

NOW SHOWING: SEVEN SAMURAI (2024)

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Catchy monikers for high-performing stock baskets aren't going away any time soon.

In 2020, Goldman Sachs identified a group of 11 high-growth European stocks, naming them the “Granolas.” These stocks would go on to account for 60% of European equity gains between 2023 and 2024, [outperforming the widely discussed Magnificent Seven basket of American tech giants](#) over the 12-month period ending February 2024.

This year, the bank identified another basket of stocks, this time seven Japanese companies that have contributed significantly to equity returns in the domestic market: the [Seven Samurai](#), after the 1954 Akira Kurosawa film of the same name. Interestingly, this movie was later remade in the U.S. as [The Magnificent Seven](#) (sound familiar?). Selected based on having strong performing and highly liquid shares, the Japanese companies included in this basket are Advantest, DISCO, Mitsubishi, SCREEN Holdings, Subaru, Tokyo Electron and Toyota Motors.

Over the past three years, the Seven Samurai delivered a whopping 137% cumulative return, compared to the Magnificent Seven's 64%.

Cumulative Three-Year Total Returns, Seven Samurai vs. Magnificent Seven



Sources: WisdomTree, FactSet, data 4/30/21–4/30/24. Past performance is not indicative of future results.

The Seven Samurai make up roughly 13% of the [WisdomTree Japan Hedged Equity Index](#), which provides exposure to Japanese equities, favoring companies that derive at least 20% of their revenues from outside Japan. In addition to its exporter-tilt, the WisdomTree Japan Hedged Equity Index also hedges against negative yen-dollar exchange rate

movements.

Seven Samurai in the WisdomTree Japan Hedged Equity Index

Company	Sector	WT Japan Hedged Equity Weight
Toyota Motor	Consumer Discretionary	5.55%
Mitsubishi	Industrials	4.06%
Tokyo Electron	Information Technology	1.96%
Subaru Corp	Consumer Discretionary	0.71%
DISCO	Information Technology	0.43%
SCREEN Holdings	Information Technology	0.34%
Advantest	Information Technology	0.18%
Total		13.23%

Source: WisdomTree, as of 4/30/24. You cannot invest directly in an index.

The yen has weakened considerably over the past three years. Expectations that Japan would reverse long-standing ultra-loose monetary policy and that the U.S. would cut rates by over 2% resulted in a modest rally at the end of 2023. That rally was short-lived, however, as the yen weakened by a further 4.4% in January to start the year.

Yen-Dollar Spot Rate



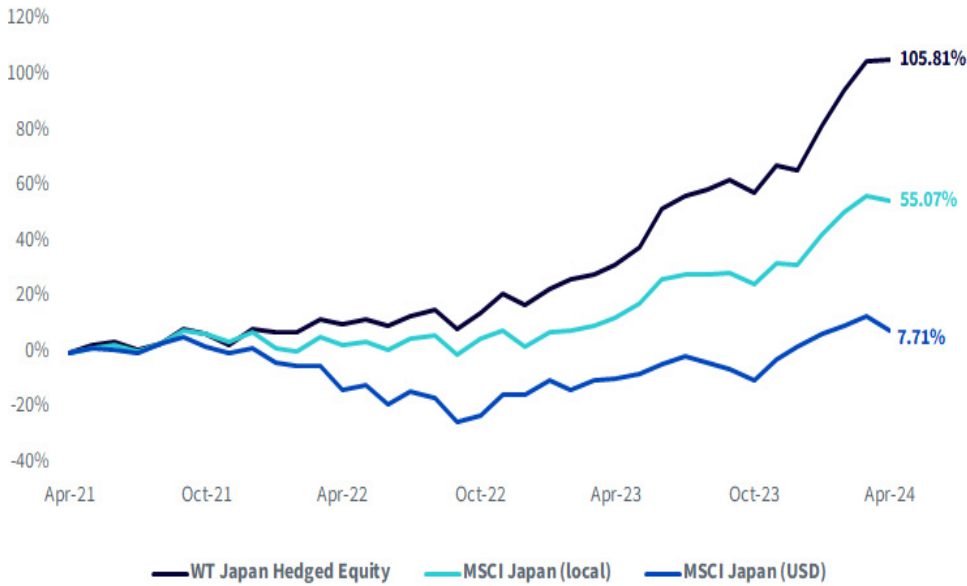
Sources: WisdomTree, FactSet, data 4/30/21-4/30/24.

