

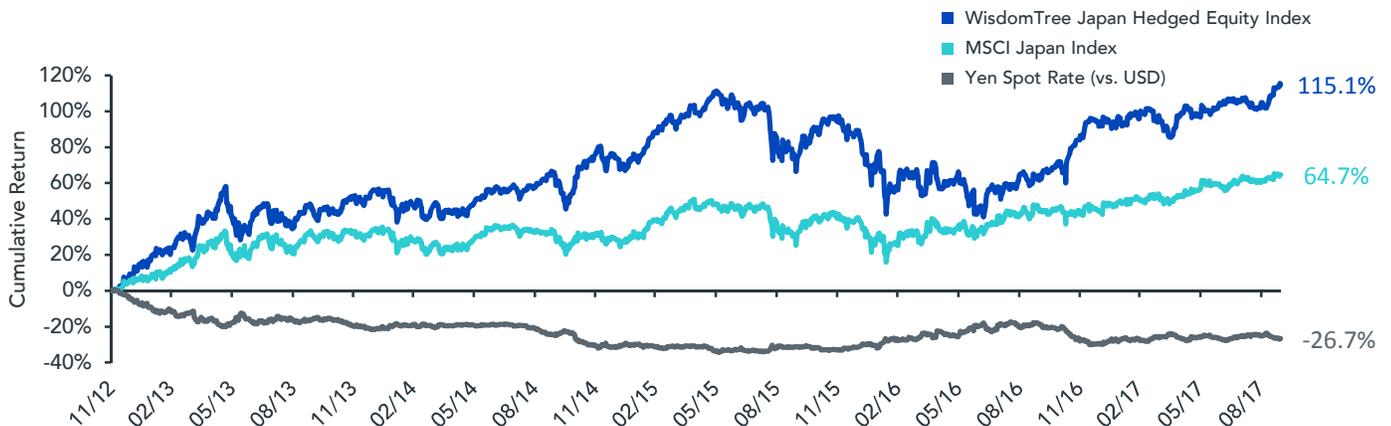
# WisdomTree Japan Hedged Equity Fund

# DXJ

The Land of the Rising Sun is home to what we believe is an exciting investment opportunity. And with Japan being an export-driven economy, when the yen weakens, the equity market tends to rise. We have now seen Prime Minister Shinzo Abe in action for over four years, and we have seen implementation of several critical market friendly policies, such as the Bank of Japan (BOJ) committing to unprecedented monetary easing. As we continue to observe both Japan's commitment to the goal of ending deflation in addition to any new policies that evolve aimed at stimulating economic growth, we continue to believe that investors exposed to the yen may not be able to fully realize the equity market's potential gains. By hedging exposure to the yen, the WisdomTree Japan Hedged Equity Fund (DXJ) offers you a way to more fully access the return potential of Japanese equities in a weakening yen environment.

## EXPOSURE TO JAPAN'S EQUITIES WITHOUT THE CURRENCY HEADWIND

Cumulative Performance [ 11/30/2012 - 9/30/2017 ]



Sources: Bloomberg, WisdomTree.

The period from 11/30/2012 to 9/30/2017 was selected to indicate the relationship between the cumulative performance (be it positive or negative) of the yen spot rate (vs. USD)<sup>1</sup> and two Indexes<sup>2</sup> of Japanese equity performance. The start date was chosen to reflect the beginning of Abenomics.

Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

<sup>1</sup> Yen spot rate (vs. USD): Indicates the change in value of the yen in terms of U.S. dollars. Negative values indicate the yen has lost value relative to the U.S. dollar.

<sup>2</sup> The WisdomTree Japan Hedged Equity Index and MSCI Japan Index were selected to contrast the difference in cumulative performance between an index that hedges any fluctuations in the value of the yen vs. the U.S. dollar and an index that includes those fluctuations within its performance calculations relative to the U.S. dollar.

As of 9/30/2017

	WisdomTree Index Inception	YTD	1-Year	3-Year	5-Year	Since WisdomTree Index Inception
WisdomTree Japan Hedged Equity Index	2/1/2010	12.20%	30.93%	8.99%	17.80%	9.15%
MSCI Japan Index		14.28%	12.82%	7.34%	10.60%	6.68%
Japanese yen Spot Rate		3.98%	-10.21%	-0.91%	-7.08%	-2.83%

Sources: Bloomberg, WisdomTree.

Past performance does not guarantee future results. You cannot invest directly in an index.

Thus far, the market has responded to the various policies aptly named "Abenomics." One of the most significant, in our view, is the BOJ's unwavering commitment to generate two percent inflation. Over the "Abenomics" period, we have seen:

- + **The yen spot rate (vs. USD) has for the most part been trending downward.**
- + **The MSCI Japan Index (in USD) has seen positive performance.**
- + **The WisdomTree Japan Hedged Equity Index, which hedges the fluctuations in the yen vs. the U.S. dollar, has seen even greater positive performance.**

While there is no way to know whether this trend in the yen's fluctuations will continue, we believe it is a powerful illustration of the potential benefit to considering a currency-hedged approach to Japan's equities when the yen is weakening.

