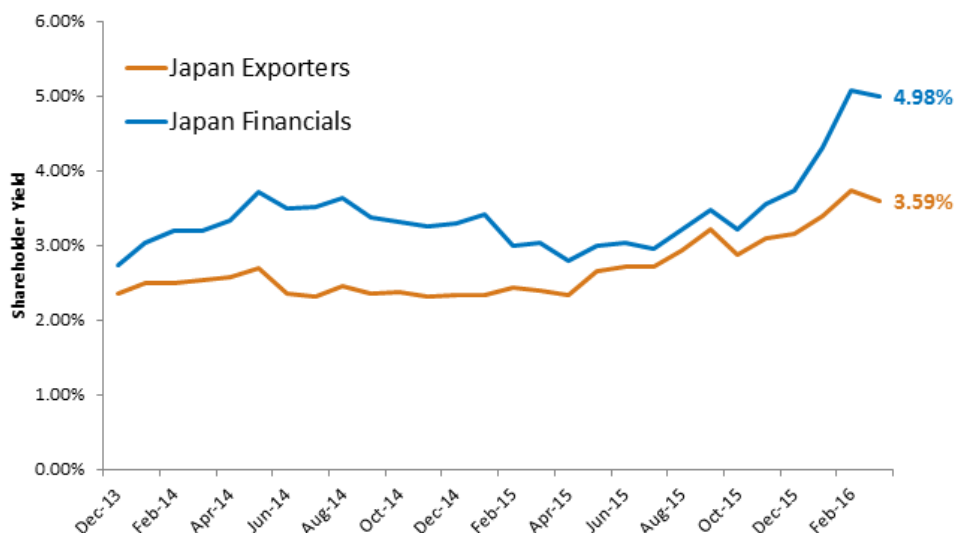


SHAREHOLDER DISTRIBUTION YIELDS IN JAPAN ON THE RISE

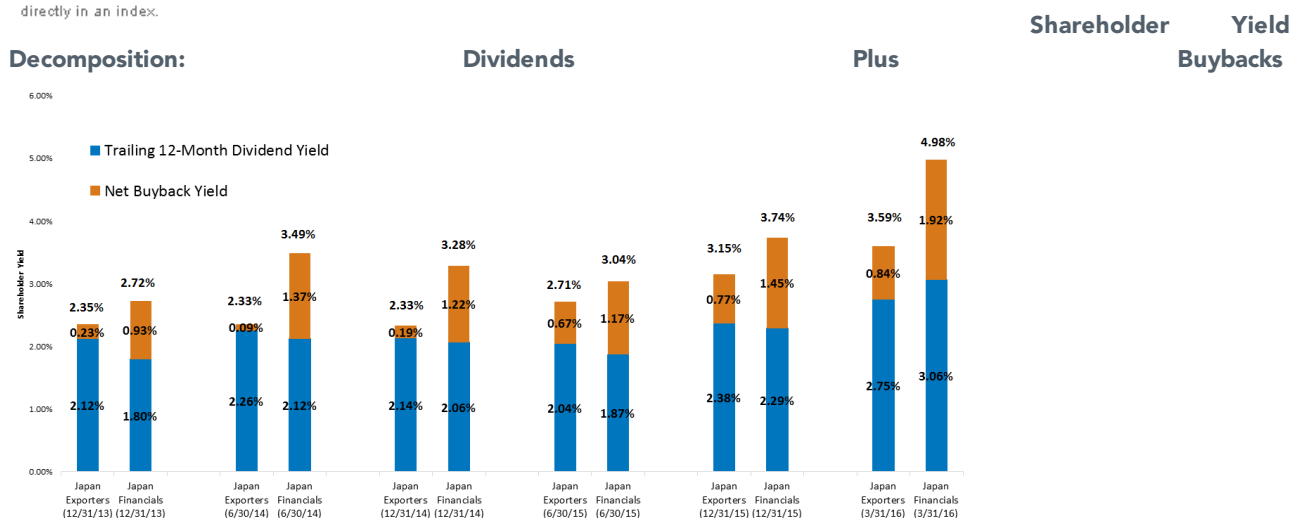
Jeremy Schwartz — Global Chief Investment Officer

