

## WisdomTree Launches Dynamic Currency Hedged Suite

*Pioneer in Currency Hedged ETFs expands lineup to include ETFs which embed dynamic currency-hedging program*

New York, NY – (GlobeNewswire) – January 7, 2016 – WisdomTree (NASDAQ: WETF), an exchange-traded fund (“ETF”) and exchange-traded product (“ETP”) sponsor and asset manager, today announced the launch of four dynamic currency hedged ETFs on the BATS Exchange:

- WisdomTree Dynamic Currency Hedged Europe Equity Fund (DDEZ)
- WisdomTree Dynamic Currency Hedged Japan Equity Fund (DDJP)
- WisdomTree Dynamic Currency Hedged International Equity Fund (DDWM)
- WisdomTree Dynamic Currency Hedged International SmallCap Equity Fund (DDL5)

DDEZ, DDJP and DDL5 each have a net expense ratio of 0.43%<sup>1</sup>; DDWM has a net expense ratio of 0.35%<sup>2</sup>.

### The Case for Currency Hedging Continues

Traditionally when investors allocate to foreign stocks, they take on local currency exposure as well. Our research shows that currencies can have a significant impact on total returns in both the short-term and long-term, representing an “uncompensated risk”. WisdomTree believes investors should not automatically take on currency exposure unless they have a positive view on it. In fact, there is a strong case to be made that currency hedged solutions provide a more attractive strategic and baseline exposure for long-term portfolios. In recent years, currency-hedged equities have gained traction as a way to neutralize currency risk and target local stock market returns.

However, many investors are reluctant to switch toward a fully hedged strategy for fear of missing a period when currency exposure contributes to returns—even if using a fully hedged approach could result in lower portfolio volatility over the long run.

### A New Chapter: Dynamic Currency Hedged Equities

The WisdomTree Dynamic Currency Hedged ETFs combine WisdomTree equity strategies – some with nine years of real-time performance results – with a dynamic hedging program that seeks to hedge currencies, in whole or in part, when the environment is judged to be most suitable.

DDEZ enables investors to access European equities with a dynamic currency hedge. DDJP provides investors access to a broad spectrum of dividend-paying Japanese equities with a dynamic currency hedge. DDWM and DDL5 enable investors to access international equities

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<sup>1</sup> Each Fund's gross expense ratio of 0.48% and the net expense ratio of 0.43% reflect a contractual waiver of 0.05% through 1/5/17.

<sup>2</sup> The Fund's gross expense ratio of 0.40% and the net expense ratio of 0.35% reflect a contractual waiver of 0.05% through 1/5/17.

with a dynamic currency hedge; offering the potential to capitalize on international dividend payers. The ETFs will seek to track the performance of their respective WisdomTree Dynamic Currency Hedged Index.

### **Determining the Hedge: Three Signals that Capture Currency Trends**

- **Momentum:** A downward trend in the currency relative to the U.S. dollar would signal to put on a hedge, whereas an upward or appreciating trend would signal to take it off.
- **Interest Rate Differential:** If the implied interest rate in the United States is higher than that within the country or region of the targeted currency, it is more attractive to hedge and earn the difference, known as “carry.” Conversely, if the implied interest rate within the country or region of the targeted currency is higher than that of the United States, it is less attractive to hedge as it results in a carry expense. This signal helps manage the cost of hedging as the cost attributable to interest rates becomes greater.
- **Value:** If a currency is over-valued relative to the U.S. dollar based on a widely known measure of purchasing power parity, it is more attractive to hedge and when under-valued, it is less attractive to hedge. This is a long run signal and there is a wide band before this signal is applied to the fullest extent.

Our research indicates that all three signals have been useful in predicting currency movements. However, it is difficult to know which of the signals will have the greatest influence on a currency’s performance against the U.S. dollar from month to month. Therefore, the signals are equally-weighted at one-third each in terms of contribution to the overall portfolio hedge ratio.<sup>3</sup> The hedge ratio is reset on a monthly basis.