## JAPAN CONTINUES TO RAISE THE EARNINGS BAR

Over four years into the "Abenomics" regime, we ask the question of how effective has Abe's policies been in stimulating corporate earnings? Japan happens to be the regional market with price-to-earnings<sup>3</sup> compression. Higher earnings have translated into a more attractive valuations story in Japanese equities.

### Analysis on Profits, Prices, and Price to Earnings Ratios

Period from Shinzo Abe Election to Current [ 11/30/2012 - 9/30/2017 ]

	TOPIX	MSCI EAFE	S&P 500	MSCI Eurozone
Profit Increase	116.7%	26.0%	25.9%	19.2%
Price Increase	114.3%	50.0%	77.9%	53.1%
P/E Start (11/30/2012)	15.0x	13.0x	13.6x	12.1x
P/E End (9/29/2017)	14.9x	15.5x	19.3x	15.6x
Expansion in P/E	-1.1%	19.0%	41.3%	28.5%

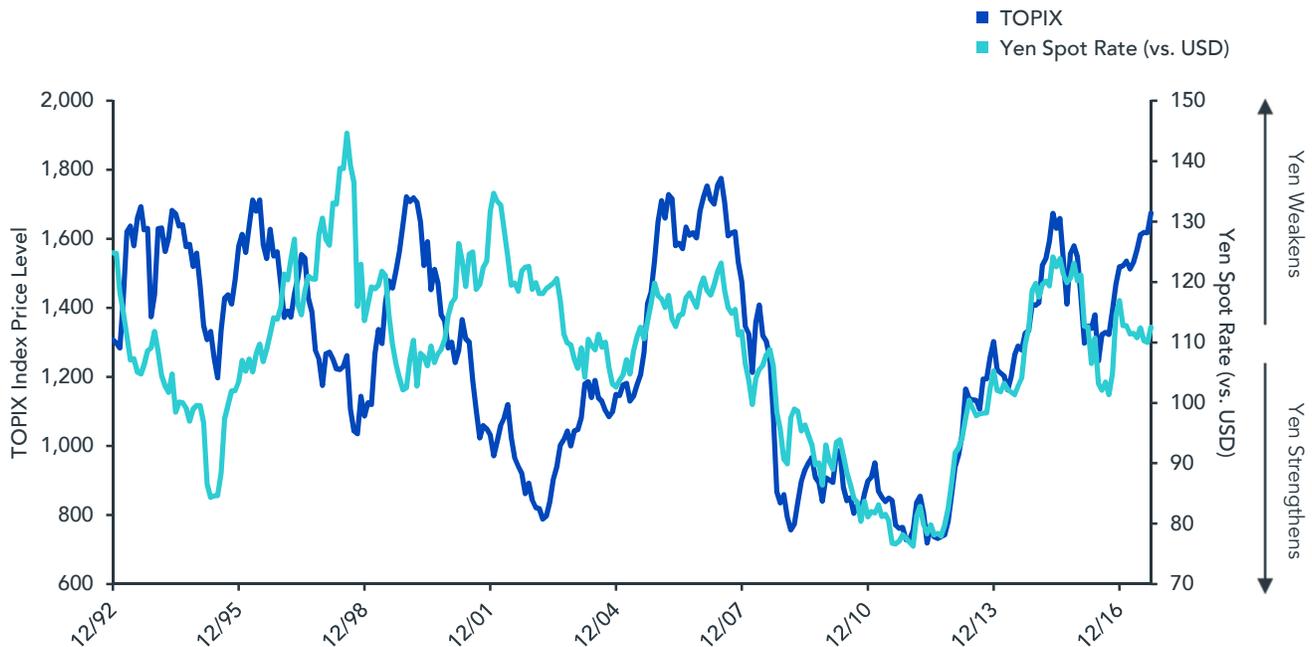
Source: Bloomberg as of 11/30/2012 - 9/30/2017. Past performance is not indicative of future results. You cannot invest directly in an index. The start date was chosen to coincide with the start of "Abenomics".

<sup>3</sup> Price to earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

## HOW DOES TODAY COMPARE WITH RECENT HISTORY?

We have seen significant moves during the past year in both the yen as well as Japan's equities, and to put these into context, we believe that it is important to step back and see how current levels compare to the past 25 years. As of September 30, 2017, the TOPIX Index registered 1674.75, and the yen registered 112.51 per 1 U.S. dollar.

## JAPANESE EQUITIES AND THE YEN SINCE 1993



Source: Bloomberg.

