
ACCESSING SMALL CAP VALUE IN EMERGING MARKETS

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WisdomTree believes that weighting by [market capitalization](#), which does not weight, consider or [rebalance](#) back to any measure of economic importance of the underlying constituents, may not always be the best approach to indexing. Instead, we believe a disciplined strategy of anchoring allocations back to a measure of [relative value](#), based on [fundamentals](#) such as [dividends](#) or earnings, can add value over time. We also believe that this fundamental process may prove to be most important in less efficient markets, such as [small caps](#) or emerging markets. Within emerging market small caps we focus on dividends, and the [WisdomTree Emerging Markets SmallCap Dividend Index \(WEMSC\)](#) seeks to provide broad exposure to small-cap dividend payers in emerging markets while maintaining sensitivity to [valuation](#). WEMSC screens by [size capitalization](#) and then weights by dividends, thereby focusing on small-cap value. Compared to the MSCI Emerging Markets Small Cap Index, WEMSC provides a [dividend yields](#) advantage of more than 207 [basis point \(bps\)](#) and sells at a 16.7% discount on a [price-to-earnings \(P/E\) ratio](#) basis. To remain sensitive to valuations, WisdomTree rebalances the Index back to size and fundamentals on an annual basis. The rebalance process typically is driven by the following:

- Dividend Growth: Companies that grow their dividends see their weight increased.
- Relative Performance:

- Underperformers typically see their weight increased.
- Outperformers typically see their weight decreased.

The following tables provide detailed changes in sector and country exposures for the WisdomTree Emerging Markets SmallCap Dividend Index. **Changes in Country Weights for WisdomTree Emerging Markets SmallCap Dividend**

	Countries of WT EM SmallCap Dividend	Prior Weight ¹	Country Performance ²	New Weight ³	Change in Weight	Performance of Country Relative to Index
Underperforming Countries	Brazil	6.5%	-50.2%	8.3%	1.9%	-34.0%
	Russia	0.0%	-45.8%	0.1%	0.1%	-29.6%
	Indonesia	2.9%	-33.9%	3.2%	0.3%	-17.7%
	Chile	2.0%	-29.1%	1.2%	-0.9%	-12.9%
	Malaysia	6.0%	-26.6%	4.7%	-1.3%	-10.4%
	Poland	2.9%	-16.5%	2.6%	-0.3%	-0.3%
Outperforming Countries	Thailand	11.2%	-15.1%	8.1%	-3.1%	1.1%
	Mexico	2.2%	-14.2%	1.3%	-0.8%	2.0%
	Turkey	5.5%	-13.7%	3.0%	-2.4%	2.5%
	Taiwan	26.2%	-10.5%	26.0%	-0.2%	5.7%
	India	1.0%	-6.6%	0.7%	-0.4%	9.6%
	South Africa	10.5%	-6.1%	8.7%	-1.8%	10.1%
	China	9.0%	-3.6%	23.3%	14.4%	12.6%
	Philippines	2.3%	-3.1%	1.7%	-0.6%	13.1%
	South Korea	11.8%	3.7%	7.0%	-4.9%	19.9%
		Prior Weight ¹	Median Country Performance ²	New Weight ³	Change in Weight	Median Performance of Country Relative to Index
Countries That Underperformed		20.2%	-31.5%	20.1%	-0.2%	-15.3%
Countries That Outperformed		79.8%	-6.6%	79.9%	0.2%	9.6%

Sources: Bloomberg, WisdomTree and Standard & Poor's. Past performance is not indicative of future results. Subject to change. You cannot invest directly in an index.

¹Prior weight: Refers to Index weight as of 9/30/15, prior to Index screening.

²Performance: Refers to performance of specified country exposures in the Index, measured from the most recent prior Index rebalance to the 9/30/15 Index screening.

³New weight: Refers to anticipated Index weight after rebalance based on the 9/30/15 screening.