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Japan has been one of the hardest-hit markets in 2016. The Bank of Japan's (BOJ) experiment with a [negative interest rate policy \(NIRP\)](#) has led to questions about the efficacy of [monetary policy](#) globally and the yen has strengthened considerably, further weakening sentiment vis-à-vis Japan. Our Japan team still believes Japan remains one of the more attractive long-term opportunities from a market [valuation](#) perspective—and [we expect further support from policy makers on both the fiscal and the monetary policy front](#). In addition to the expected policy accommodations, a key story underpinning our Japan thesis is that corporate Japan remains committed to growing capital distributions to shareholders in the form of [dividends](#) and [share buybacks](#). The government initiative to make Japan more globally competitive from a corporate profitability perspective has managers doing a better job of managing the cash on their balance sheets. The segment of the market where sentiment turned most negative on Japan—and which interestingly has been conducting the most stock buybacks—are Japanese financials¹. Whereas our Japanese exporter basket², which tends to include some of the better run and more profitable ventures in Japan, has a [net buyback yield](#) of 0.84% as of March 31, 2016 (up approximately fourfold since earlier in 2013 and 2014), Japanese financials have seen their net buyback yields grow to approximately 2%, a doubling of the net buyback yield from the end of 2013. The [dividend yield](#) for Japanese financials has also grown from 1.8% at the end of 2013 to over 3% at the end of March 2016. This combined dividend and buyback yield of close to 5% for Japanese financials makes them some of the most attractively priced global financial stocks around. The shareholder yields for developed international financials and U.S. financials were 4.58% and 4.15%, respectively.³ Jesper Koll and I have discussed the pessimism surrounding Japanese financials on the back of negative [interest rates](#), and Jesper believes these companies are not going to be hurt by negative interest rates as much as the price declines imply. We believe the Japanese exporters are also likely to benefit from the renewed focus on fiscal support and coordination that Japanese prime minister Shinzo Abe is working to achieve. Japanese exporters, based on very reasonable relative valuations and continued growth in shareholder distributions, are a relatively low-priced way to access global growth. [Shareholder Yield](#)



Sources: WisdomTree, FactSet, 12/31/13–3/31/16. "Japan Financials" refers to the WisdomTree Japan Hedged Financials Index. "Japan Exporters" refers to the WisdomTree Japan Hedged Equity Index. Past performance is not indicative of future results. You cannot invest directly in an index.



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WisdomTree has been providing tools to access broad Japanese markets for the past decade. A little over five years ago, we enhanced our approach to Japan by providing access vehicles that were first to [hedge](#) the currency risk⁴. More recently, around the start of [Abenomics](#), WisdomTree provided a way to focus on exporters while also hedging the currency risk—through the [WisdomTree Japan Hedged Equity Fund \(DXJ\)](#). About two years ago, WisdomTree expanded its Japanese toolkit even further by providing more precise exposure through five sector-focused Funds, one being the [WisdomTree Japan Hedged Financials Fund \(DXJF\)](#). Investors looking for a relatively low-priced⁵ way to access global growth should consider DXJ, and investors wanting to take a more precise and contrarian view should consider DXJF. ¹"Japanese financials" refers to the [WisdomTree Japan Hedged Financials Index](#). ²"Japanese exporters" refers to the [WisdomTree Japan Hedged Equity Index](#). ³Sources: WisdomTree, FactSet, as of 3/31/16. ⁴Refers to the WisdomTree Japan Hedged Equity Fund, the first U.S.-listed, currency-hedged and Japan-focused ETF. ⁵Based on P/E ratio.

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You cannot invest directly in an index.

DEFINITIONS

Negative Interest Rate Policy (NIRP) : A monetary policy where by interest rates.

Monetary policy : Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

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.

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

Share buybacks : Firms using cash to purchase their own outstanding shares; may positively impact the share price.

Net Buyback Yield : A company's net share buyback is the difference between the capital raised by issuing new shares and the money the company spent on buying back any outstanding shares. A positive net share buyback means that more was spent on buying back existing shares than received from issuing new shares. Net buyback yield is the amount of a company's net buybacks divided by its market capitalization. Please note that net buyback yield does not represent a dividend paid by the company.

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

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

Shareholder Yield : A data point that references the combination of dividend yield and buyback yield.

Hedge : Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

Abenomics : Series of policies enacted after the election of Japanese Prime Minister Shinzo Abe on December 16, 2012 aimed at stimulating Japan's economic growth.