

WISDOMTREE'S BEST AND WORST RISK ADJUSTED RETURNS IN 2015

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Throughout its history, WisdomTree has created innovative equity Indexes that give investors unique exposure to both broad and niche parts of global equity markets. As a result of that diversity, sometimes the top-performing—as well as the worst-performing—equity markets can illustrate some of the key trends in 2015 that a simple survey of the most-quoted stock indexes might miss. The table below shows the five best-performing WisdomTree equity Indexes for 2015 based on the combination of their total returns and their [standard deviation](#), a measure of risk. The Indexes are ranked based on their Sharpe ratio, a measure of the return per unit of risk (the higher the [Sharpe ratio](#), the better).

WisdomTree Top 5 and Bottom 5 Equity Indexes by Risk-Adjusted Returns (12/31/2014- 12/31/2015)

Top	Total Return	Standard Deviation	Sharpe Ratio
WisdomTree Japan Hedged Health Care Index	39.15%	20.03%	1.95
WisdomTree Japan SmallCap Dividend Index	17.49%	10.20%	1.71
WisdomTree Japan Hedged SmallCap Equity Index	17.94%	13.72%	1.31
WisdomTree International Hedged Quality Dividend Growth Index	13.15%	14.75%	0.89
WisdomTree Europe SmallCap Dividend Index	11.37%	13.86%	0.82
Bottom			
WisdomTree Middle East Dividend Index	-15.23%	12.40%	-1.23
WisdomTree Global Natural Resources Index	-30.78%	26.29%	-1.17
WisdomTree Emerging Markets Consumer Growth Index	-20.27%	18.50%	-1.1
WisdomTree Emerging Markets Quality Dividend Growth Index	-16.11%	15.87%	-1.02
WisdomTree Commodity Country Equity Index	-19.05%	19.31%	-0.99
S&P 500 Index	1.38%	13.66%	0.1

Sources: Bloomberg, Zephyr StyleADVISOR. Past performance is not indicative of future results. You cannot invest directly in an index.

Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

For definitions of Indexes in the chart visit our [glossary](#). The best [risk-adjusted returns](#) for investors were generally found abroad, specifically in Japan. With the U.S. dollar enjoying its third-greatest [bull](#) run of the last 30 years, it is no surprise that [currency-hedging](#) international exposure influenced the top five risk-adjusted winners. Indeed, three of our top five strategies mitigated the impact of foreign currency and provided exposure to foreign stocks, primarily those incorporated in Europe and Japan. Interestingly, owning Japanese [small caps](#) with exposure to the yen generated the lowest [volatility](#) of any of the strategies on this list. With the Japanese yen ending the year virtually unchanged against the U.S. dollar, it comes as no surprise that both the hedged and the [unhedged](#) version of WisdomTree's Japanese small-cap strategy made it on our top five list for 2015. Small-company performance in Japan, as well as small-cap performance across Europe, is yet another reminder that U.S. investors should look to international small caps if they wish to fully tap the power of the so-called "[size factor](#)." We believe Japan is likely to remain a focal point for investors in 2016. The Bank of Japan (BOJ) added to its already aggressive [monetary easing program](#) in January. This recent action should also keep [currency-hedging](#) strategies in focus as the divergent monetary policies between the BOJ and the [U.S. Federal Reserve](#) are likely

to put renewed pressure on the yen. **Worst Performers in 2015: [Emerging Markets](#)** One of the poorest-performing asset classes in 2015 were the emerging markets and [commodity](#)-related investments. Not surprisingly, that is where WisdomTree saw its weakest absolute and risk-adjusted performance. Since the summer of 2014, oil has endured a dramatic decline in price, impacting commodity prices generally and the fortunes of global energy and basic materials producers in particular. The strong dollar, the economic slowdown in China and the deceleration in global trade have all contributed to the [profit](#) recession that battered the stock prices of emerging market companies. Predictably, these two groups of stocks returned the worst risk-adjusted returns among WisdomTree's equity Indexes in 2015. **Conclusion** The old adage that past performance is no guarantee of future results is not just boilerplate disclosure language. It actually makes a great deal of sense—in part because markets revert to the mean, in part because the world changes from year to year and different investing styles come in and out of favor. But with 2016 off to a rocky start, it is worth noting where pockets of strength appeared in 2015. With the [S&P 500](#) essentially flat in 2015, it's worth remembering that there was a strong equity rally happening somewhere. Having a full palette of strategies to choose from, that cover markets beyond the beaten path, can sometimes help you find it.

Important Risks Related to this Article

Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Hedging can help returns when a foreign currency depreciates against the U.S. dollar, but it can hurt when the foreign currency appreciates against the U.S. dollar.

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 focused in Japan or Europe increase the impact of events and developments associated with those regions, which can adversely affect performance.

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You cannot invest directly in an index.

DEFINITIONS

Standard deviation : measure of how widely an investment or investment strategy's returns move relative to its average returns for an observed period. A higher value implies more "risk", in that there is more of a chance the actual return observed is farther away from the average return.

Sharpe ratio : Measure of risk-adjusted return. Higher values indicate greater return per unit of risk, specifically standard deviation, which is viewed as being desirable.

Risk-adjusted returns : Returns measured in relation to their own variability. High returns with a high level of risk indicate a lower probability that actual returns were close to average returns. High returns with a low level of risk would be more desirable, as they indicate a higher probability that actual returns were close to average returns.

Bullish : a position that benefits when asset prices rise.

Currency hedging : Strategies designed to mitigate the impact of currency performance on investment returns.

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

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Size Factor : the average returns of small portfolios minus the average returns of the large portfolios after adjusting for growth or value tendencies.

Monetary easing policies : Actions undertaken by a central bank with the ultimate desired effect of lowering interest rates and stimulating the economy.

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

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.

Commodity : A raw material or primary agricultural product that can be bought and sold.

Profits : Income that a company receives from revenue after costs and expenses are deducted.

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.