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• Country Changes:

In an effort to be more inclusive of Chinese securities, WisdomTree expanded its country classification for China from being determined strictly by the country of incorporation to either country of incorporation or country of domicile¹. As a result of the change, the largest country increase for WTEMSC was China with 14.4% in added weight. There were 102 additional companies eligible for inclusion, and they earned a 14.5% weight based on their *Dividend Stream@* at the rebalance. An additional 58 Chinese companies earned an additional 8.8% weight, bringing the Chinese representation to 160 securities, making up 23.3% of the Index. Brazilian small caps saw a slight additional increase in weight, primarily as a result of their poor relative performance over the past year, which contracted more than their dividends. South Korea, Thailand and Turkey all saw stronger relative performance, and each saw a decrease in weight as a result. South Korea experienced the biggest decrease, as it was the best performer over the period; it also lost some representativeness due to China's large addition. **Changes in Sector Weights for WisdomTree Emerging Markets**

	Sectors of WT EM SmallCap Dividend	Prior Weight ¹	Sector Performance ²	New Weight ³	Change in Weight	Performance of Sector Relative to Index
Underperforming Sectors	Utilities	5.6%	-30.4%	5.9%	0.3%	-14.2%
	Consumer Discretionary	15.9%	-21.1%	16.6%	0.6%	-4.9%
	Energy	2.4%	-20.4%	3.4%	1.0%	-4.2%
	Financials	18.8%	-16.3%	21.1%	2.4%	-0.1%
Outperforming Sectors	Materials	12.5%	-15.2%	11.3%	-1.1%	1.0%
	Industrials	17.7%	-13.9%	14.7%	-3.0%	2.3%
	Information Technology	14.1%	-13.8%	16.9%	2.8%	2.4%
	Telecommunication Services	0.7%	-13.5%	0.7%	0.1%	2.7%
	Health Care	3.9%	-3.5%	2.7%	-1.2%	12.7%
	Consumer Staples	8.4%	-2.6%	6.6%	-1.8%	13.6%
		Prior Weight ¹	Median Sector Performance ²	New Weight ³	Change in Weight	Median Performance of Sector Relative to Index
Sectors That Underperformed		42.7%	-20.7%	47.0%	4.3%	-4.6%
Sectors That Outperformed		57.3%	-13.6%	53.0%	-4.3%	2.6%

Sources: Bloomberg, WisdomTree and Standard & Poor's. Past performance is not indicative of future results. Subject to change. You cannot invest directly in an index.

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SmallCap Dividend Index

Sector Changes: The newly eligible Chinese securities are fairly diversified across sectors, with nine sectors being represented and five sectors having at least 10 added constituents. Among the 102 newly classified China constituents, the largest sector additions were Consumer Discretionary with 28 names, representing a 3.7% weight, and Financials with 18 names, representing a 4.8% weight.

- Looking at the entire Index, Financials and Information Technology saw the largest weight increases. The Information Technology sector realized some of the best dividend growth over the period, outpacing its relative price advantage and earning it a higher weight.
- Two of the largest weight decreases occurred for Health Care and Consumer Staples, which were two top performers over the period, leading to a classic example of the Index selling weight from top performers to reposition into other areas that saw fundamental improvement.

¹As a result of the new China classification, 169 additional Chinese companies were added to the broad WisdomTree Emerging Markets Index, with 30 being reclassified from the developed world and 139 being newly eligible. The WisdomTree Emerging Market SmallCap Dividend Index is derived from the broad [WisdomTree Emerging Markets Index](#).

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You cannot invest directly in an index.

DEFINITIONS

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.

Rebalance : An index is created by applying a certain set of selection and weighting rules at a certain frequency. WisdomTree rebalances, or re-applies its rules based selection and weighting process on an annual basis.

Relative value : The relationship between a particular attribute, e.g., a dividend, and the firm's share price compared to that of another firm.

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

Qualified dividends : Dividend paid by corporations meeting certain criteria defined by the Internal Revenue Service and therefore eligible in certain instances to be taxed at rates below a tax filer's tax bracket on ordinary income.

Small caps : new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

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.

Size capitalization : A measure by which a company's size is classified. Large caps are usually classified as companies that have a market cap over \$10 billion. Mid caps range from \$2 billion to \$10 billion. Small caps are typically new or relatively young companies and have a market cap between \$200 million to \$2 billion.

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

Basis point : 1/100th of 1 percent.