

AN EFFICIENT WAY TO ACCESS INDIA'S GROWTH STORY

Ayush Babel — Global Associate Director, Quantitative Research, Jeremy Schwartz — Global Chief Investment Officer

11/30/2023

Backed by strong [GDP](#) growth and a relatively calm geopolitical environment, India has witnessed one of the best recoveries among the major economies since the Covid-19 crisis—and it hasn't looked back. With national elections coming up next year, and opinion polls suggesting an historic third term for incumbent Prime Minister Narendra Modi, the country could reap the fruits of political stability and a number of reforms enacted by this government in the last decade, in the form of pro-business policies, reduced systemic corruption, and decreased bureaucracy and barriers to free markets. The prospects for sustained growth are further [boosted by a host of macroeconomic factors that we discussed in a previous blog post](#). While India remains an attractive investment destination amid global geopolitical uncertainties, we wish to explore how India can be accessed in an efficient way with WisdomTree's systemic, valuation-aware approach to portfolio construction.

Systematic, Broad-Based Access to Profitable Companies

Launched in 2008, the [WisdomTree India Earnings Fund \(EPI\)](#) was the first U.S.-listed ETF to buy local shares in India. [EPI](#) tracks the performance of the [WisdomTree India Earnings Index](#), which is designed to mitigate the valuation risk inherent in buying Indian equities. [EPI's](#) strategy represents the broadest possible cross-section of investable and profitable companies. The [iShares MSCI India ETF \(INDA\)](#), on the other hand, provides [market cap-weighted](#) exposure to Indian companies without any profitability screens, leading to a greater risk of including unprofitable companies.

	EPI	INDA
Exposure to large-, mid-, and small-cap companies	Yes	No
Includes only profitable companies at the annual index screening	Yes	No
Rebalanced annually back to a measure of relative value	Yes	No
Weights companies by	Realized earnings	Market cap
Typical number of components	~500	~115

Sources: WisdomTree, FactSet, Bloomberg. INDA is the largest fund by AUM in Morningstar's U.S. Fund India Equity category.

India at a Reasonable Price

We believe that weighting by market cap tends to result in over-weighting in overvalued companies and under-weighting in undervalued ones. At WisdomTree, we optimize [valuation](#), by weighting by earnings and eliminating unprofitable companies, allowing the most profitable companies to occupy more weight in the Index. This allows [EPI](#) to provide investors with access to the broad market, but at a more reasonable price. This approach can lead to better valuation characteristics across the board with potentially better [dividend yields](#) and cheaper price ratios.

Metric	EPI	INDA
Objective	WisdomTree India Earnings Fund seeks to track the investment results of an index composed of profitable companies in the Indian equity market.	The iShares MSCI India ETF seeks to track the investment results of an index composed of Indian equities.
Dividend Yield	2.01	1.16
SEC 30-day Yield	0.71%	0.40%
Price-to-Earnings (P/E)	15.54	24.16
Price-to-Book (P/B)	2.51	4.78
Price-to-Sales	1.47	2.45
Expense Ratio	0.85%	0.64%
Total Assets under Management	\$1,567,130.65	\$6,121,857,655

Sources: WisdomTree, FactSet, Bloomberg, iShares, as of 9/30/23, except SEC 30-day Yield, which is as of 10/31/23, and expense ratio and AUM, which are as of 11/21/23. Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

This information must be preceded or accompanied by a prospectus. For the most recent month-end and standardized performance and to download the fund prospectus, click the respective ticker: [EPI](#), [INDA](#).

For definitions of terms in the table above, please visit the [glossary](#).

All That Can Translate to Better Performance

The earnings-weighted approach not only facilitates access to India at reasonable valuations but has also delivered consistent outperformance versus the market cap-weighted approach. This is evident in the below chart that shows [EPI](#) has outperformed INDA over their common period of existence, and even more decisively over the last five years.



Performance Comparison			Cumulative Returns	Average Annual Total Returns					
Ticker	Inception Date	TER	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception	Common Period
EPI	2/22/08	0.85%	15.02%	13.51%	16.29%	11.67%	10.44%	3.89%	6.89%
INDA	2/2/12	0.65%	8.20%	4.52%	9.82%	8.88%	8.26%	5.97%	5.97%

Sources: WisdomTree, FactSet, 2/3/12–11/17/23. Performance for periods equal to or greater than one year are annualized. Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

For the most recent month-end and standardized performance and to download the fund prospectus, click the respective ticker: [EPI](#), [INDA](#).

Conclusion

China, with a weight of 29.9% in the [MSCI EM Index](#) compared to India's 15.9%, as of October 31, 2023, has got there by dominating the [emerging markets](#) with sustained growth for the past two decades. However, its current position appears increasingly precarious. We attribute this vulnerability to the Chinese government's excessive interference in private corporations, ongoing and sustained tensions with the U.S., and factors like growth saturation. These unique risks pose a significant threat to China's future growth. The latest GDP growth figures underscore this shift, with India's 7% growth outpacing China's 3% in 2022, according to the World Bank. India possesses distinctive advantages, including a young population, relatively low per capita GDP, a growing middle class, a stable geopolitical and political environment, and a pro-business governance approach. These factors, reminiscent of the conditions that once propelled China's sustained growth, position India as a potential growth engine for emerging markets in the coming decades.

Important Risks Related to this Article

The purpose of this material is to provide investors with a means to evaluate the investment methodology of the featured Funds and Indexes. It is the opinion of WisdomTree that all funds and indexes are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ, and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund-to-fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund. The information included in this material is based upon data obtained from FactSet and WisdomTree's database, which are believed to be accurate. This material is not considered an offer to sell or a solicitation to buy shares of any other funds mentioned herein. These funds were chosen for comparison due to their similar investment objectives.

There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in India, thereby increasing the impact of events and developments associated with the region, which can adversely affect

performance. Investments in emerging, offshore or frontier markets such as India 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. As this Fund has a high concentration in some sectors, the Fund can be adversely affected by changes in those sectors. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

Related Blogs

- + [Opportunities in India for Investors following Recent Market Outperformance](#)
- + [India at Cusp of an Economic Boom](#)

Related Funds

- + [WisdomTree India Earnings Fund](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Gross domestic product (GDP) : The sum total of all goods and services produced across an economy.

iShares MSCI India ETF (INDA) : Seeks to track the investment results of an index composed of Indian equities.

Market capitalization-weighting : 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.

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

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.