VALUES STRONG RUN IN EMERGING MARKETS

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The value factor continues to outperform in emerging markets (EM). In contrast, value's victory lap in developed markets (DM) in 2022 ended with the growth factor taking back control in 2023. This is largely due to the market expecting an earlier Federal Reserve (Fed) pivot, owing to falling inflation, the banking crisis and further signs of an economic slowdown. As a result, investors rotated out of low-duration value sectors into high-duration growth sectors as future inte rest rate expectations were lowered, making growth appear attractive again.

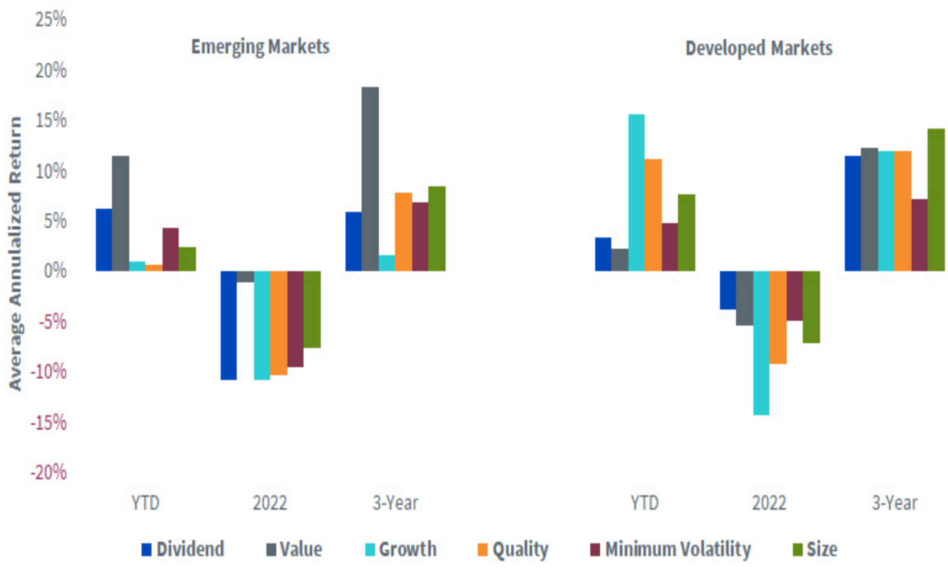
Scarcity Premium of the Growth Factor Recedes during Higher EM Economic Growth

However, value continues to outperform growth in EM, extending the trend of the last three years. According to the International Monetary Fund's latest report, EMs are expected to grow at 3.9% in 2023, led by China and India achieving a growth rate of 5.2% and 5.9%, respectively.[1] EM's growth is expected to outpace that of DM in 2023 and 2024, according to the IMF's latest projections.

While it might seem counterintuitive, value stocks tend to benefit more than growth during periods of accelerating growth. This is because as economic growth weakens, companies that are able to generate higher earnings growth look relatively attractive and benefit from a scarcity premium. So as overall economic growth declines, the growth factor generally outperforms. However, as overall growth rates pick up in EM, growth stocks command less of a scarcity premium and value stocks appear relatively well priced.

Value in EM is dominated by financials, asset-heavy cyclical commodity or manufacturing businesses and state-owned en terprises (SOEs).

Factor Performance in Emerging & Developed Markets over Three Years



Sources: Bloomberg, WisdomTree, as of 4/24/23. Past performance is not indicative of future results.

EM Banks—Slow and Steady Wins the Race

The banking crisis triggered by the failure of Silicon Valley Bank and Signature Bank and the forced takeover of Credit

Suisse by rival UBS in March 2023 tarnished sentiment toward the financial sector across DM.

However, EM banks, owing to their conservative approach and tighter regulation, escaped unscathed. The divergence in interest rate cycles has an important role to play here. While DM central banks saw a uniform increase in interest rates, EM central banks followed divergent policies. For instance, the Chinese central bank cut interest rates and Brazil's central bank is expected to cut rates. In addition, interest rates in EM averaged at a higher level than DM, which helped EM banks avoid a squeeze on net interest margins. EM banks also avoided buying large quantities of government bonds as credit demand remained resilient. In the aftermath of the banking crisis, DM banks will likely be required to hold more capital, reduce dividends and bear the brunt of a higher cost of funding. In comparison, EM banks' capital levels are significantly above international levels and local regulatory requirements, which supports a more conservative approach to bank regulation.

China's Consumption Rebound Is Underway

China's post-Covid recovery is well on track, supported by consumption, exports and services. Recovery in sales is leading property stabilization. The support measures implemented by the authorities have helped the stem the crisis in the real estate sector. Growth in the industrial sector was held back by the contraction in computer and semiconductor production, owing to the turnaround of the global electronic cycle as well as very strict controls imposed by Washington on electronic component sales to Chinese companies. In Q1 2023, Chinese economic growth stood at 2.2% quarter on quarter. We expect real GDP growth to accelerate further in Q2 2023.[2]

A combination of improving growth rates in EM, higher dividend yields, lower valuations, a resilient Chinese re-opening and a weaker U.S. dollar are important drivers for the next stage of the recovery.