Jeremy Schwartz, WisdomTree Director of Research, said, “WisdomTree’s dynamic currency hedged strategy limits the need to make a call on currency by utilizing a data-driven, rules-based approach that assesses the picture of developed market currencies relative to the U.S. dollar on a monthly basis. This offers the potential for an attractive strategic and baseline exposure for long-term portfolios.”

### **Record Currency Management: an Experienced Partner**

Record Currency Management Limited (“Record”) is a dedicated currency expert serving the institutional investment community since 1983. WisdomTree Investments, Inc., as index provider, has entered into a licensing agreement with Record to provide currency signals that will be used to dynamically hedge currency exposures within WisdomTree’s rules-based index family. Adjustments to a WisdomTree index’s dynamic currency hedge, including how much to hedge, are the result of a rules-based, codified process.<sup>4</sup>

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<sup>3</sup> Hedge ratio: The specified percentage of currency exposure being hedged, with 0% indicating that none of the currency exposure is being hedged and 100% indicating that all of the currency exposure is being hedged.

<sup>4</sup> No WisdomTree Fund is sponsored, endorsed, sold or promoted by Record. Record has licensed certain rights to WisdomTree Investments, Inc., as the index provider to the applicable WisdomTree Funds, and Record is providing no investment advice to any WisdomTree Fund or its advisers. Record makes no representation or warranty,

James Wood-Collins, Chief Executive Officer of Record, said, “We are impressed by WisdomTree’s success in the currency hedged space and we are excited to collaborate with them with respect to indexes on this evolutionary development in currency-hedged strategies.”

Hedging can help returns when a foreign currency depreciates against the U.S. dollar, but can hurt when the foreign currency appreciates against the U.S. dollar.

The Funds DDEZ, DDJP, DDWM, and DDLS are new and have a limited operating history. Diversification does not eliminate the risk of experiencing investment losses.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. To obtain a prospectus containing this and other important information, please call 866.909.WISE (9473), or visit [wisdomtree.com](http://wisdomtree.com) to view or download a prospectus. Read the prospectus carefully before you invest.**

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. The Funds invest in derivatives in seeking to obtain a dynamic currency hedge exposure. Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. Derivatives used by the Funds may not perform as intended. A Fund that has exposure to one or more sectors may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility. The composition of the respective Index underlying each Fund is heavily dependent on quantitative models and data from one or more third parties, and the Index may not perform as intended. The Funds invest in the securities included in, or representative of, their Indexes regardless of their investment merit, and the Funds do not attempt to outperform their Indexes or take defensive positions in declining markets. Please read the Funds’ prospectus for specific details regarding the Funds’ risk profile.

Neither WisdomTree Investments, Inc., nor its affiliates, nor Foreside Fund Services, LLC, and its affiliates, provide tax advice. Information provided herein should not be considered tax advice. Investors seeking tax advice should consult an independent tax advisor.

Jeremy Schwartz is a registered representative of Foreside Fund Services, LLC. WisdomTree Funds are distributed by Foreside Fund Services, LLC in the U.S. only.

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### **About WisdomTree**

WisdomTree Investments, Inc., through its subsidiaries in the U.S. and Europe (collectively, “WisdomTree”), is an exchange-traded fund (“ETF”) and exchange-traded product (“ETP”) sponsor and asset manager headquartered in New York. WisdomTree offers products covering

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expressed or implied, to the owners of any WisdomTree Fund regarding any associated risks or the advisability of investing in any WisdomTree Fund.

equities, fixed income, currencies, commodities and alternative strategies. WisdomTree currently has approximately \$52.4 billion in assets under management globally. For more information, please visit [www.wisdomtree.com](http://www.wisdomtree.com) or follow us on Twitter [@WisdomTreeETFs](https://twitter.com/WisdomTreeETFs).

WisdomTree® is the marketing name for WisdomTree Investments, Inc. and its subsidiaries worldwide.

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