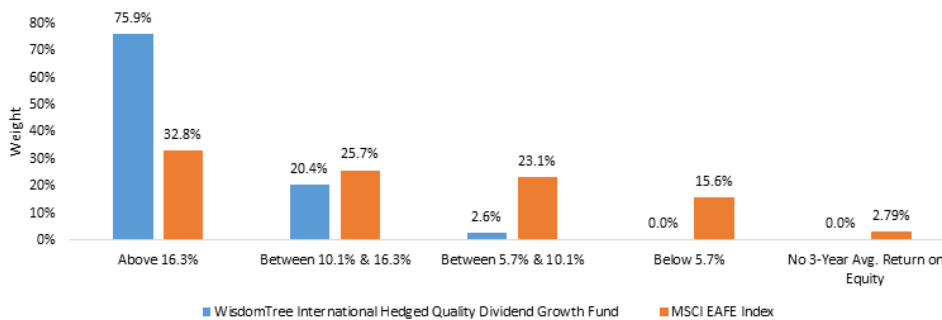


# TAX LOSS OPPORTUNITIES YOU DON'T WANT TO MISS

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WisdomTree believes currency risk is one of the most important risk factors when investing internationally, and we think investors are well served to adopt strategic [currency-hedging](#) mandates as part of their baseline portfolios. There were large flows targeting broad-based international currency-hedged strategies last year.<sup>1</sup> However, international markets have experienced a sell-off since mid-2015, so many investors have seen losses on those newly allocated positions. Most people think about tax planning just at year-end, but anytime there are significant pullbacks in the market, we think there is an opportunity to rotate into other strategies and book a loss. The broad international markets, on a currency-hedged basis, are down approximately 20% from their highs in middle of 2015.<sup>2</sup> We think a 20% dip is a [tax-loss](#) opportunity. So where should investors turn? **The [WisdomTree International Hedged Quality Dividend Growth Fund \(IHDG\): Value Added through Stock Selection and Strategic Currency Hedging](#)** We discussed why [quality](#) has been an important factor during [volatile](#) periods. We believe this strategy is a good option for those who believe in the risk-reduction properties of currency hedging over a long-run basis but also want to try to add value through a factor approach to stock selection focused on companies with high [return on equity \(ROE\)](#), high [return on assets \(ROA\)](#) and better long-term growth prospects. **Illustrating "Quality" through Tilting Toward Higher Return on Equity** In the chart below, we have broken the constituents of the WisdomTree International Hedged Quality Dividend Growth Fund into quartiles based on each one's three-year average ROE figures. We then show the aggregate security weight for each quartile to illustrate how IHDG tilts toward securities with higher return on equity.



Sources: WisdomTree, Bloomberg, with data as of 1/15/15. Subject to change. Return on equity is shown as the 3-Year Average Return on Equity because the WisdomTree International Hedged Quality Dividend Growth Index, tracked by IHDG before fees, uses this as part of its selection criteria. You cannot invest directly in an index.

Average Annual Returns,

	Fund Information			NAV Total Return (%)				Market Price			
	Ticker	Expense Ratio	Inception Date	1-Year	3-Year	5-Year	Since Fund Inception	1-Year	3-Year	5-Year	Since Fund Inception
WisdomTree International Hedged Quality Dividend Growth Fund <sup>1</sup>	IHDG	0.58%	5/7/2014	12.55%	N/A	N/A	8.25%	12.14%	N/A	N/A	7.55%
WisdomTree International Hedged Quality Dividend Growth Index				13.15%	N/A	N/A	8.92%	13.15%	N/A	N/A	8.92%
MSCI EAFE US Dollar Hedged Index				5.02%	12.02%	7.74%	6.53%	5.02%	12.02%	7.74%	6.53%

<sup>1</sup>Prior to August 31, 2015, the WisdomTree International Hedged Quality Dividend Growth Fund was named the WisdomTree International Hedged Dividend Growth Fund. The MSCI EAFE US Dollar Hedged Index was chosen to provide a relevant comparison of two hedged indexes.