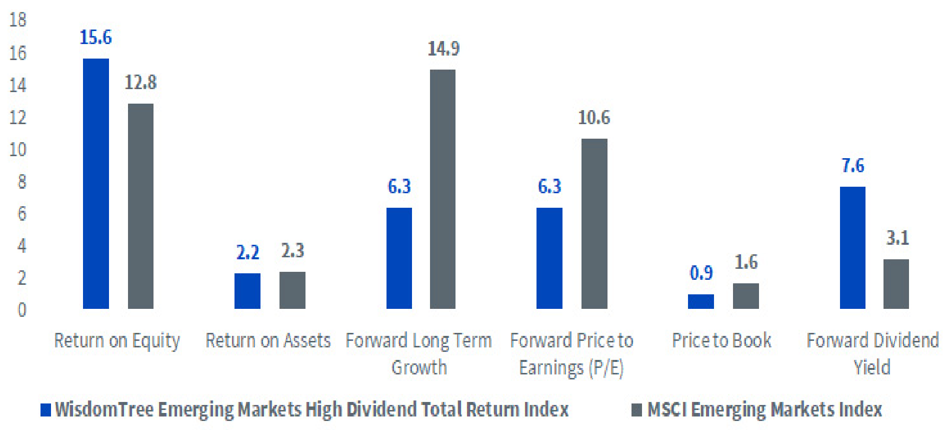
EMs have received $16 billion in exchange-traded funds (ETF) inflows in 2023, marking the second-highest geographic region after international markets. In a similar vein, the WisdomTree Emerging Markets High Dividend Fund (DEM) saw the highest inflows in 11 years, amounting to $351 million,[3] reflecting the improvement in sentiment toward EMs and the preference for maintaining a value tilt.

Maintaining a Value Tilt in a Diverse EM Universe

The WisdomTree Emerging Markets High Dividend Total Return Index (WTEMHY) aims to provide investors access to high-dividend-yielding EM stocks. The strategy uses aggregate cash dividends paid by each company to weight the constituents on an annual basis, which introduces valuation discipline and helps avoid value traps.

The Index trades at a 6.3x price-to-earnings ratio, marking a 40% discount to the benchmark MSCI EM total return index, highlighting the positive tilt toward value. In addition to the valuation discount, the Index continues to exhibit comparable quality characteristics with an average return on equity (ROE) of 15.6 (benchmark 12.8) and return on assets (ROA) of 2.2 (benchmark 2.3). The Index's dividend yield is high at 7.6% versus 3.1% for the benchmark.

Comparison of Fundamentals



Sources: Bloomberg, WisdomTree, as of 3/31/23. You cannot invest directly in an index. Past performance is not indicative of future results.

Since the start of 2023, the Index has outperformed the benchmark by 1.97%, benefitting from its higher exposure to sectors such as financials, information technology and utilities. From a geographic perspective, the higher allocation to countries such as Taiwan and India have helped the Index outperform the benchmark.

Sector Attribution

Category	Attribution Components				Average Category Weight			Category Performance	
	Allocation	Stock Selection	Interaction	Total Attribution	Index Weight	Benchmark Weight	+/- Wgt	WT Index Return	Benchmark Return
Financials	-0.20%	1.03%	0.16%	0.99%	25.73%	21.69%	4.04%	2.83%	-0.72%
Information Technology	-0.17%	1.13%	-0.10%	0.86%	18.20%	19.52%	-1.32%	20.94%	15.18%
Utilities	-0.17%	0.69%	0.24%	0.77%	3.90%	2.78%	1.12%	9.81%	-10.57%
Health Care	0.37%	0.25%	-0.22%	0.40%	0.42%	3.97%	-3.56%	-0.07%	-4.73%
Energy	-0.60%	0.23%	0.50%	0.13%	15.07%	4.75%	10.32%	3.41%	-0.48%
Industrials	0.04%	0.10%	-0.03%	0.11%	4.21%	5.97%	-1.76%	4.11%	2.49%
Consumer Discretionary	0.17%	-0.15%	0.09%	0.10%	1.70%	13.91%	-12.21%	1.92%	1.96%
Consumer Staples	0.12%	-0.27%	0.16%	0.01%	2.64%	6.55%	-3.92%	-1.50%	1.81%
Materials	-0.23%	0.02%	0.03%	-0.19%	22.60%	8.83%	13.77%	2.67%	2.47%
Real Estate	-0.08%	-0.08%	-0.06%	-0.22%	3.26%	1.93%	1.33%	-4.33%	-1.10%
Communication Services	-0.66%	-1.29%	0.98%	-0.97%	2.27%	10.09%	-7.82%	0.79%	10.97%
Total	**-1.42%**	**1.65%**	**1.75%**	**1.97%**	-	-	-	**5.93%**	**3.96%**

Sources: Bloomberg, FactSet, WisdomTree, as of 3/31/23. Past performance is not indicative of future results.

[1] IMF World Economic Outlook, April 2023

[2] National Bureau of Statistics, as of 4/18/23

[3] As of 4/21/23

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You cannot invest directly in an index.

DEFINITIONS

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over tim.

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.

Developed market : A country that is most developed in terms of its economy and capital markets.

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Inflation : Characterized by rising price levels.

Duration : A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.

Interest rates : The rate at which interest is paid by a borrower for the use of money.

State-owned enterprise : Companies in which governments have a significant ownership stake and the potential to influence the firms' actions over time.

Central bank : Refers to the the monetary authority of any country.

Bond : A fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

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

Semiconductor : A semiconductor is a material product usually comprised of silicon, which conducts electricity more than an insulator, such as glass, but less than a pure conductor, such as copper or aluminum. Their conductivity and other properties can be altered with the introduction of impurities, called doping, to meet the specific needs of the electronic component in which it resides.

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.

USD (United States Dollar) : The USD (United States dollar) is the official currency of the United States of America. The United States dollar, or U.S. dollar, is made up of 100 cents. It is represented by the symbol $ or US$ to differentiate it from other dollar-based currencies.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

MSCI Emerging Markets Index : a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as "emerging markets" by MSCI.

Return on assets (ROA) : Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.