

# WISDOMTREE'S BEST AND WORST PERFORMING ETFS THIS YEAR

Christopher Gannatti — Head of Research, Europe  
09/22/2015

We like to periodically review the top five and bottom five performing exchange-traded funds (ETFs) at WisdomTree in order to see if interesting trends become apparent. Through August 31, 2015, we saw a significant divergence, and the increase in volatility during August makes this type of analysis all the more interesting:

- **What's Driving the Top Five?** Four out of WisdomTree's top five ETFs, specifically the [WisdomTree Japan Hedged Health Care Fund \(DXJH\)](#) the [WisdomTree Japan Hedged Financials Fund \(DXJF\)](#), the [WisdomTree Japan Hedged SmallCap Equity Fund \(DXJS\)](#) and the [WisdomTree Japan SmallCap Dividend Fund \(DFJ\)](#) track the performance of Indexes that focus on Japanese stocks. In Japan we have been seeing a powerful combination of incremental progress in government reform efforts, a greater focus on shareholders in corporate culture, and a commitment to [quantitative easing](#) from the Bank of Japan (BOJ). The fifth ETF, the [WisdomTree Europe SmallCap Dividend Fund \(DFE\)](#) tracks the performance of an Index that focuses on European small-cap stocks—of interest because small caps tend to be more sensitive to local economic conditions and less sensitive to broader macroeconomic issues such as concerns about China's growth prospects.
- **What's Driving the Bottom Five?** The [WisdomTree Brazilian Real Strategy Fund \(BZF\)](#) is designed to provide exposure to one of the most challenged currencies in the emerging markets. Brazil's currency has the potential to be sensitive to perceptions of a slowdown in China, lower commodity prices as well as market-specific issues within Brazil itself. The [WisdomTree Global Natural Resources Fund \(GNAT\)](#) tracks an Index designed to generate exposure to companies that potentially benefit from rising commodity prices—the opposite of what we've been seeing so far in 2015. The [WisdomTree Emerging Markets Consumer Growth Fund \(EMCG\)](#) has substantial exposure to Brazilian stocks, which were hampered by significant currency depreciation, and to Chinese stocks, which have been challenged by the perceived slowdown in China's growth; the latter has also impacted the [WisdomTree China ex-State-Owned-Enterprises Fund \(CXSE\)](#). Rounding out the bottom five ETFs is the [WisdomTree Emerging Markets Quality Dividend Growth Fund \(DGRE\)](#) which was hurt by significant exposure to South Africa, a market and currency hurt by declining commodity prices, as well as by significant exposure to Brazil.

Average Annual Returns as of 6/30/2015

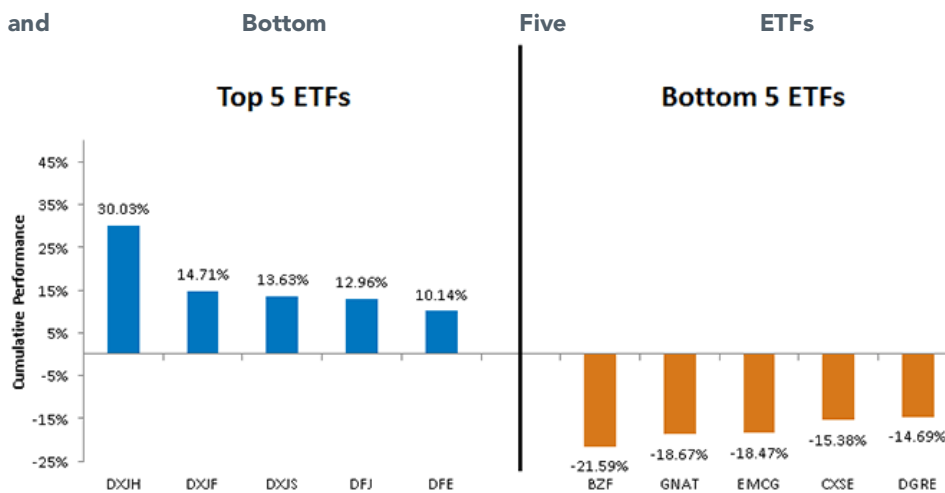
Fund	Fund Information			Total Return NAV				Market Price			
	Ticker	Exp. Ratio	Fund Inception Date	1-Year	3-Year	5-Year	Since Fund Inception	1-Year	3-Year	5-Year	Since Fund Inception
WisdomTree Japan SmallCap Dividend Fund	DFJ	0.58%	6/16/2006	7.24%	12.04%	9.54%	2.96%	6.97%	11.81%	9.75%	3.10%
WisdomTree Japan Hedged SmallCap Equity Fund	DXIS	0.58%	6/28/2013	28.47%	N/A	N/A	22.54%	28.02%	N/A	N/A	21.88%
WisdomTree Japan Hedged Financials Fund	DXJF	0.43%	4/8/2014	31.29%	N/A	N/A	33.55%	30.93%	N/A	N/A	35.28%
WisdomTree Japan Hedged Health Care Fund	DXJH	0.43%	4/8/2014	40.33%	N/A	N/A	40.37%	39.40%	N/A	N/A	41.91%
WisdomTree Europe SmallCap Dividend Fund	DFE	0.58%	6/16/2006	-2.21%	23.28%	16.24%	6.35%	-2.75%	22.92%	16.54%	6.16%
WisdomTree Global Natural Resources Fund	GNAT	0.58%	10/13/2006	-29.78%	-8.06%	-1.68%	-2.03%	-29.21%	-8.07%	-1.28%	-2.08%
WisdomTree Emerging Markets Consumer Growth Fund	EMCG	0.63%	9/27/2013	-1.88%	N/A	N/A	1.07%	-1.57%	N/A	N/A	0.47%
WisdomTree China ex-State-Owned Enterprises Fund <sup>1</sup>	CXSE	0.53%	9/19/2012	9.47%	N/A	N/A	6.12%	8.57%	N/A	N/A	5.23%
WisdomTree Brazilian Real Strategy Fund	BZF	0.45%	5/14/2008	-21.23%	-6.41%	-3.45%	-1.02%	-21.01%	-6.60%	-3.48%	-1.24%
WisdomTree Emerging Markets Quality Dividend Growth Fund <sup>2</sup>	DGRE	0.63%	8/1/2013	-7.60%	N/A	N/A	-0.86%	-7.80%	N/A	N/A	-1.80%

