

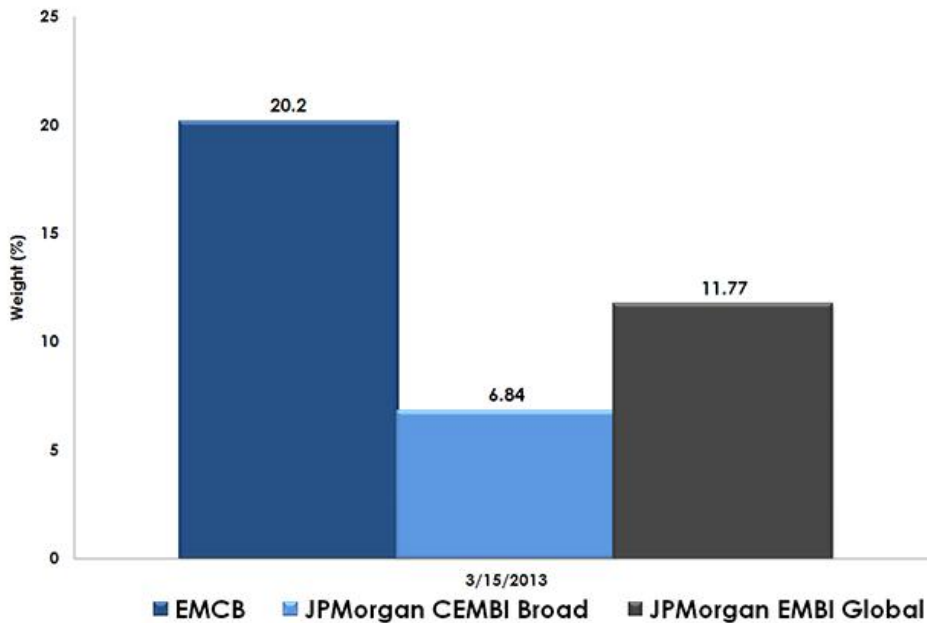
# BULLISH ON MEXICAN CORPORATE DEBT

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04/01/2013

Recently, Standard & Poor's revised its outlook for the Mexican state controlled oil company Petróleos Mexicanos (Pemex) to positive.<sup>1</sup> Pemex is the largest holding in the [WisdomTree Emerging Markets Corporate Bond Fund \(EMCB\)](#) as of March 15, 2013, and S&P's announcement paves the way for a greater than 1-in-3 chance of a credit rating upgrade in the next 18 months.<sup>2</sup> It also serves as a useful case study for why we are optimistic about Mexican and emerging market corporate debt as a complement for more traditional corporate credit instruments of U.S. companies. As we noted in a [blog](#) last year, an improving U.S. economy is a positive not only for the U.S. markets but also, potentially, for one of its largest trading partners, Mexico. Indeed, given the strong trade relationship between the two countries, a faster rate of economic growth in the U.S. can directly benefit the Mexican economy. However, the positive momentum in Mexico isn't singularly attributable to a recovering U.S. economy. President Enrique Peña Nieto has recently passed a series of governmental reforms that many believe may put Mexico on a more stable economic footing. At S&P, a potential catalyst for upgrade may be a continuation of these economic and governmental reforms. **Capitalizing on the Development of Emerging Markets** At WisdomTree, we believe one way many investors should attempt to capitalize on the growth of emerging markets is through investment in the debt of companies that we believe are helping to drive higher levels of growth not only in their own countries but around the world. For example, Pemex is currently the seventh-largest oil producer in the world. In January 2013, Pemex exported nearly 1.01 million barrels of crude oil to the United States. At these levels, Pemex is currently the United States' third-largest provider.<sup>3</sup> Pemex is just one illustration of WisdomTree's bullish view on Mexico's prospects for future economic growth. • **Large Over-weight:** Currently, Mexican companies constitute over 20% of EMCB's portfolio—this is close to three times the amount in the Fund's performance benchmark<sup>4</sup> and one of EMCB's largest over-weights in terms of country exposure. • The Fund's current allocation is also nearly twice the allocation to Mexico when compared to the [JPMorgan EMBI Global Index](#). • In addition to Pemex, the Fund also holds<sup>5</sup> the debt of CEMEX (one of the largest cement producers in the world), Mexichem (the largest chemical company in Mexico) and [Grupo Bimbo](#) (the largest baked goods company in the world).

## Mexican Bond Exposure: EMCB vs. JPMorgan Indexes



Sources: WisdomTree, JPMorgan, 3/15/2013  
 Holdings subject to change. You cannot invest directly in an index.

Central to the Fund's [investment process](#), Western Asset Management (the Fund's sub-advisor) prefers having exposure to the companies it believes will benefit directly from ongoing economic development in basic infrastructure. Currently, this strategy results in an over-weight to metals & mining, oil & gas and basic industrials. Ultimately, we believe that emerging market corporate debt can provide a valuable complement to many investors' bond portfolios as they seek to evolve their investments with the changing economic landscape. When comparing it to U.S. dollar-denominated EM government debt, we currently prefer EM corporate debt as an asset class, given its higher current yields, lower interest rate risk and higher credit quality issuers.<sup>6</sup> For current holdings in the WisdomTree Emerging Markets Corporate Bond Fund, [click here](#).<sup>1</sup>Standard and Poor's, March 12, 2013. <sup>2</sup>Bloomberg, 2013. <sup>3</sup>Bloomberg, 2013. <sup>4</sup>[JPMorgan Corporate Emerging Market Bond Index \(CEMBI\) – Broad](#).<sup>5</sup>As of March 15, 2013. <sup>6</sup>Based on a comparison of the JPMorgan CEMBI Broad Index vs. the JPMorgan EMBI Global Index.

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You cannot invest directly in an index.

## DEFINITIONS

**JP Morgan Emerging Markets Bond Index Global (EMBI Global)** : The JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for US dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities including Brady bonds, loans, Eurobonds.

**JP Morgan Corporate Emerging Markets Bond Index Broad (CEMBI Broad)** : The JPMorgan Corporate Emerging Markets Bond Index Broad (CEMBI Broad) is a market capitalization weighted index consisting of US dollar-denominated Emerging Market corporate bonds. The index serves as a global corporate benchmark representing Asia, Latin America, Europe and Middle East / Africa. US dollar-denominated corporate issues from index-eligible countries are narrowed further by only including issues with more than \$300m current face outstanding and at least five years to maturity (at the time of inclusion into the index).