

**WisdomTree  
RESEARCH**

**CAPITALIZE ON EMERGING  
OPPORTUNITIES**



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# CAPITALIZE ON EMERGING OPPORTUNITIES

Emerging markets represent amazing opportunities—in fact, the world’s economy is increasingly powered by the growth of emerging markets and the evolution of the emerging market consumer.

According to the International Monetary Fund (IMF), emerging markets are expected to grow around 5% per year over the medium term—far outstripping the 2.1% rates expected from developed countries. The IMF estimates that consumption in emerging markets will reach \$30 trillion by 2025. Altogether, the IMF estimates that emerging markets and developing economies are responsible for nearly 80% of global economic growth and nearly 85% of global consumption growth.<sup>1</sup>

And it’s worth noting that these growth trends are creating opportunities in every region, in every asset class and in every size company—offering investors the potential for greater growth, greater yields—and more.

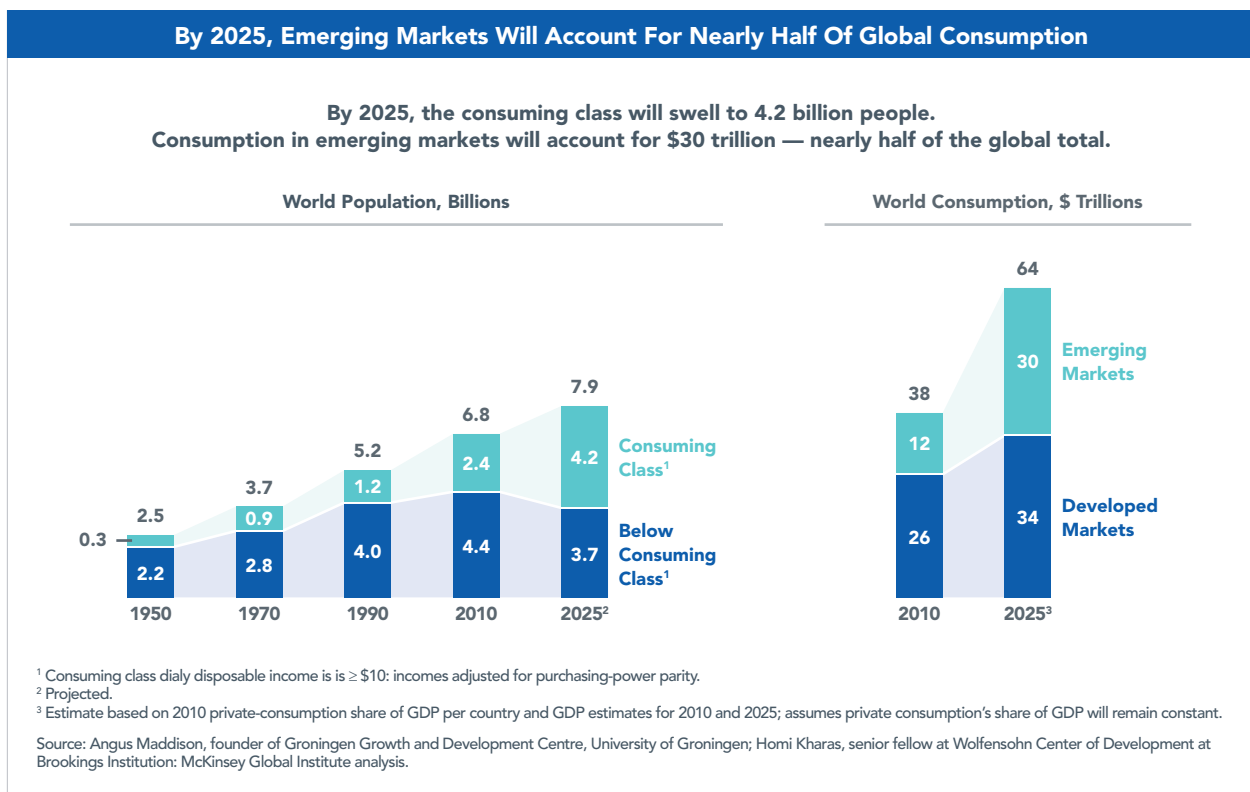
<sup>1</sup> Source: International Monetary Fund, World Economic Outlook, 11/17.

# THE EMERGING MIDDLE CLASS WILL DRIVE CONSUMPTION

Across the globe, rising incomes have overtaken population increases as the main driver of economic growth. Together with continued rapid urbanization, this is powering swift growth in the emerging market middle class.

In fact, the Brookings Institution estimates that 160 million people will enter the global middle class every year for the next five years—and 88% of the next billion entrants will be from Asia. Global consulting firm McKinsey estimates that global middle-class consumption will reach \$64 trillion by 2025. And as you can see below, emerging markets will soon be spending nearly half of it.

McKinsey refers to this rise of the emerging market middle-class consumer as the “biggest growth opportunity in the history of capitalism.”<sup>2</sup>



Source: Yuval Atsmon, Peter Child, Richard Dobbs and Laxman Narasimhan, “Winning the \$30 trillion decathlon: Going for gold in emerging markets,” McKinsey & Company, 8/12.