Changes in yen-dollar exchange rates have significant implications for indexes as well as individual securities. [A weakening yen relative to the U.S. dollar causes USD returns to be depressed relative to local currency returns.](#) Thus, a weakening yen enhances the returns of hedged equity indexes, which mimic local returns by entering currency contracts to negate unfavorable FX movements, relative to unhedged indexes. Furthermore, when the yen is weak relative to the U.S. dollar (and other foreign currencies), companies that derive most of their revenue overseas (i.e., exporters) can convert their earnings in foreign currencies to yen at more favorable exchange rates.

As mentioned earlier, the WisdomTree Japan Hedged Equity Index consists of companies that derive at least 20% of their revenues from outside Japan and is also currency

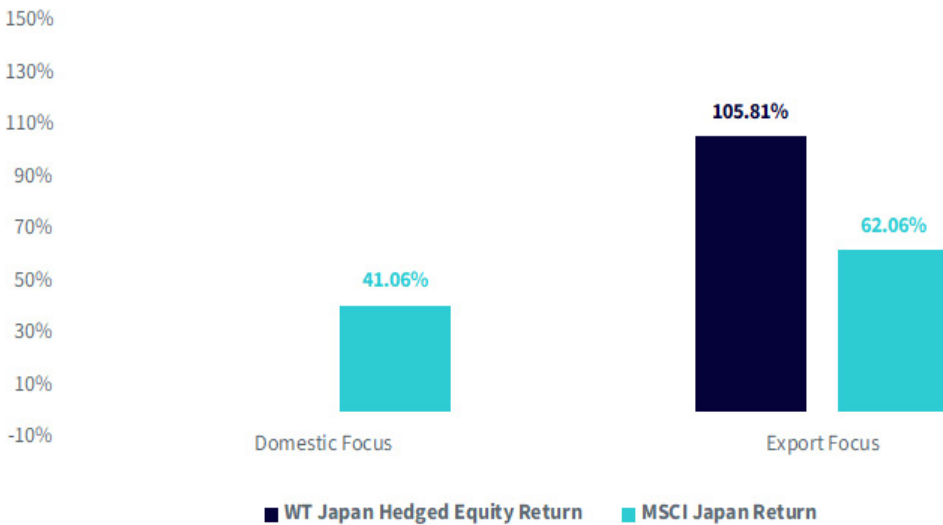
hedged. For the last three years, the Index saw enhanced returns from the compounding effects of hedging the yen and its sole exposure to export-oriented companies that also see increased revenues from a weaker yen.

Cumulative Three-Year Total Returns, WisdomTree Japan Hedged Equity Index vs. MSCI Japan



Sources: WisdomTree, FactSet, data 4/30/21-4/30/24. You cannot invest directly in an index. Past performance is not indicative of future results.

