ROSNEFT DEAL BRINGS DOSE OF OPTIMISM TO EMBATTLED ENERGY SECTOR

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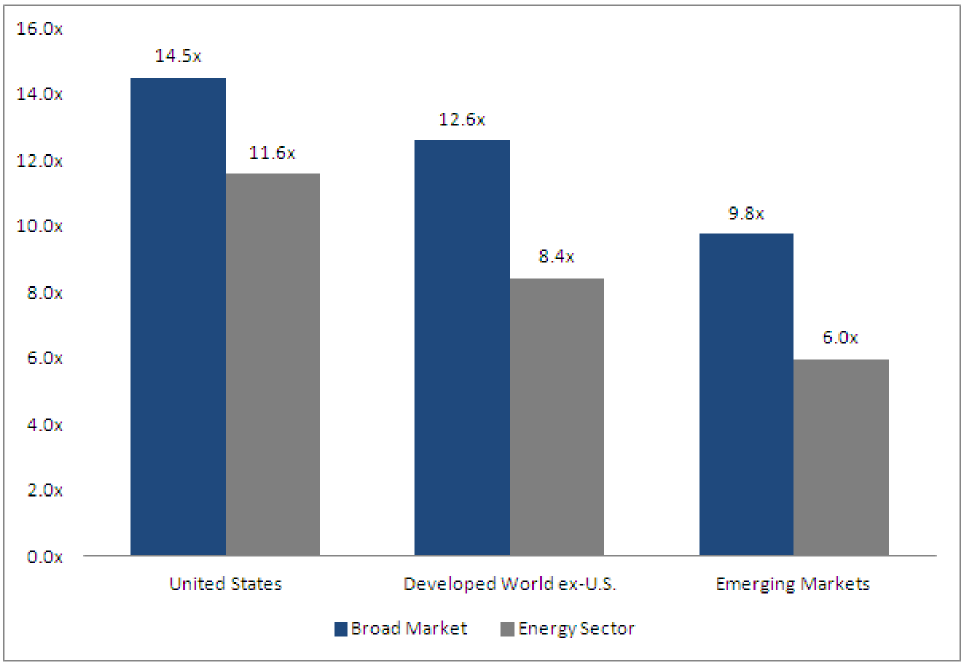
07/10/2013

WisdomTree recently completed its 2013 annual rebalance for its Global Dividend Indexes—one of which is the WisdomTree Emerging Markets Equity Income Index (WTEMHY). WTEMHY is a fundamentally weighted index that measures the performance of the highest dividend-yielding stocks in the emerging markets. The Index screens securities using their trailing 12-month dividend yield as a relative valuation metric to find undervalued securities. The most noteworthy exposure change has been to companies in Russia. On the whole, the Index increased its exposure to the country from approximately 11.6% to 18.2%, making Russia the top country exposure as of the May 31, 2013, rebalance screening. Within Russia, the top sector is Energy, with approximately a 12.3% weight out of the 18.2% total. WTEMHY's dividend yield selection and weighting methodology have identified value in this sector and have rotated into these stocks. **Global Growth Concerns Potentially Priced in Stocks** As a result of subpar and below-trend global growth, the global Energy sector has underperformed the broad markets over the past few years. This weakness in global growth has pushed valuations in the Energy sector to steep discounts versus other sectors. China is a big factor in these growth expectations. A number of analysts are revising their future China growth numbers down, and some are even speculating about a "hard landing." While China may be experiencing a relative growth slowdown, there is little reason to believe China's long-term appetite for raw materials is disappearing. In fact, as a smart value shopper, China appears to be using the sell-off in raw materials prices to enter into strategic partnerships for securing commodities on a long-term basis. **Rosneft Enters into Long-Term Energy Deal** On June 21, 2013, Rosneft agreed to a deal with the China National Petroleum Corporation, the core of which involves supplying China with oil for the next 25 years. This deal essentially makes China Russia's biggest market for oil, and some analysts are valuing it to be worth as much as $270 billion. I think this deal is extremely important for the Energy sector as a whole and especially for Russian energy stocks. This should remind market participants that oil is an important natural resource that economies require to grow. Russia is the largest country in the world, with significant access to natural resources, and countries like China will continue to look to Russia for their energy needs. For Rosneft, the deal secures a new market for its exports—one not reliant on Europe. It also entails an immediate cash payment of $60–$70 billion that will help with the company's immediate financing needs over the next couple of years. To put the magnitude of this in perspective, Rosneft recently reported approximately $70 billion in total debt outstanding, so this cash prepayment can potentially cover all of its outstanding debt. As a result, the deal was supportive for its bonds after news of it were discussed. We hope to see continued positive sentiment spillover, as the valuations look quite depressed when comparing emerging market energy stocks with other regions. **Energy Sector Sells at a Steep Discount** To get an idea of the valuations within the global Energy sector, I looked at the price-to-earnings ratio of the Energy sector in the below regional markets and compared it to their respective broad market.



Sources: Bloomberg, WisdomTree, as of (06/26/13). Past performance is not indicative of future results. United States is represented by the S&P 500 Index; developed world ex-U.S. is represented by the MSCI EAFE Index; emerging markets are represented by the MSCI Emerging Markets Index. All indexes were chosen for their broad representation of stocks in their respective regions.

For definitions of indexes, please visit our Glossary. • **Energy Sector Shows Low Price-to-Earnings Ratio** – The Energy sector currently has a lower price-to-earnings ratio than the respective broad market indexes. This potentially signals, for each region, that the Energy sector is trading at a discount compared to the broad market-based earnings. • **Emerging Market Energy Has Most Attractive Valuations** – On an absolute basis, the emerging market Energy sector is trading at the lowest valuation, illustrated by the lowest price-to-earnings ratio. The emerging market Energy sector is trading at approximately a 50% discount to the U.S. Energy sector, and a 30% discount to the developed world ex-U.S. Energy sector. • **Emerging Market Energy Shows Largest Valuation Discount Within Respective Markets** – Looking at the price-to-earnings discount of the Energy sector compared to the broad market within each region, the emerging market Energy sector appears to be the most discounted—approximately 39% lower than the respective broad market. The developed world ex-U.S. Energy sector is trading at a 33% discount, and the U.S. Energy sector at a 20% discount. **Further Catalysts** It is impossible to know what will eventually close the valuation gap between the Energy sector and the broad markets across different regions; we believe that buying assets at low prices is a profitable investment strategy over the long term. The deal between China and Rosneft should serve as an important signal that long-term appetite for raw materials is not abating and the growth prospects of emerging markets still appear much better than those of the developed world, based simply on demographics. There should be little question that these countries need natural resources to fuel their growth and think the discounts in emerging market energy stocks are attractive.

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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 yield : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

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.

Rosneft : Russia-based company engaged in exploration, development, production and sale of crude oil and gas, as well as refining, transportation and sale of petroleum products.