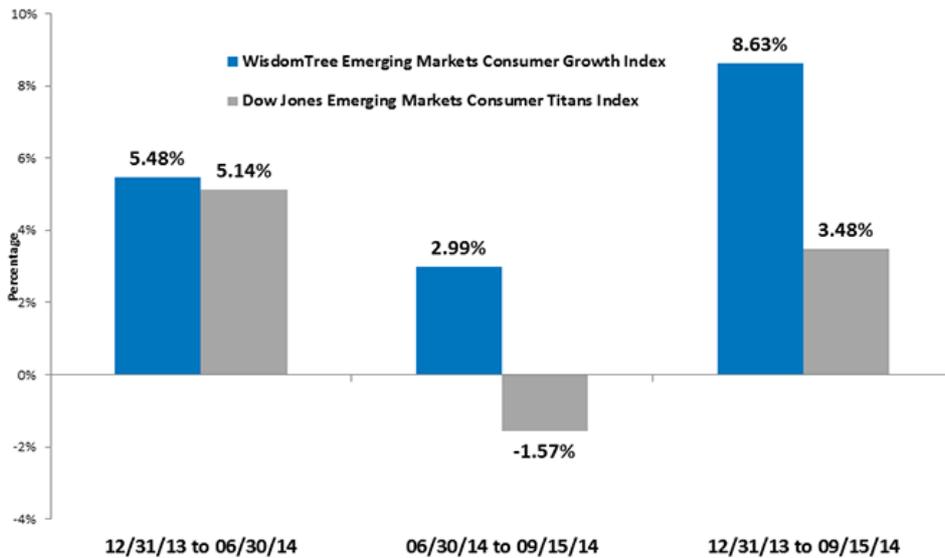

HOW CAN INVESTORS CAPITALIZE ON THE GROWTH OF THE EMERGING MARKET CONSUMER?

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Over the past few years, investors have become frustrated with the underperformance of the [emerging markets \(EM\)](#) — especially when compared to U.S. markets. But if we look at another comparison to the U.S., there may be a lot to get excited about. The coming growth of the emerging market consumer¹ is, in fact, reminiscent of the baby boom in the United States. When you consider the youthful demographics and the potential for the low [per capita incomes](#) to catch up with those of the developed world, the potential ramifications of this trend become clear. And it's a trend that's just beginning. **Stay Sensitive to Valuations** Of course, sometimes when a compelling theme like this captivates investors, they tend to bid up prices without regard to valuations. And they're not the only ones—[market capitalization](#) indexes also fail to take them into account. But in our opinion, valuation must be a primary focal point. That's why the [WisdomTree Emerging Markets Consumer Growth Index \(WTEMCG\)](#) is [fundamentally weighted](#). Its goal is to help investors capitalize on emerging market consumer growth trends, while maintaining sensitivity to valuation. Unlike other indexes, WTEMCG selects companies based on growth, quality and valuations and then weights them by their profitability. **Look for Broad and Direct Exposure to Emerging Market Consumer Growth** While some indexes narrowly focus on stocks only in the consumer sectors (staples, discretionary, services or goods), we believe investors should take a broader approach. Consider that as people become wealthier, they tend to spend more on health care, phones and luxury items such as bigger homes and vacations. Excluding these sectors and industries, the way many indexes do, runs the risk not only of creating a concentrated index, but also of missing out on the best opportunities. In addition to including these sectors, WisdomTree uses a geographic revenue filter to identify companies that generate a majority of their revenue from within emerging markets, rather than just selecting the largest companies by market capitalization. We believe this increases the sensitivity to the EM consumer trend by focusing on the companies whose revenues come from within emerging markets. **Different Methodologies. Different Performance.** The graph below compares the year-to-date performance of WTEMCG against the [Dow Jones Emerging Markets Consumer Titans Index \(DJ EM Cons\)](#), to help illustrate the potential performance difference.



Sources: WisdomTree, Bloomberg, 12/31/13–9/15/14. Performance was broken into different periods to illustrate the performance differences. Past performance is not indicative of future results. You cannot invest directly in an index.

When we compare these, we find WTEMCG offers:

- **Broader Sector Exposure:** DJ EM Cons invests narrowly in only the consumer sectors, the very sectors that have underperformed year-to-date². In fact, DJ EM Cons had more than a 60% average weight to the Consumer Staples sector during the period. Some of the strongest performing sectors in WTEMCG, on the other hand, were Utilities and Telecom, up more than 24% and 11%, respectively.
- **Broader Stock Selection:** WTEMCG, with 247 stocks³, offered broader stock selection. DJ EM Cons includes only 30 securities, subjecting investors to much greater stock selection risk and likely greater volatility as well.
- **Focus on Broad Diversification and Valuations** The EM consumer theme will likely drive global growth in the years ahead. But without broad diversification and valuation sensitivity, we wonder whether or not investors will profit from it.

¹Sources: Bloomberg, references the fact that the MSCI Emerging Markets Index has lagged the S&P 500 Index over the most recent three-year period from 8/31/11–8/31/14. ²Source: Bloomberg. Refers to the fact that the MSCI EM Consumer Staples and MSCI EM Consumer Discretionary Indexes have underperformed the broader MSCI EM Index. 12/31/13–09/15/14. ³Sources: WisdomTree, Bloomberg, number of holdings as of 9/15/14.

Important Risks Related to this Article

Diversification does not eliminate the risk of experiencing investment losses. 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. Investments focusing on certain sectors and/or smaller companies increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility.

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Emerging market : Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

Per capita income : The sum of the value of all goods and services produced in a particular country divided by the total population of that country. Higher values imply a higher standard of living for that country's citizens.

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.

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.

Fundamental weighting : A type of equity index in which components are chosen based on fundamental criteria as opposed to market capitalization. Fundamentally weighted indexes may be based on fundamental metrics such as revenue, dividend rates, earnings or book value.

Dow Jones Emerging Markets Consumer Titans 30 Index : Index designed to measure the performance of the 30 leading emerging market companies in the consumer goods and consumer services industries. Weighting is by float-adjusted market capitalization, subject to diversification requirements.