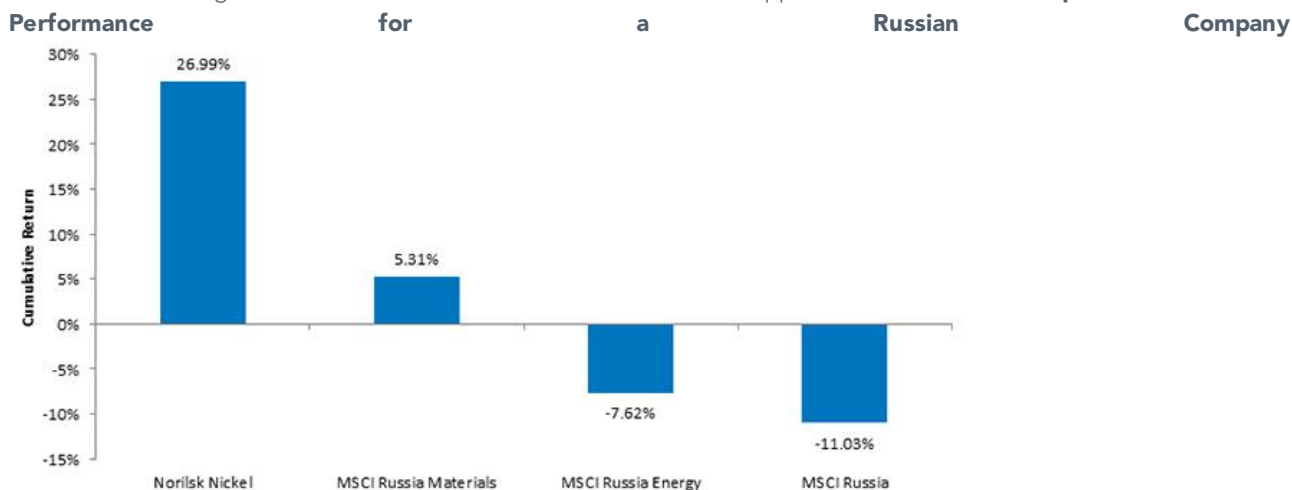


NORILSK NICKEL AS A "GROWER" & "YIELDER"

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So far, 2014 has not been a good year for Russia's equity markets.¹ While the [valuation](#) case can certainly be made, geopolitical risk is high, and it's not easy to transition from looking at the [fundamentals](#) of companies to understanding the sanctions that different government actors might apply to selected Russian firms. However, if history is any guide, some of the strongest investments are initiated when conditions appear most difficult. **Surprise: Positive YTD**



Source: Bloomberg, with data from 12/31/13 to 7/25/14. Past performance is not indicative of future results. You cannot invest directly in an index.

Norilsk Nickel² clearly stands out and has delivered strong year-to-date performance, even in the face of Russian geopolitical turmoil. Even Mark Mobius, executive chairman of the Templeton Emerging Markets Group, has mentioned a favorable view of this firm.³ We compare its year-to-date performance here to: • [MSCI Russian Materials Index](#): Norilsk Nickel is in this sector; • [MSCI Russian Energy Index](#): To give an indication of the performance of companies that many believe could be targets for future sanctions; and • The broad [MSCI Russian Index](#): As an indication of Russian equities generally **Looking at Russia in WisdomTree's Emerging Markets Indexes** Beyond its year-to-date performance, Norilsk Nickel is notable for another reason. WisdomTree has two emerging markets Indexes with greater than 10% exposure to Russian equities as of July 25, 2014: • [WisdomTree Emerging Markets Equity Income Index](#) (Dividend Yielders): 18.06% • [WisdomTree Emerging Markets Dividend Growth Index](#) (Dividend Growers): 11.35% There are actually three Russian firms in both Indexes, but Norilsk Nickel stands out as the top holding in Dividend Growers and the sixth-largest holding in Dividend Yielders. The fact that it appears prominently in both Indexes tells us that: 1. Norilsk Nickel is a large payer of cash dividends; both Indexes are weighted on this basis 2. Norilsk Nickel has relatively strong measures of [growth](#) & [quality](#), needed to qualify for Dividend Growers 3. Norilsk Nickel has a relatively inexpensive valuation on a [dividend yield](#) basis, needed to qualify for Dividend Yielders **Norilsk Nickel: Growth, Quality and Valuation** Norilsk Nickel, over 2012 and 2013, saw its earnings contract. Therefore, it's important to recognize that the current high earnings growth estimates for the firm are due in part to expectations for recovery. As with any estimate, these estimates may—or may not—prove to be true; there is no way to be certain ahead of time. Additionally, Norilsk Nickel has exhibited a three-year average [return on assets](#) above that of both the MSCI Russia Materials Index and the MSCI Russia Index. Below are some of the key drivers of Norilsk Nickel. **Norilsk Nickel: World's Largest Producer of Nickel & Palladium** While uses for nickel and

palladium might not readily come to mind, many of us are familiar with stainless steel (nickel is an important ingredient) and automobiles (palladium serves an important pollution-reduction function in car exhaust systems). Norilsk Nickel claims to be the world's largest producer of these metals.⁴ Additionally, year-to-date⁵: • **Nickel is up nearly 40% • Palladium is up more than 20% • The [S&P GSCI](#), a broad measure of commodity prices, is up only 2%** While the price behavior of these metals is certainly important for Norilsk Nickel, their divergence from a broader measure of commodity price behavior makes it all the more interesting. **Index Screening Date: September 30, 2014** The most important feature of WisdomTree's [fundamentally weighted](#) equity Indexes is the fact that they rebalance annually. To remain in Dividend Growers, Norilsk Nickel must prove itself annually on measures of growth and quality. To remain in Dividend Yielders, Norilsk Nickel must maintain a high dividend yield. If included, weighting is then based on Norilsk Nickel's cash dividends. Until this annual Index Screening, we hope that Norilsk Nickel can continue to be a beacon of positive performance in an otherwise difficult Russian equity landscape. ¹Refers to the performance of the MSCI Russia Index from 12/31/13 to 7/25/14. ²As of 7/25/2014, Norilsk Nickel was a 0.45% weight in the WisdomTree Global Equity Income Index, a 3.65% weight in the WisdomTree Global Natural Resources Index, a 3.32% weight in the WisdomTree Global ex-U.S. Dividend Growth Index, a 1.64% weight in the WisdomTree Commodity Country Equity Index, a 3.08% weight in the WisdomTree Emerging Markets Equity Income Index and a 6.21% weight in the WisdomTree Emerging Markets Dividend Growth Index. ³"Templeton Invest Fund Cuts Stakes in Russia's Sberbank, LUKoil, Alrosa," The Moscow Times, May 29, 2014. ⁴Source: Norilsk Nickel company website, as of July 2014. ⁵Source: Bloomberg, with performance measured from 12/31/13 to 7/25/14.

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You cannot invest directly in an index.

DEFINITIONS

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.

Fundamentals : Attributes related to a company's actual operations and production as opposed to changes in share price.

MSCI Russia Index : Index weighted by float-adjusted market capitalization designed to measure the performance of the Russian equity market.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Quality : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over time.

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

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.

S&P GSCI Index : leading measure of general commodity price movements and performance over time.

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.