Source: WisdomTree. <sup>1</sup>As of July 1, 2015, the WisdomTree China Dividend ex-Financials Fund changed its name and investment objective and was renamed the WisdomTree China ex-State-Owned Enterprises Fund. Please see the prospectus for additional information. <sup>2</sup>Known as the WisdomTree Emerging Markets Dividend Growth Fund prior to August 31, 2015.

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 [www.wisdomtree.com](http://www.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.

**WisdomTree's Top Five (12/31/2014–8/31/2015)**



Source: WisdomTree. Past performance is not indicative of future results.

**The Top Five ETFs- What**

**We're Watching** Within Japan, one key item to watch is the [potential for further action from the BOJ](#). Additionally, it is important to note that the general themes for the Health Care sector (for [DXJH](#)) have been strong profit performance and the potential for a favorable regulatory environment from the government that encourages some of the latest health care research to be centered in Japan. [DXJF](#), although challenged during the month of August, is still interesting, in our opinion, because the Financials sector is coming in focus as investors prepare for the [initial public offering](#) of Japan Post<sup>1</sup>—expected in November—which will be the largest privatization in Japan in about three decades.<sup>2</sup> Expectations are that Japan Post could offer a compelling dividend to attract investors and thus put pressure on banks to also raise their dividends. Small-cap stocks in both Europe and Japan have the potential to be less sensitive to global macroeconomic concerns, such as a slowing Chinese economy, as they tend to be less focused on exports.

**The Bottom Five ETF- What We're Watching**

The first eight months of 2015 have been characterized by a strengthening U.S. dollar—especially against the currencies of markets known for significant commodity exports. BZF has been a direct representation of this trend, but GNAT, EMCG and DGRE have been hit with their exposures to emerging market currencies as well. CXSE tracks the performance of an Index that we think is a very interesting way to look at China—as most of the largest companies there have significant state ownership—but with Chinese equities broadly out of favor of late, it has been facing a challenging environment. For those who believe the commodities rout is coming to an end and that emerging market currencies are

getting close to the end of their weakness against the U.S. dollar, these bottom five may offer a list to focus on, while those looking to participate in continuing momentum may want to focus on various elements in Japan and Europe. <sup>1</sup>Japan Post, a government-owned mail monopoly until 2007, is a post, logistics and courier service headquartered in Tokyo. <sup>2</sup>Source: Takaya Yamaguchi, "Exclusive: Japan Post's \$11 Billion Triple Listing Expected November 4 – Sources," Reuters, 8/14/15.

**Important Risks Related to this Article**

High double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were achieved primarily during favorable market conditions. A Fund's performance, especially for very short periods, should not be the sole factor in making an investment decision. Dividends are not guaranteed, and a company's future ability to pay dividends may be limited. 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 as risk of loss from currency fluctuation or political or economic uncertainty. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations.

Funds focusing on a single sector generally experience greater price volatility. 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 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. An investment in commodities may not be suitable for all investors.

Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As these Funds can have a high concentration in some issuers, the Funds can be adversely impacted by changes affecting those issuers. Due to the investment strategy of these Funds, they may make higher capital gain distributions than other ETFs. Please read the Funds' prospectuses for specific details regarding the Funds' risk profiles.

Hedging can help returns when a foreign currency depreciates against the U.S. dollar, but can hurt when the foreign currency appreciates against the U.S. dollar.

For more investing insights, check out our [Economic & Market Outlook](#)

**Quantitative Easing (QE)** : A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

**Initial public offering (IPO)** : The first sale of stock by a private company to the public.