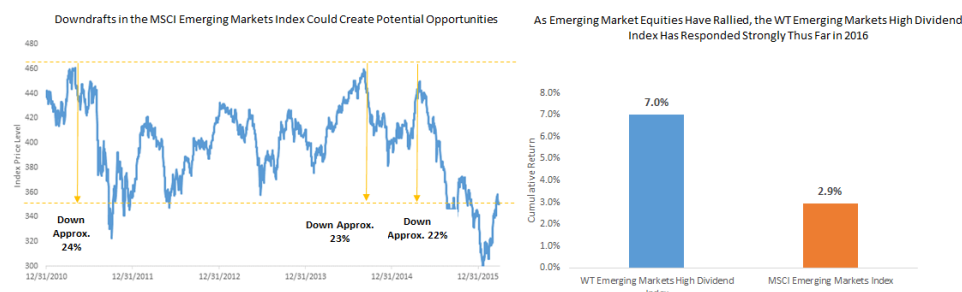


# THE CASE FOR EMERGING MARKETS

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To put it lightly, 2015 and recent years have been tough for emerging market (EM) allocations. Although this asset class has been under significant pressure, we do not view this as a reason to jump ship. In our view, the 2015 sell-off poses an opportunity to take control of your allocations rather than continue to hold on to a region that has underperformed. In early 2015, there was a strong rebound in the emerging markets following the sell-off in commodities. This reinvigorated confidence in emerging markets ended with an April high for the [MSCI Emerging Markets Index](#). However, since April 2015, emerging market equities have fallen approximately 22%. **22% Downtrend from 2015 High to Present**



Source: WisdomTree, Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an index. Period is from 12/31/2010 through 3/29/2016 for the line chart on the left, and 12/31/2015 to 3/29/2016 for the bar chart on the right.

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.

But—as we said—we don’t think it’s time to bail. In fact, we believe that there is deep value to be found in the emerging markets. And we see an interesting way to capture it: [tax loss harvesting](#) into [DEM, the WisdomTree Emerging Markets High Dividend Fund](#) (which is designed to track the performance of the [WisdomTree Emerging Markets High Dividend Index](#), shown above). While the convention is that year-end is the time for tax planning, we see market [volatility](#) as an opportunity to be more tactical. When we see significant downward moves—such as the current environment in EM equities—we think it makes sense to rotate strategies while booking a loss. As DEM has tracked the WisdomTree Emerging Markets High Dividend Index since its June 16, 2007, inception, it’s worth noting that this Index has hunted for [valuation](#) opportunities on an annual basis, taking the top 30% of [dividend](#)-paying EM securities<sup>1</sup> and weighting them based on annual cash dividends paid. Currently, the Index displays a 6.33% [12-month trailing dividend yield](#) and a [price-to-earnings ratio \(P/E\)](#) of 11.04x.<sup>2</sup> DEM has been very responsive to the recent movements in the price of oil. This makes sense, what with the Fund’s large commodity exposure in materials or energy companies. DEM certainly has faced headwinds from its exposure to energy and China over the recent years. But the long-term track record of a focus on high dividend stocks in the emerging markets has added meaningful value. **Unless otherwise noted, data source is Bloomberg. [Learn more about our emerging market strategies.](#)**

<sup>1</sup>Universe is defined as the [WisdomTree Emerging Markets Dividend Index](#).

<sup>2</sup>Source: WisdomTree, as of 3/29/16.

## Important Risks Related to this Article

Investments in commodities may be affected by overall market movements, changes in interest rates and other factors such as weather, disease, embargoes and international economic and political developments, and they are not suitable for all investors. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such

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You cannot invest directly in an index.

## **DEFINITIONS**

**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.

**Tax Loss Harvesting** : Selling securities at a loss to offset a capital gains tax liability. Tax gain/loss harvesting is typically used to limit the recognition of short-term capital gains, which are normally taxed at higher federal income tax rates than long-term capital gains.

**Volatility** : A measure of the dispersion of actual returns around a particular average level.&nbsp;.

**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.

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

**Trailing Earnings** : The amount of profit that a company produces during prior fiscal year.