

## WisdomTree Index Rebalance: FAQ

### **1) Why do we rebalance WisdomTree Indexes?**

Rebalancing keeps an eye on relative value –it can help reduce the risk of giving too much weight to stocks whose price increases are not supported by improvements in underlying fundamentals. It can provide the opportunity to remove stocks from an Index that have become more expensive, and add stocks that have become less expensive, relative to their underlying fundamentals. (Please note that stocks are affected by how the market performs. When stock prices fall, you should expect the value of an Index holding such stocks to fall as well.) Put simply, rebalancing an Index to relative value seeks to:

- Avoid including potentially overvalued stocks
- Refocus the Index to higher income-generating stocks
- Provide the potential for outperformance relative to traditional market capitalization weighted indexes

### **2) When is the rebalance for WisdomTree International Dividend Indexes?**

June 8 – Preliminary list of stocks to be included in the 2016 annual rebalance will be published after close of business (COB) ET

June 10 – Finalized stock list posted to website after COB ET

June 17 – Rebalance is final after market close

June 21 – Implemented index components and weightings are published to website index pages

#### [Index Rebalance Calendar](#)

### **3) Why do we rebalance WisdomTree Indexes annually?**

- More frequent re-balancing could potentially increase the transaction costs and impact costs for the exchange-traded funds (“ETFs”) that track the Indexes
- Research behind more frequent or less frequent rebalancing does not show meaningfully added value or better performance

### **4) What is the rules-based process that goes into the WisdomTree Index rebalance?**

WisdomTree’s rebalance refreshes the sensitivity of its Indexes to changes in relative valuation, and the process uses the relationship between dividend growth and price movement to do it.

For existing constituent stocks:

- For stocks where price movement outpaces dividend growth (dividends become more expensive), weight is typically trimmed
- For stocks where dividend growth outpaces price movement (dividends become less expensive), weight is typically added

The rebalancing process is also a time where companies that previously did not meet WisdomTree's criteria for inclusion may be reassessed and potentially gain inclusion. Conversely, constituents that no longer meet the eligibility criteria may be removed.

**5) Where can I find more information on your methodologies?**

More information on WisdomTree Index methodologies can be found in our Resource Library paper [here](#).

**6) For WisdomTree's Currency Hedged Equity family of ETFs, how are the currency forwards affected during the rebalance?**

The management of the currency exposure –at the fund level –is a separate process from the index rebalance, which only concerns equity composition. The WisdomTree Currency Hedged Equity family of ETFs implements WisdomTree's currency-hedging strategies by entering into one-month forward contracts each month and rebalancing at month-end.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.WISE (9473), or visit [wisdomtree.com](#) to view or download a prospectus. Read the prospectus carefully before you invest. Past performance does not guarantee future results.**

You cannot invest directly in an index.

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. Due to the investment strategy of certain Funds they may make higher capital gain distributions than other ETFs. Please see prospectus for discussion of risks.

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