

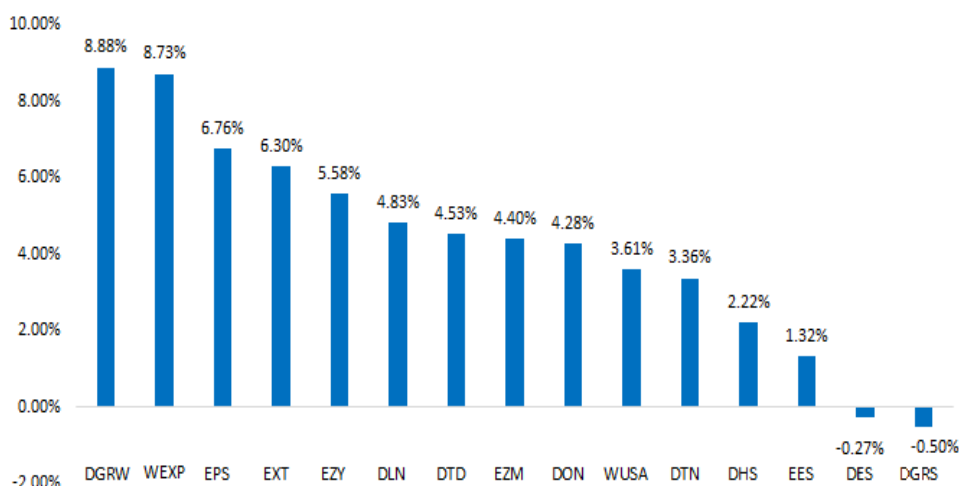
GLOBAL REVENUE: A DOMINANT FACTOR IN EARLY 2017

Jeremy Schwartz — Global Chief Investment Officer
05/09/2017

For all the talk of President Trump's efforts to "make America great again," one of the most interesting features of the market in 2017 has been how the best performers across global equities have been anything focused internationally—whether emerging markets leading regions higher or even U.S. multinationals outperforming U.S.-focused market segments.

[Click here for standardized performance of the Funds mentioned in the chart.](#)

WisdomTree U.S.-Focused Equity Funds: YTD Performance as of 4/30/17



Source: WisdomTree, for the period 12/31/16–4/30/17.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

The chart above details the 2017 performance across all U.S.-focused WisdomTree equity exchange-traded funds (ETFs). Here's what strikes me at first glance: the driving factor was that the more global the revenue base, the better the performance. This is illustrated by comparing three best-performing WisdomTree strategies to three worst-performing strategies through April 30, 2017.

- **Global Revenue Factor:** WisdomTree's top-performing U.S. equity ETFs through the month of April focus on either U.S. export and multinational stocks or large-cap global-oriented stocks. The weighted average revenue of these stocks in the [WisdomTree U.S. Export and Multinational Fund \(WEXP\)](#) is predominantly foreign (approximately 60% revenue outside the U.S.), and this is WisdomTree's most foreign-oriented basket of U.S. stocks, given the screens it employs to remove stocks focused on the U.S. economy. The top-performing Fund was a quality [dividend growth](#) ETF, the [WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#), which also has a relatively high share of revenue coming from a global basis because of sector concentrations that are under-weight in sectors including Utilities, Telecom, REITs, and Financials, all of which tend to be focused in U.S. markets. Its exposures in cyclical sectors—Consumer Discretionary, Technology, Industrials—are performing well, as is its Health Care exposure.
- **Small-Cap Factor:** WisdomTree's three worst-performing U.S. equity ETFs were all centered on the U.S. small-cap market, and small caps tend to be the most sensitive to local economic prospects. After Trump's election in November, small caps went on a big run through the end of the year. Their outperformance largely reversed in the first four months of 2017.

Global Revenue Base Trumping U.S. Rate Sensitivity in 2017

One of the key market forces in 2017 has been the absence of a grind higher in interest rates. The 10-Year bond started the year at 2.45% and was at 2.32% at the end of April.¹

All other things being equal, a decline in interest rates should be supporting yield-sensitive assets over more growth-oriented assets. Although the move in rates has been modest overall on the year, at face value a decline in rates would have suggested to me support for our U.S. high-[dividend](#) ETF that focuses on the highest dividend-paying segment of the U.S. market. The high-dividend ETF is invested in more of what we call bond proxies, which respond more to declines in interest rates.

Yet while rates declined, our quality dividend growth ETF outperformed the high-dividend segment of the market by over 650 [basis points \(bps\)](#).²

We have talked about the valuation argument in the past—that is, how [the quality dividend growth segment was priced at more attractive multiples](#)—something I still believe to be true today.

But there's no question that global businesses are attracting more interest over U.S.-focused companies in the first four months of 2017. This is reflected in the outperformance of developed international stocks over the U.S. markets and the outperformance of emerging markets over the U.S.

It speaks to a rebound in activity in many emerging markets—China, in particular—that is causing sentiment to improve on global growth.

Yes, there is the fading of the "Trump trades" and a reversal in performance post-election. But this outperformance also should show investors that global growth conditions are rather robust.

For those who want exposure to global growth without investing overseas, both the WisdomTree U.S. Export and Multinational Fund and the WisdomTree U.S. Quality Dividend Growth Fund are two interesting baskets to consider.

¹Sources: WisdomTree, Bloomberg, as of 4/30/17.

²Refers specifically to the outperformance of DGRW relative to DHS for the period 12/31/16–4/30/17.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Stocks that previously exhibited a positive correlation in equity performance to a weak U.S. dollar may not do so in the future, which could negatively impact Fund performance. A Fund that has exposure to one or more sectors may increase the Fund's vulnerability to any single economic or regulatory development. This may result in greater share price volatility.

Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

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.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Dividend growth : The growth in trailing 12-month dividends for the specified universe.

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

Basis point : 1/100th of 1 percent.