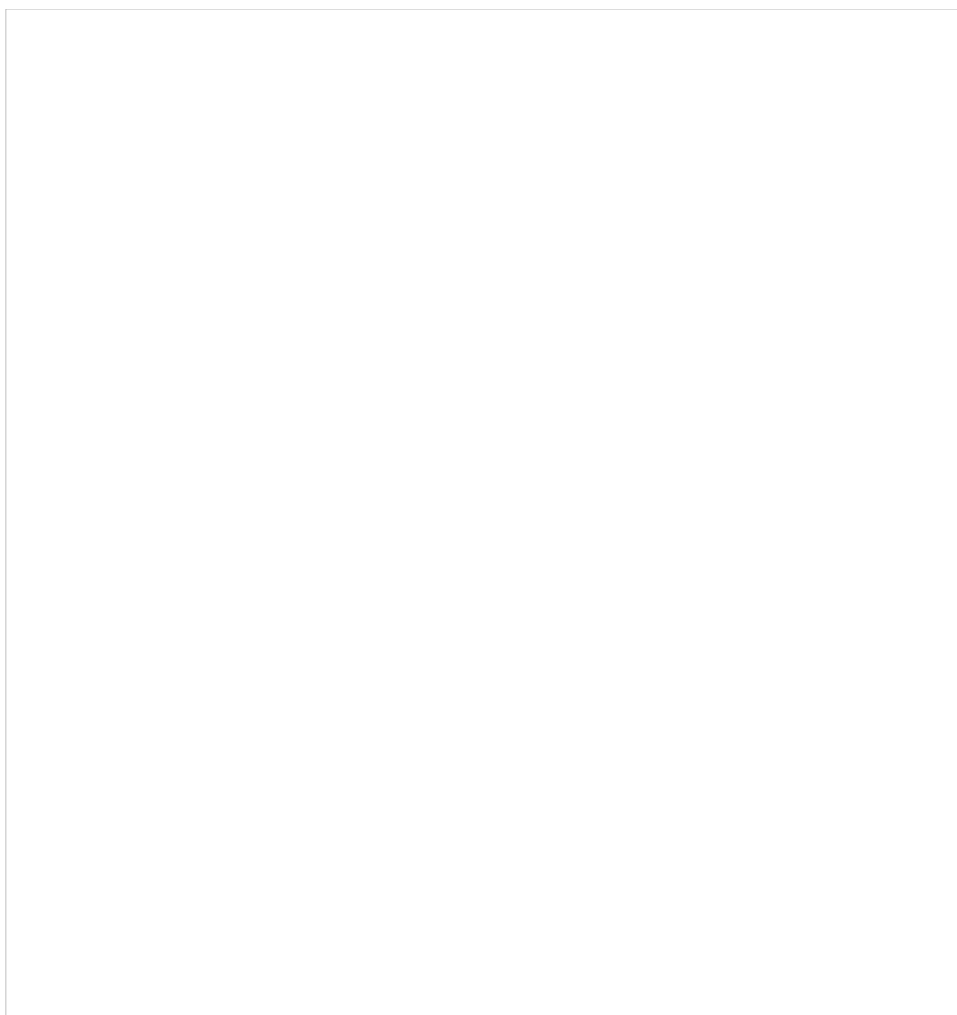
Geographic Revenue Attribution



Sources: WisdomTree, FactSet, three-year returns, as of 4/30/24. You cannot invest directly in an index. Past performance is not indicative of future results.

The chart below shows total return breakdowns for different MSCI country/region indexes, as well as the [S&P 500](#) over the last year in U.S.-dollar terms. Looking at the column for the [MSCI Japan index](#), we can see downwards pressure on total returns amounting to almost 16% from FX. By currency hedging returns, investors can mitigate FX headwinds and aim to isolate the returns of the local stocks themselves, which benefited from margin expansion, multiple expansion, sales growth and a healthy 2% dividend return.

1-Year Returns Decomposition



For definitions of indexes in the chart above, please visit the [glossary](#).

For the top 10 holdings of DXJ please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/dxj>

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.

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DEFINITIONS

Seven Samurai: Refers to a group of high-performing Japanese stocks including Advantest, DISCO, Mitsubishi, SCREEN Holdings, Subaru, Tokyo Electron and Toyota Motors.

Magnificent 7: Refers to a group of high-performing U.S. stocks including Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA)

Foreign Exchange (FOREX, FX): The exchange of one currency for another, or the conversion of one currency into another currency.

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.

MSCI Japan Index: A market cap-weighted subset of the MSCI EAFE Index that measures the performance of the Japanese equity market.