Japanese equities shown through the TOPIX Index. Period is from 12/31/1992 to 9/30/2017.

Past performance is not indicative of future results. You cannot invest directly in an index.

- + Over the last 25 years, the high for the TOPIX Index was 1816.97, which occurred on February 26, 2007. From the September 30, 2017 levels, there would need to be a rally of about 8.5% for this prior peak value to be re-attained.
- + Over the last 25 years, the high for the Japanese Yen was 147.26 on August 11, 1998. The yen is currently about 31.0% stronger than its August 1998 levels.

While history in and of itself cannot directly predict future returns, we believe it is helpful to remind people that you don't need to go all the way back to Japan's equity market bubble in the late 1980s to see significantly higher price levels and a significantly less expensive yen, relative to the dollar, than we see today.

## WisdomTree Japan Hedged Equity Fund - The first ETF to take the yen out of Japan.

### DXJ INVESTMENT PROCESS

The WisdomTree Japan Hedged Equity Index, which DXJ is designed to track, uses a rules-based process for selecting and weighting securities while managing the yen risk.

#### + Index Selection:

Universe comprised of the largest dividend-paying companies from WisdomTree's Japan Dividend Index that are traded in yen, with a minimum market capitalization of \$100 million and with no more than 80% of their revenue generated from inside Japan. Ultimately, as can be seen from the Index's top 10 holdings, many of these firms are very recognizable, given the products they export.

### Top 10 WisdomTree Japan Hedged Equity Index Holdings, as of September 30, 2017

Company Name	Weight in Index (%)
TOYOTA MOTOR CORP	5.4%
mitsubishi UFJ FINANCIAL GROUP	3.6%
JAPAN TOBACCO INC	3.4%
SUMITOMO MITSUI FINANCIAL GROUP	3.1%
NISSAN MOTOR CO LTD	3.1%
CANON INC	2.8%
MIZUHO FINANCIAL GROUP INC	2.7%
HONDA MOTOR CO LTD	2.6%
TAKEDA PHARMACEUTICAL CO LTD	2.3%
MITSUBISHI CORP	2.1%

Source: WisdomTree.  
Holdings subject to change.

**+ Index Weighting: Modified *Dividend Stream*<sup>5</sup>**

- Companies weighted by *Dividend Stream*
- 5% cap to weight in any single company<sup>6</sup>
- 25% cap to weight in any sector

**+ Mechanics of the Currency Hedge:**

$$\begin{aligned} & \text{Local Markets Japan Equity Return} \\ & + \text{Yen Return} \\ & - \text{Hedged Yen Return} \\ & = \text{Hedged Equity Return} \end{aligned}$$

The Fund will implement the currency hedging strategy by entering into one-month forward contracts each month and rebalancing at month-end<sup>7</sup>

WisdomTree builds our ETFs with proprietary methodologies, smart structures and/or uncommon access to provide investors with the potential for performance, diversification, income and more.

WisdomTree sponsors distinct ETFs that span asset classes and countries around the world. Categories include U.S. and International Equity, Currency, Currency Hedged Equities, Fixed Income and Alternatives. WisdomTree pioneered the concept of fundamentally weighted ETFs, currency hedged equities, and active ETFs.

**For more information about DXJ, contact your WisdomTree representative or visit [WisdomTree.com](http://WisdomTree.com).**

<sup>5</sup> Modified Dividend Stream®: For each firm, dividend per share is multiplied by shares outstanding. Each firm's weight in the Index comes from its proportionate contribution to the sum total of all dividend streams for the entire Index. 'Modified' refers to the caps being applied to individual holdings and sectors, which can change the weights relative to what the pure dividend streams would prescribe.

<sup>6</sup> These caps are as of the annual Index rebalance. In response to market conditions, security and sector weights may fluctuate above the specific cap between the annual Index rebalance dates.

<sup>7</sup> One-month forward currency contract: An agreement between two parties to exchange two currencies at a given exchange rate 30 days in the future. This guarantees an exchange rate on a given date.

Unless otherwise stated, the source is WisdomTree.

**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, call 866.909.WISE (9473) or visit [wisdomtree.com](http://wisdomtree.com). 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 Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Investments in currency involve additional special risks, such as credit risk, interest rate fluctuations and derivative investments, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

WisdomTree Japan Hedged Equity Index: Designed to provide exposure to Japanese equity markets while at the same time neutralizing exposure to fluctuations of the Japanese yen movements relative to the U.S. dollar. MSCI Japan Index: A free-float adjusted market capitalization-weighted index designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. Tokyo Stock Price Index (TOPIX): A free float-adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the Tokyo Stock Exchange First Section. MSCI EAFE Index: A market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan. MSCI Europe Index: A free float-adjusted market capitalization-weighted index designed to measure the performance of developed equity markets in Europe. 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.

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