 3%. Notably, the strategy’s price-to-earnings ratio of 12.4 times is half that of the S&P 500 Index and about 7 times cheaper than the Russell 1000 Value Index.

	Constituent Count	Dividend Yield	Buyback Yield	Shareholder Yield	Price-to-Earnings	Return on Assets	Return on Equity
WTV Pre-Rebalance	128	1.80%	4.80%	6.60%	13.3x	4.00%	20.20%
WTV Post-Rebalance	146	1.70%	5.70%	7.40%	12.4x	3.30%	20.50%
Russell 1000 Value Index	848	1.90%	1.20%	3.00%	19.3x	2.70%	13.40%
S&P 500 Index	505	1.30%	1.40%	2.60%	25.7x	3.90%	18.20%

Sources: WisdomTree, FactSet, S&P Global, FTSE Russell, as of 12/10/21. Past performance is not indicative of future results. You cannot invest directly in an index. Return on Assets = 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.

In terms of sector changes and exposure, [WTV](#) remains tilted toward Financials and Consumer Discretionary stocks, which currently offer higher shareholder yields on average. This subset includes names like Voya and AutoNation, both which have returned over \$1 billion in capital to shareholders over the trailing 12 months and boast a consistent history of large share repurchases.²

Interestingly, both [WTV](#) and the Russell 1000 Value Index have Health Care exposure within 80 bps of their historical peaks. Companies like DaVita, Cigna and Quest Diagnostics have shareholder yields above 11% and have reduced their share counts by 8%–11% over the trailing 12 months.³

Sector	New Weight	Old Weight	Weight Change	Sector Over/(Under) Weight vs. Russell 1000 Value Index	
Financials	28.70%	22.00%	6.70%	Consumer Discretionary	10.9%
Materials	6.70%	2.80%	3.90%	Financials	7.4%
Consumer Staples	2.00%	5.20%	-3.20%	Materials	2.9%
Information Technology	12.30%	15.10%	-2.80%	Information Technology	2.1%
Energy	4.30%	6.40%	-2.20%	Industrials	(0.8%)
Utilities	0.50%	2.60%	-2.10%	Energy	(1.0%)
Industrials	10.90%	12.40%	-1.50%	Communication Services	(1.1%)
Communication Services	6.20%	5.30%	0.90%	Utilities	(4.6%)
Consumer Discretionary	16.80%	16.10%	0.70%	Consumer Staples	(5.2%)
Health Care	11.80%	11.40%	0.40%	Health Care	(5.7%)

Shareholder Yield				
Sector	Average	Median	Capital Return (\$bn)	Sector Weight
Financials	7.00%	6.30%	\$175.93	28.70%
Consumer Discretionary	7.70%	6.30%	\$65.10	16.80%
Information Technology	6.50%	5.60%	\$147.42	12.30%
Health Care	6.30%	5.40%	\$83.65	11.80%
Industrials	5.50%	5.50%	\$35.67	10.90%
Materials	5.50%	5.60%	\$16.32	6.70%
Communication Services	7.80%	5.90%	\$97.72	6.20%
Energy	6.20%	6.00%	\$28.93	4.30%
Consumer Staples	6.00%	4.90%	\$27.97	2.00%
Utilities	7.10%	7.10%	\$1.56	0.50%
Post-Rebalance QSY	6.70%	6.00%	\$680.30	100.00%

Source: WisdomTree, FactSet, Bloomberg, FTSE Russell, as of 12/10/21. Weightings are subject to change. You cannot invest directly in an index.

New Year, New Look, Same High Shareholder Yield Strategy with a Quality Tilt

WTV is a quantitative active strategy that combines a methodical approach to ranking stocks according to their shareholder yield and quality scores, with the added ability to apply discretion where risks or opportunities to the quantitative model are present.

At wisdomTree, we believe companies returning the most capital through dividends and buybacks can create value for shareholders in the form of excess returns.

We believe today’s case for WTV is three-pronged and compelling—WTV offers investors the potential for 1) higher quality and 2) higher capital return, at a 3) discounted valuation relative to benchmark indexes.

¹ <https://www.prnewswire.com/news-releases/sp-500-buybacks-set-a-record-high-301449031.html>

² Sources: wisdomTree, FactSet, Bloomberg, as of 12/10/21. As of 12/10/21, WTV held AutoNation and Voya at 1.1% and 0.8% weights, respectively.

³ Sources: WisdomTree, FactSet, Bloomberg, as of 12/10/21. As of 12/10/21, WTV held Cigna, DaVita and Quest at 1.1%, 1.3% and 0.7% weights, respectively.

Important Risks Related to this Article

For a prospectus, click [here](#).

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns 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. For the most recent standardized performance, 30-day SEC yield and month-end performance click [here](#).

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

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. While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models and the models may not perform as intended. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

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. Value Fund](#)

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

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Basis point: 1/100th of 1 percent.

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

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.

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.

Buyback: When a company uses its own cash to purchase its own outstanding shares; may positively impact the share price.

Market Capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

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

Down Capture: Measure of the performance of an investment relative to a benchmark index during a down market.