WHAT DO DIVIDEND HIKES BY APPLE AND EXXON MEAN FOR THE MARKET?

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In recent weeks, the world's most highly valued technology company, Apple, increased its annual dividend per share by more than 10%. Exxon, America's largest energy company, raised its annual payout by nearly 6% per share. In an environment where profit growth on the S&P 500 may be plateauing, the fact that America's two largest dividend-paying companies announced healthy dividend increases is, I believe, a healthy signal for the overall U.S. stock market. Of the top 20 dividend-paying companies in America, listed below, six typically raise their annual dividend payments during the quarter that will end on June 30. The good news is that five of those six already have done so. In addition to Apple and Exxon, Johnson & Johnson, Wells Fargo and Proctor & Gamble have all announced dividend increases in recent weeks. Only Chevron, contending with lower oil prices, has chosen to maintain its dividend at current levels. **Top Twenty Largest Indicated Dividend Payers**

Ticker	Company	Sector Name	Indicated Dividend Per Share (11/30/14)	Indicated Dividend Per Share (05/01/15)	% Change in Diviend Per Share	Current Indicated Dividend Yield	Dividend Coverage Ratio	Current Ind. Dividend Stream
XOM	EXXON MOBIL CORP	Energy	2.76	2.92	5.80%	3.29%	2.3x	$ 12,233
AAPL	APPLE INC	Information Technology	1.88	2.08	10.64%	1.61%	3.9x	$ 11,983
MSFT	MICROSOFT CORP	Information Technology	1.24	1.24	N/A	2.55%	2.1x	$ 10,031
T	AT&T INC	Telecommunication Services	1.84	1.88	2.17%	5.46%	1.3x	$ 9,758
GE	GENERAL ELECTRIC CO	Industrials	0.88	0.92	4.55%	3.37%	1.7x	$ 9,262
VZ	VERIZON COMMUNICATIONS INC	Telecommunication Services	2.20	2.20	N/A	4.36%	1.6x	$ 8,973
JNJ	JOHNSON & JOHNSON	Health Care	2.80	3.00	7.14%	3.00%	2.0x	$ 8,319
CVX	CHEVRON CORP	Energy	4.28	4.28	N/A	3.93%	2.1x	$ 8,048
WFC	WELLS FARGO & CO	Financials	1.40	1.50	7.14%	2.72%	2.7x	$ 7,744
PG	PROCTER & GAMBLE CO/THE	Consumer Staples	2.57	2.65	3.00%	3.30%	1.5x	$ 7,194
PFE	PFIZER INC	Health Care	1.04	1.12	7.69%	3.29%	1.6x	$ 6,877
WMT	WAL-MART STORES INC	Consumer Staples	1.92	1.96	2.08%	2.49%	2.6x	$ 6,322
PM	PHILIP MORRIS INTERNATIONAL	Consumer Staples	4.00	4.00	N/A	4.80%	1.3x	$ 6,197
JPM	JPMORGAN CHASE & CO	Financials	1.60	1.60	N/A	2.52%	3.9x	$ 5,965
KO	COCA-COLA CO/THE	Consumer Staples	1.22	1.32	8.20%	3.23%	1.6x	$ 5,753
IBM	INTL BUSINESS MACHINES CORP	Information Technology	4.40	5.20	18.18%	2.99%	3.2x	$ 5,121
MRK	MERCK & CO. INC.	Health Care	1.80	1.80	N/A	3.01%	1.1x	$ 5,091
INTC	INTEL CORP	Information Technology	0.96	0.96	N/A	2.87%	2.5x	$ 4,554
CSCO	CISCO SYSTEMS INC	Information Technology	0.76	0.84	10.53%	2.88%	2.1x	$ 4,288
KMI	KINDER MORGAN INC	Energy	1.76	1.92	9.09%	4.45%	0.5x	$ 4,163

Sources: WisdomTree, Bloomberg, as of 5/1/15.

For definitions of terms in the chart, please visit our glossary. Dividend growth matters because, over time, it propels equity markets to higher levels. Today, roughly 88% of the weight in the S&P 500 Index is in dividend-paying stocks.[1] Dividend-payers are not minor players in the market; these stocks are driving nearly 90% of the return of the U.S. stock market. How, then, are dividend payers progressing this year as a category with respect to their aggregate dividend growth? On November 30 of each year, WisdomTree identifies all the common stocks and real estate investment trusts (REITs) that pay regular cash dividends. Those that pass our market capitalization, liquidity and other selection requirements typically are included in the WisdomTree Dividend Index, the broadest measure of U.S. dividend-paying stocks. Last year, the more than 1,400 companies selected for inclusion in the WisdomTree Dividend Index were indicated to pay more than $410 billion in cash dividends for the coming year, based on their most recently declared dividend per share.[2] As the table above demonstrates, of the 20 largest dividend payers in the U.S., 13 have already raised their dividend per share since the end of November. Overall, we estimate that the aggregate *Dividend Stream®* for all the companies in the WisdomTree Dividend

Index increased 4% between November 30, 2014 and April 30, 2015. This suggests to me that aggregate dividend-per-share growth in the U.S. could once again approach double digits in 2015. This is a bullish sign for the market for two reasons. First, over the past 60 years, while the total return of the S&P has averaged about 10.5% on an annualized basis, aggregate dividend growth has compounded at roughly 5.5% per year.[3] So 2015 is shaping up to be a year in which overall dividend growth will likely outpace its long-term average. Second, in a world of low and negative interest rates, higher aggregate dividends increase the floor upon which the U.S stock market can be valued. This will become particularly important should first-quarter share profits on the S&P 500 decline relative to the first quarter of 2014. If corporate executives are confident enough to keep increasing dividends during a period when earnings slow or contract, it may be a signal that they believe the current earnings lull is temporary. U.S. multinationals have been affected by unfavorable currency translations brought about by a stronger dollar over the last two quarters. The collapse in oil prices has also had a real impact on the earnings potential of U.S. energy producers. But at the same time, those hits, absorbed in the fourth quarter of 2014 and first quarter of 2015, also mean that the same companies will face much easier comparisons when they report earnings for those periods nine to 12 months from now. Put another way, a year from now, instead of worrying about a profit recession, the financial press may once again be reporting on resumed corporate earnings growth in the United States. If coupled with strong dividend growth, that would, I believe, lead to higher U.S. stock values nine to 12 months from now. [1]Source: Bloomberg, 5/1/15. [2]Source: WisdomTree, 11/30/14. [3]Source: Robert Shiller, 12/31/1957?3/31/2015.

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DEFINITIONS

Dividends per Share : The sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

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.

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

Dividend growth : The growth in trailing 12-month dividends for the specified universe.

Real estate investment trust (REIT) : Investment structure containing a basket of different exposures to real estate, be it directly in properties or in mortgages. Returns predominantly relate to changes in property values and income from rental payments.

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.

Liquidity : The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid asset.

WisdomTree Dividend Index : Measures the performance of dividend-paying companies incorporated in the United States that pay regular cash dividends and meet WisdomTree's eligibility requirements. Weighted by indicated cash dividends.

Trailing 12-month dividend per share : A firm's dividends paid over the prior 12-month period, divided by the number of shares outstanding.

Bullish : a position that benefits when asset prices rise.

Real interest rate : Interest rate accounting for the impact of inflation. From the nominal interest rate, which does not account for the impact of inflation, the rate of inflation is subtracted to get to the real interest rate.