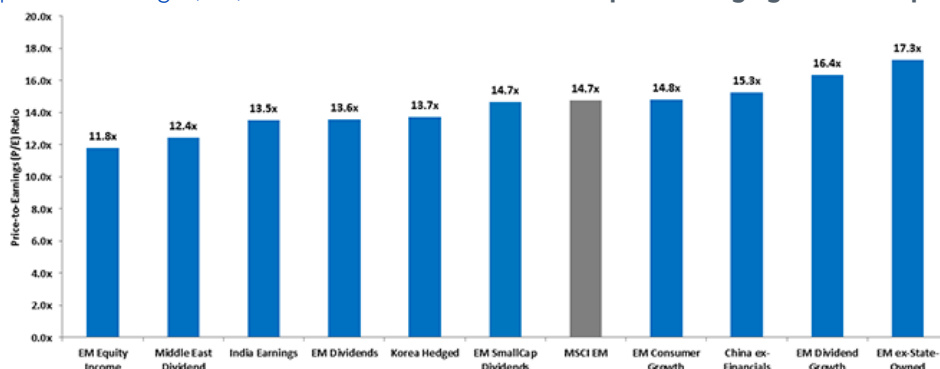


FINE TUNE YOUR EMERGING MARKETS EXPOSURE

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As investors increasingly look to the emerging markets, investment choices have grown significantly. Rather than the standard broad-based, all-encompassing emerging market equity strategies of yesterday, we're seeing investors looking to explore and understand more finely tuned exposures to this asset class. **Presenting the WisdomTree Emerging Markets Equity Toolkit** WisdomTree offers a broad suite of emerging markets equity Indexes, each designed with its own focus and objective. To help investors evaluate the various strategies, we start by looking at [valuations](#), specifically [price-to-earnings \(P/E\) ratio](#). **WisdomTree's Roadmap to Emerging Market Equity Valuations (as of 5/1/15)**



Sources: Bloomberg, Standard & Poor's, with data as of 5/1/15. Past performance is not indicative of future results. You cannot invest directly in an Index.

• Least Expensive Option:

The [WisdomTree Emerging Markets Equity Income Index](#), with its P/E ratio of 11.8x, was the lowest. Why is that? This Index hunts for valuation opportunities across [dividend](#)-paying emerging market stocks, weighting them by cash dividends. It just so happens that, since June of 2012, some of the highest-yielding and largest cash-dividend-paying companies in the emerging markets tended to be Russian energy firms and Chinese financials. Thus far in 2015, these segments of the market have been rallying, contributing to the Index having returned 11.45% and beating the returns of the [MSCI Emerging Markets Index](#) over the period.

• **India's Equities at a Lower Price than the MSCI Emerging Markets Index:** the [MSCI India Index](#) had a P/E ratio of nearly 21.0x. Both the [S&P CNX Nifty](#) and [S&P BSE SENSEX indexes](#) were also in the vicinity of 20.0x earnings—a significant premium to broader emerging market equities. However, the [WisdomTree India Earnings Index](#) was able to deliver a broader exposure to India's equities while attaining a P/E ratio more than 30% below those predominantly large-cap options. As we wait for the potential earnings growth to materialize from Indian prime minister Narendra Modi's reform efforts, we believe that being sensitive to valuation is of paramount concern in India's equities today.

• **Korea's Equities Are Up Over 12.7% Year-to-Date:** As people think about different countries within emerging markets, we urge them not to forget about South Korea. The [WisdomTree Korea Hedged Equity Index](#) is up more than 12.7%. We really like the potential for this market, discussed further [here](#) in a broader, more in-depth piece.

• **The WisdomTree "Growth" Strategies in Emerging Markets:** The [WisdomTree Emerging Markets Consumer Growth](#) and [Dividend Growth Indexes](#) are currently more expensive than the broad MSCI Emerging Markets benchmark on a P/E ratio basis. Intuitively, however, this makes sense because they have sensitivity to higher [growth](#) and [quality](#)¹ metrics built directly into their stock selection methodologies. The WisdomTree Emerging Markets Dividend Growth Index—with its focus on penalizing highly [leveraged](#) firms—avoids many financials, such as the inexpensive, large Chinese banks. The WisdomTree Emerging Markets Consumer Growth Index is unable to include any energy or materials firms or any banks with [market capitalization](#) above \$10 billion. Growth and quality are currently a

big theme when people look at U.S. equities, but we question why that can't also be the case in emerging markets. •

The Avoidance of Government Ownership: While very different than what investors generally face in U.S. equity markets, one reality of emerging markets is that government actors can secure very large ownership stakes in companies of their choosing. We created the [WisdomTree Emerging Markets ex-State-Owned Enterprises Index](#) to help investors avoid this very specific risk. Currently, this Index looks more expensive than the others because many of the least expensive firms in emerging markets are in fact state owned (which by our definition means more than 20% owned by the government). Thus far this year, it is up 9.6%. **Unless otherwise noted data source is Bloomberg.** ¹Refers to 3-year average [return on equity](#) and 3-year average [return on assets](#).

Important Risks Related to this Article

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.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

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You cannot invest directly in an index.

DEFINITIONS

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

WisdomTree Emerging Markets Equity Income Index : A subset of the WisdomTree Emerging Markets Dividend Index measuring the performance of the higher-yielding stocks as measured by trailing 12-month dividend yields, weighted by cash dividends.

Dividend : A portion of corporate profits paid out to shareholders.

MSCI Emerging Markets Index : a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as "emerging markets" by MSCI.

MSCI India Index : A market capitalization-weighted index designed to measure the performance of the Indian equity market.

NSE S&P CNX Nifty Index : A market capitalization-weighted index designed to measure the performance of 50 large companies listed on the National Stock Exchange of India.

S&P BSE SENSEX (S&P Bombay Stock Exchange Sensitive Index) : A free-float market capitalization-weighted stock market index of 30 well-established and financially sound companies listed on BSE Ltd.

WisdomTree India Earnings Index : A fundamentally weighted Index that measures the performance of companies incorporated and traded in India that are profitable and that are eligible to be purchased by foreign investors. Companies are weighted in the Index based on their earnings in their fiscal year prior to the Index measurement date, adjusted for a factor that takes into account shares available to foreign investors.

WisdomTree Korea Hedged Equity Index : Designed to measure the performance of Korean equities that derive less than 80% of their revenues from within South Korea, while at the same time hedging the impact resulting from the performance of the Korean won. The Index is weighted by earnings.

WisdomTree Emerging Markets Dividend Growth Index : A fundamentally weighted index designed to track the performance of dividend-paying emerging market companies that WisdomTree believes have the potential to increase their dividends due to certain factors, which include estimated earnings growth, return on equity and return on assets. Weighting is by trailing 12-month cash dividends.

WisdomTree Dividend Index : Measures the performance of dividend-paying companies incorporated in the United States that pay regular cash dividends and meet WisdomTree's eligibility requirements. Weighted by indicated cash dividends.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Quality : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over time.

Leverage : Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.

Market Capitalization : Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

WisdomTree Emerging Markets ex-State-Owned Enterprises Index : Measures the performance of emerging market stocks that are not state-owned enterprises within emerging market countries. State-owned enterprises are defined as

government ownership of more than 20% of outstanding shares of companies.

Return on Equity (ROE) : Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on assets (ROA) : Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.