

HIGHER GROWTH GLOBALLY AT LOWER VALUATIONS

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Across the globe, the [quality factor](#) has outperformed the broad market this year.¹ We expect that to continue through the expansion phase of the economic cycle.

This strong performance has been driven by companies with high profitability that have been able to navigate through the Covid-19 slowdown and maintain their long-term earnings growth trajectory.

The [WisdomTree Global ex-U.S. Quality Dividend Growth Index \(WTGDGX\)](#) selects companies from developed international and emerging markets that score well across measures of profitability like [return on equity \(ROE\)](#), [return on assets \(ROA\)](#) and earnings [growth](#) prospects.

WisdomTree conducted the annual reconstitution of [WTGDGX](#) and in so doing created the roadmap for the rebalance of the [WisdomTree Global ex-U.S. Quality Dividend Growth Fund \(DNL\)](#), which seeks to track the price and yield performance, before fees and expenses, of the Index, at the end of October.

This post provides a review of the reconstitution of the [WTGDGX](#).

Fundamentals

After our [rebalance](#), fundamentals show an increase in quality metrics, as well as higher implied growth, as measured by the earnings retention times ROE. ROA improves from 11.50% to 12.96% and the implied growth rate from 14.66% to 16.16%.

Portfolio	Div. Yield (%)	P/E Ratio	Fwd. P/E Ratio	ROE	ROA	Imp. Growth	P/E to LTG	Dividend Payout Ratio
WTGDGX Pre-Rebal	2.26	22.28	18.92	29.54	11.50	14.66	1.70	50.38%
WTGDGX Post-Rebal	2.78	15.68	13.43	28.64	12.96	16.16	0.69	43.59%
MSCI ACWI ex-U.S. Index	2.29	16.98	14.51	11.57	1.59	7.08	1.00	38.79%
S&P 500 Index	1.36	25.95	21.14	16.90	3.66	10.94	1.70	35.24%

Sources: WisdomTree, FactSet, as of 09/30/21. Past performance is not indicative of future results. You cannot invest directly in an index. Dividend Payout Ratio: The percentage of earnings paid to shareholders in dividends. Calculated as yearly dividends per share over earnings per share. Implied Growth Rate: Calculated as a company's Return on Equity (ROE) multiplied by their Earnings Retention rate. LTG: Compilation of analyst estimates of the growth in operating earnings expected to occur over the next full business cycle, sourced from FactSet.

Within its objectives, WTGDGX's fundamentals show a portfolio with more attractive quality and growth metrics than the MSCI ACWI ex-U.S. Index at a lower [forward P/E](#).

WTGDGX's lower payout ratio signals its constituents are reinvesting a higher percentage of earnings in growth opportunities and could have a more sustainable dividend. We believe these advantages make WTGDGX's P/E [premium](#) seem like a fair trade-off for investors.

Compared to the U.S. market, represented by the [S&P 500 Index](#)—which is often used by investors as a market benchmark—we can see how WTGDGX has provided investors with higher growth at cheaper valuations. We believe this [basket](#) of global non-U.S. companies has a more attractive profitability and growth profile, higher dividend yield and lower [P/E ratio](#) than the broad S&P 500 Index.

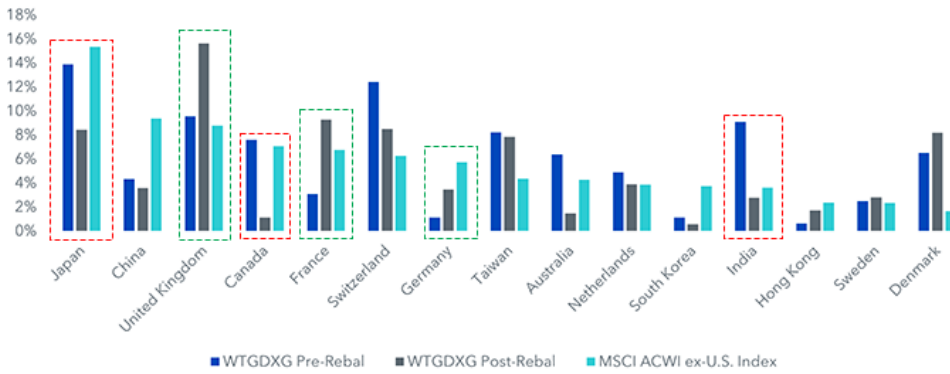
Country and Sector Changes

During this latest reconstitution, Japan, Canada and India had notable reductions in their weights relative to the [MSCI A CWI ex-U.S. Index](#). Exposures to the U.K., France and Germany were significantly increased.

The largest change from a country perspective was France, whose weight increased by 6.18%. This increase was driven by the addition of Consumer Discretionary conglomerates LVMH Moët Hennessy Louis Vuitton SE and Kering SA. Both companies grew dividend payments in 2021 after the Covid-19 slowdown.

The U.K. had the second-largest increase, largely attributed to the addition of companies from the Materials sector.