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. Performance data for the most recent month-end is available at [www.wisdomtree.com](http://www.wisdomtree.com).

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

**as of December 31, 2015**

For definitions of indexes in the charts, visit our [glossary](#). This strategy is [dividend weighted](#), so it also incorporates a [relative value rebalancing](#) discipline, in addition to its quality stock selection focus. While adding value through its stock selection, this Index maintains a high [correlation](#) to international benchmarks on a local currency basis (0.97 to the [MSCI EAFE Index](#), measured in local currency), but due to the currency hedge, it has a lower correlation to the traditional MSCI EAFE Index with currency exposure (0.89 correlation).<sup>3</sup> **The [WisdomTree Dynamic Currency Hedged International Equity Fund \(DDWM\): Dynamic Currency-Hedging International Equities](#)** One question investors may ask is how to decide when it is best to rotate into hedged strategies from unhedged strategies—and vice versa. Now that currency hedging has become a popular tool, how does an investor know if it's becoming less attractive to hedge? We'd point out that hedging has important volatility-reducing properties, and these hedged strategies should really serve as a good baseline portfolio. But if an investor wants a tactical hedging element, WisdomTree has created a solution that incorporates a more tactical currency hedge based on factors we found to be most important in driving currency movements over time. The dynamic currency hedge in the [WisdomTree Dynamic Currency Hedged International Equity Index](#) tracked by DDWM before fees, uses the same equity index that has more than nine years of real-time results,<sup>4</sup> but it layers a dynamic currency hedge on top of it. The WisdomTree International Equity Index has tracked the MSCI EAFE Index with a 0.99 correlation<sup>5</sup>—showing very close tracking to the broad international benchmark—but it has done so while also delivering higher returns than the MSCI EAFE Index since its inception. [Access the standardized performance of DDWM here.](#) [Read more about the indexing process underlying DDWM here.](#) WisdomTree believes DDWM and IHDG could serve as a replacement for core international allocations—whether hedged or unhedged. Utilizing a tactical tax-loss-harvesting opportunity could be an excellent way to rotate into these strategies for the long term, in our view.

<sup>1</sup>Source: Bloomberg, as of 12/31/15. <sup>2</sup>Source: Bloomberg. Measures period from approximately 8/10/15 to 1/15/16 for the MSCI EAFE US Dollar Hedged Index. <sup>3</sup>Source: Bloomberg. Measured from the inception of the WisdomTree International Hedged Quality Dividend Growth Index on 12/2/13 to 1/15/15. <sup>4</sup>Refers to the [WisdomTree International Equity Index](#), with an inception date of 6/1/06. <sup>5</sup>Source: Bloomberg, from 6/1/06 to 12/31/15.

**Important Risks Related to this Article**

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty.

To the extent IHDG invests a significant portion of its assets in the securities of companies in a single country or region, it is likely to be impacted by the events or conditions affecting that country or region. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs.

DDWM invests in derivatives in seeking to obtain a dynamic currency-hedge exposure. Derivatives used by the Fund may not perform as intended. A Fund that has exposure to one or more sectors may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility. The composition of the Index underlying the Fund is heavily dependent on quantitative models and data from one or more third parties, and the Index may not perform as intended. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Please read each Fund's prospectus for specific details regarding each 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.

For more investing insights, check out our [Economic & Market Outlook](#)

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You cannot invest directly in an index.

## DEFINITIONS

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

**Tax Loss Harvesting** : Selling securities at a loss to offset a capital gains tax liability. Tax gain/loss harvesting is typically used to limit the recognition of short-term capital gains, which are normally taxed at higher federal income tax rates than long-term capital gains.

**Quality** : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over time.

**Volatility** : A measure of the dispersion of actual returns around a particular average level.&nbsp;.

**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.

**Dividend weighted** : Constituent securities represented within the Index in proportion to their contribution to the dividend stream of the Index.

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

**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.

**Correlation** : Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly the opposite direction.

**MSCI EAFE Index** : is a market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan.

**Dynamic Hedge** : Strategy in which a currency hedge can be varied (as opposed to targeting a constant level) and change over the course of time.