<sup>2</sup> Yuval Atsmon, Peter Child, Richard Dobbs and Laxman Narasimhan, “Winning the \$30 trillion decathlon: Going for gold in emerging markets,” McKinsey & Company, 8/12.

# OUR APPROACH TO EMERGING MARKETS

For more than a decade, WisdomTree has been providing unique, innovative ways to access emerging markets through ETFs.

## EMERGING MARKETS EQUITIES

We build equity strategies designed to reduce risk, enhance income or provide access to a historically underrepresented region or country:

- + Dividend-weighted strategies seek to magnify the effect dividends can have on performance, providing the potential for higher income, enhanced performance, downside protection and less risk.
- + Ex-state-owned enterprise strategies avoid investing in companies that are more than 20% state owned—reducing risks by avoiding companies where government’s ownership interests may not align with those of investors.
- + Access strategies provide access to unique regions, factors and/or specific trends in emerging markets.

**DVEM**

### WisdomTree Emerging Markets Dividend Fund

A broad fund of emerging market dividend payers

#### Roles DVEM can play

- Act as broad and diversified exposure to all dividend payers in emerging markets
- Value-tilted strategy with income-enhancing characteristics

**DEM**

### WisdomTree Emerging Markets High Dividend Fund

A portfolio of the highest-yielding dividend payers in emerging markets

#### Roles DEM can play

- Provide high levels of yield in income-focused portfolios
- Deep value exposure to the EM asset class

**DGS**

### WisdomTree Emerging Markets SmallCap Dividend Fund

A portfolio of small-cap dividend-paying companies in the emerging market region

#### Roles DGS can play

- Organic exposure to the emerging market consumer, across all sectors, with most revenues coming from within emerging markets
- Complement emerging market exposure accessing local economic growth
- Satisfy demand for growth potential and income focus with a sensitivity to valuations

**DGRE**

**WisdomTree Emerging Markets Quality Dividend Growth Fund**

A portfolio of quality emerging market dividend payers with growth characteristics

**Roles DGRE can play**

- Complement emerging market strategies or as a replacement for large-cap-focused strategies

**EMCG**

**WisdomTree Emerging Markets Consumer Growth Fund**

A portfolio of emerging markets companies across consumer and other related sectors that targets growth trends in emerging market consumption and EM local economies

**Roles EMCG can play**

- Complement emerging market exposure to help enhance access to the consumer and local economic growth

**XSOE**

**WisdomTree Emerging Markets ex-State-Owned Enterprises Fund**

A portfolio of emerging market companies, excluding state-owned enterprises (defined as those with government ownership of more than 20%)

**Roles XSOE can play**

- Offer broad, core emerging market exposure without companies that are influenced by local governments

**CXSE**

**WisdomTree China ex-State-Owned Enterprises Fund**

A portfolio of Chinese companies that are not state-owned enterprises (defined as those with government ownership of greater than 20%)

**Roles CSXE can play**

- Diversified, broad Chinese market exposure while removing companies potentially influenced by government decisions

**EPI**

**WisdomTree India Earnings Fund**

A portfolio of all profitable Indian companies, weighted by their net income

**Roles EPI can play**

- Access the Indian markets with a valuation sensitivity
- Provide exposure to large-, mid-and small-cap stocks in the Indian market
- Magnify the impact that the most profitable companies in India have on the strategy

**WCHN**

**WisdomTree ICBCCS S&P China 500 Fund**

A broad portfolio of Chinese equities across all share classifications

**Roles WCHN can play**

- Act as the beta exposure to Chinese equities
- A standalone strategy to provide diversified access to China
- Satisfy demand for Chinese equities as financial market liberalization accelerates

**GULF**

**WisdomTree Middle East Dividend Fund**

A portfolio of dividend-paying companies in the Middle East

**Roles GULF can play**

- Complement emerging market active and passive strategies via high-growth frontier market countries
- Satisfy demand for growth potential and income focus

## EMERGING MARKETS FIXED INCOME

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We provide fixed income investors with an efficient way to access the growth opportunities in emerging markets:

- + Strategies designed to deliver high levels of current income AND capital appreciation
- + Active management<sup>3</sup> or an active process leveraging fixed income experts
- + A liquid<sup>4</sup> way to invest in emerging markets bonds—with all the benefits of ETFs

### ECMB

#### WisdomTree Emerging Markets Corporate Bond Fund

An actively managed portfolio of USD-denominated fixed income securities from global companies headquartered in emerging markets

##### Roles ECMB can play

- Potential portfolio yield enhancer
- Alternative to U.S. high yield with comparable yields and higher credit quality
- Income and total return potential without currency risk

### ELD

#### WisdomTree Emerging Markets Local Debt Fund

An actively built, risk-managed portfolio of local debt denominated in the currencies of emerging market countries

##### Roles ELD can play

- High income and total return potential
- Diversifier that can help manage emerging market risk
- Noncore fixed income allocation that may help increase portfolio yield

### ALD

#### WisdomTree Asia Local Debt Fund

An actively built, risk-managed portfolio of local debt denominated in the currencies of Asia-Pacific (ex-Japan) countries

##### Roles ALD can play

- High income, total return and diversification potential
- Continuous risk management
- Help increase portfolio yield as noncore fixed income allocation

<sup>3</sup> Actively managed ETFs: Investment strategy where a manager selects securities in an attempt to outperform the benchmark.