Country Exposures

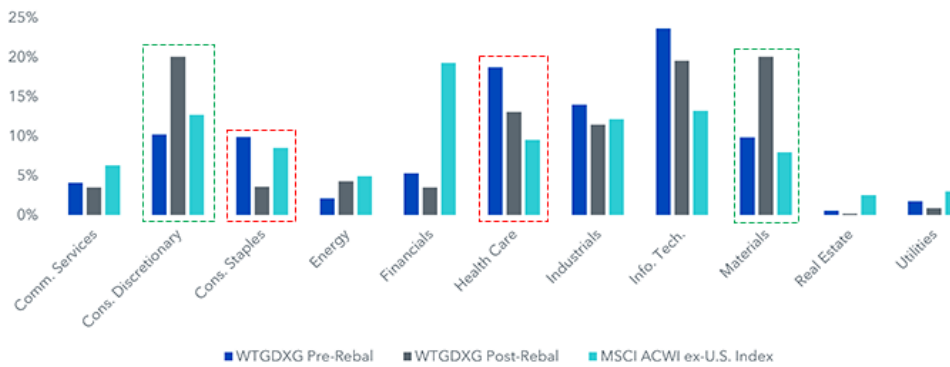


Sources: WisdomTree, FactSet, as of 09/30/21. Subject to change. You cannot invest directly in an index.

When looking at sector changes, Consumer Discretionary had the biggest percentage-weight increase, driven by the previously mentioned French companies along with Spanish Industria de Diseno Textil, S.A. The Materials sector also saw a significant increase in weight driven by BHP Group Plc, Anglo American Plc and Vale S.A.

Noteworthy weight reductions came from the Consumer Staples and Health Care sectors. Companies with large weight reductions were Unilever Plc and Roche Holding, respectively.

Sector Exposures



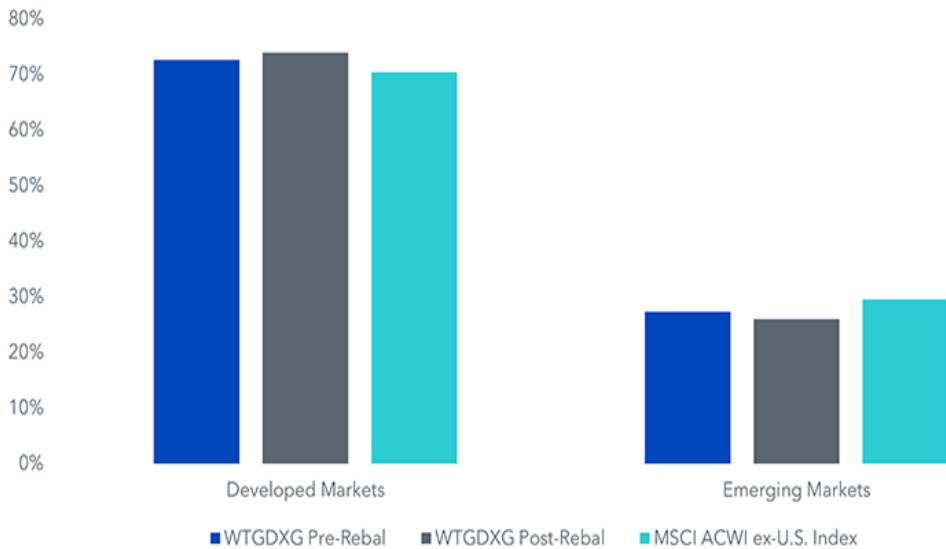
Sources: WisdomTree, FactSet, as of 09/30/21. Subject to change. You cannot invest directly in an index.

Regional Exposure

A few years ago, WisdomTree implemented a regional adjustment factor, applied to WTGDGX at rebalance, such that the regional (developed markets and emerging markets) weights are equal to the float-adjusted market capitalization weight of the starting universe.

As we can see below, there was no significant changes to regional exposures at rebalance, and the portfolio remains slightly overweight in developed markets and underweight in emerging markets relative to its cap-weighted performance benchmark, the MSCI ACWI ex-U.S. Index.

Regional Exposures



Sources: WisdomTree, FactSet, as of 09/30/21. Subject to change. You cannot invest directly in an index.

¹ Source: WisdomTree, FactSet, from 12/31/20–10/19/21. Broad global market represented by MSCI ACWI Index.

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Related Funds

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You cannot invest directly in an index.

DEFINITIONS

Quality Factor : Excess returns achieved by companies exhibiting higher quality or profitability vs the market. Typically measured using operating profitability, return on equity and/or return on assets.

Return on Equity (ROE) : Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

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.

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.

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.

Forward P/E ratio : Share price divided by compilation of analyst estimates for earnings-per-share over the coming 12-month period. These are estimates that may be subject to revision or prove to be incorrect over time.

Premium : When the price of an ETF is higher than its NAV.

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.

Baskets : The composition of an ETF in terms one creation/redemption unit.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

MSCI ACWI ex-U.S. Index : A free-float adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets excluding companies based in the United States.