

## WisdomTree Research

# Emerging Markets Local Debt Fund Rebalance Announcement [February 11, 2022]

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### ELD Rebalance: Downgrade Russia, Upgrade South Africa

As an initial part of our rebalance process for the WisdomTree Emerging Market Local Debt, we have reduced our exposure to Russian local debt and raised our exposure to South African local debt. Russian local debt was downgraded to Tier 2, essentially level to its market weight within the JP Morgan Global Bond Index- Emerging Markets Global Diversified Index. Conversely, South African debt has been lifted to the top tier from Tier 2.

The change is anticipated to reduce our allocation to Russian local debt from 11.5% to 7.0%, while increasing South Africa from 7.2% to 12.0%. As a result, South Africa will become one of our largest overweights relative to the benchmark (12% vs 8.5%).

Recent progress in search of a diplomatic solution to the Ukraine Crisis has stalled and the improvement we have seen in sentiment and markets in the last two weeks appears at risk. Escalating inflation pressures have also made us less sanguine regarding the return opportunities for Russian local debt if geopolitical tensions fade.

South Africa has seen significant improvement in its country risk score within our quantitative model, rising to the top level among EM countries. External trade balances remain very favorable, buoyed by commodity, strategy and the government has made progress in reshaping fiscal balances. Valuations for South African debt and currency are currently attractive (high yields and value and carry in the currency). This is complemented by supportive technicals for foreign exchange and bonds (positioning is light, recent momentum in spot currency) and underscored by the fact that the South African Reserve Bank has largely kept inflation in check.

In the coming days, we will continue to monitor geopolitical risk to gauge if additional adjustments to our Russia exposure is needed and look to complete the remainder of the rebalance for the portfolio.

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### Important Disclosures

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. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. 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.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Unlike typical exchange-traded funds, there is no index that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objective will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

**Investors should consider the investment objective, risks, charges and expenses of the Fund carefully before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473 or visit WisdomTree.com. Investors should read the prospectus carefully before investing.**

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