<sup>4</sup> 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 assets.

## EMERGING MARKETS CURRENCY

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Our approach offers investors a unique way to access currencies—individually or in baskets—within the ETF structure:

- + Strategies designed to achieve total return reflective of both money market rates in each specific country and changes in value of the local currency relative to the U.S. dollar
- + A liquid way to invest in currencies—with all the benefits of ETFs

**CYB**

### WisdomTree Chinese Yuan Strategy Fund

A portfolio designed to provide cost-effective exposure to the currency changes and interest rates in the rapidly evolving Chinese currency

#### Roles CYB can play

- Utilizes both onshore renminbi (CNY) and offshore renminbi (CNH) forward contracts<sup>5</sup> and/or time deposits
- Potentially lower portfolio volatility<sup>6</sup>, higher income generation, and currency appreciation potential

**BZF**

### WisdomTree Brazilian Real Strategy Fund

A portfolio that provides cost-effective exposure to the currency changes and short-term rates of the Brazilian real

#### Roles BZF can play

- Ability to strategically express a long-real currency view
- Higher return potential from currency appreciation and the real's implied yield

**CEW**

### WisdomTree Emerging Currency Strategy Fund

A portfolio that provides cost-effective exposure to the currencies and money market rates of a broad range of emerging market countries in one trade

#### Roles CEW can play

- Access a broad basket of emerging market currencies
- Diversification provides potentially lower volatility and modest correlations<sup>7</sup> with core U.S. stocks and bonds

Although these Funds invest in very short-term, investment-grade<sup>8</sup> instruments, they are not “money market” funds, and it is not the objective of these Funds to maintain a constant share price.

<sup>5</sup> Forward contracts: Agreements to buy or sell a specific currency at a future date at an agreed-upon rate.

<sup>6</sup> Volatility: A measure of the dispersion of actual returns around a particular average level.

<sup>7</sup> Correlation: Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly opposite directions.

<sup>8</sup> Investment grade: A rating given to a municipal or corporate bond. It is a relatively favorable rating by either Moody's or Standard & Poor's indicating a higher chance that an issuer performs interest and principal obligations as promised by the terms of the debt issuance.



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# AN ESTABLISHED LEADER IN EMERGING MARKETS

Emerging markets represent tremendous opportunities for today's investors. And WisdomTree has been a leader in emerging market ETF for more than a decade. Our innovations led to the first emerging market ETF built with only dividend payers, the first India ETF, the first currency ETFs in the U.S. and more.

Our broad family of emerging market ETFs has helped clients capitalize on growth opportunities, generate more income, reduce portfolio risk—and create more complete emerging market allocations. For more information about our emerging market ETFs or our other families of ETFs, please visit [wisdomtree.com](http://wisdomtree.com) or contact your regional manager.

## ABOUT US

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For the majority of investing history, investors have had to choose between paying high fees for performance (through legacy alpha<sup>9</sup> sources like active mutual funds) or settling for market performance (through index funds and first-generation ETFs). At WisdomTree, we believed there was a better way.

We combined the outperformance potential of active management with the benefits of indexing to create Modern Alpha ETFs that are built to perform. Today, our family of ETFs helps individuals invest in unique strategies in asset classes around the world.

WisdomTree combines the outperformance potential of alpha with the benefits of beta<sup>10</sup>. The result is a family of Modern Alpha dividend and earnings ETFs designed to perform.

<sup>9</sup> Alpha: A risk-adjusted measure of the so-called "excess return" on an investment. It is a common measure of assessing an active manager's performance, as it measures the return in excess of a benchmark index or "risk-free" investment.

<sup>10</sup> Beta: Measure of the volatility of an index or investment relative to a benchmark. A reading of 1.00 indicates that the investment has moved in lockstep with the benchmark; a reading of -1.00 indicates that the investment has moved in the exact opposite direction of the benchmark.





**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 866.909.9473, or visit [WisdomTree.com](http://WisdomTree.com) to view or download a prospectus. Investors should read the prospectus carefully before investing.**

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 or offshore 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. Heightened sector exposure increases a Fund's vulnerability to any single economic, regulatory or other development impacting that sector. This may result in greater share price volatility. Some 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.

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 emerging market fixed income and currency Funds attempt to track or replicate. Thus, the ability of the Funds to achieve their objectives will depend on the effectiveness of the portfolio manager.

Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. 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. As a Fund can have a high concentration in some issuers, a Fund can be adversely impacted by changes affecting those issuers. Unlike typical exchange-traded funds, there are no indexes that the currency Funds attempt to track or replicate. Thus, the ability of those Funds to achieve their objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of a Fund, it may make higher capital gain distributions than other ETFs. Please read each Fund's prospectus for specific details regarding each Fund's risk profile.

Diversification does not eliminate the risk of experiencing investment losses.

