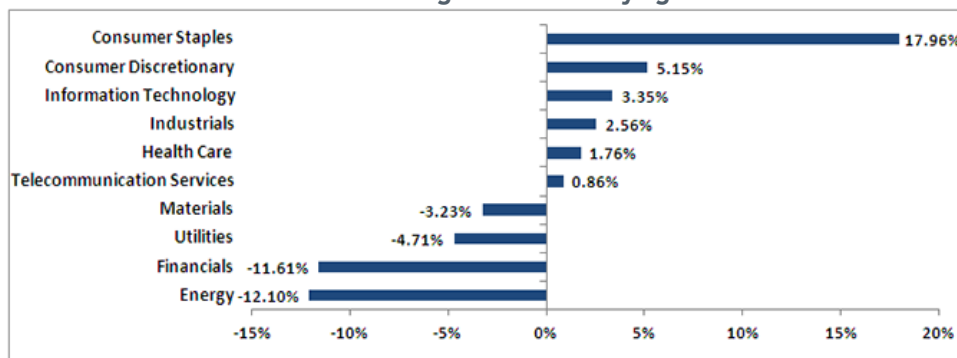


DIVIDEND GROWTH VERSUS DIVIDEND YIELD IN THE EMERGING MARKETS

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WisdomTree recently introduced a new family of dividend growth Indexes, with the latest addition being an Index dedicated to the emerging markets. This new [Emerging Markets Dividend Growth Index](#) (WTEMDG) provides a complementary strategy to our first Index—the [WisdomTree Emerging Markets Equity Income Index](#) (WTEMHY), which now has a six-year history of live performance and focuses on stocks with the highest [dividend yields](#)¹. The last six years involved two particularly tough markets, occurring during 2008 and 2011, that in essence stress-tested this high-yield selection and *Dividend Stream*[®] weighting of WTEMHY. High-dividend-yield stocks often have lower [volatility](#) and lower [beta](#), and this Index’s live track record has borne that out, as WTEMHY’s beta has been 0.81 since its inception². But in the last few years, WTEMHY’s exposure to more cyclical sectors has increased. Notably, energy and materials stocks³, which have the two highest betas of the 10 sectors⁴, constitute 19.7% and 17.3%, respectively, of WTEMHY as of June 30, 2013. WTEMHY has a process that searches for value with the dividend yield selection methodology and then emphasizes it further with its *Dividend Stream* weighting. Some of these more cyclical sectors are where that value is being represented today. **Positioning of Dividend Growth versus Value** The new WTEMDG has a very different stock, sector and country composition than WTEMHY. For starters, there is not much overlap between WTEMHY and WTEMDG. As of June 30, 2013, the two Indexes shared only 41 constituents out of a total of 382 for WTEMHY and 253 for WTEMDG. • The common constituents represent only 17% of the weight of WTEMHY, which means that most of WTEMDG’s stocks are additive and new compared to 83% of WTEMHY. • The common holdings represent 33% of WTEMDG, meaning two-thirds of its weight is not in WTEMHY and would be completely additive exposure. While WTEMDG does not have a history of past performance to examine, we can calculate a combined beta of the Index based on the historical volatility of its underlying components. We view this as a way to gauge the collective volatility of the stocks being selected. The estimated beta for WTEMDG is 0.92 versus 1.03 for WTEMHY as of June 30, 2013⁵. Of course the future is uncertain, but the Index methodologies are picking very different mixes of underlying stocks that are contributing to these estimated betas. **Relative Sector Weights and Underlying Betas for WTEMHY and WTEMDG**



(as of 6/30/2013) Subject to change. Exposures (as of 6/30/2013) Sector

Index	Sector Exposures			Sector Betas ⁴		
	Energy, Materials & Financials ¹	Defensive Sectors ²	Consumer Sectors ³	Energy, Materials & Financials ¹	Defensive Sectors ²	Consumer Sectors ³
WT Emerging Markets Dividend Growth Index (WTEMDG)	35.1%	42.1%	28.4%	1.13	0.74	0.80
WT Emerging Markets Equity Income Index (WTEMHY)	62.0%	26.3%	5.3%	1.17	0.70	0.81
MSCI Emerging Markets Index	47.9%	22.4%	18.0%	1.11	0.75	0.88

Sources: WisdomTree, Standard & Poor's, Bloomberg. Subject to change. Past performance is not indicative of future results.

¹ Energy, Materials & Financials: These sectors tend to be among the more globally sensitive, with exposures that have typically been of relatively higher volatility.

² Defensive sectors: Comprising Consumer Staples, Health Care, Telecommunication Services and Utilities.

³ Consumer sectors: Comprising Consumer Staples and Consumer Discretionary.

⁴ Sector betas: Calculated as the beta of those stocks in each respective sector grouping for each Index measured against the MSCI Emerging Markets Index. Values above 1.00 indicate greater volatility than the MSCI Emerging Markets Index, the benchmark used in the calculation.

Sectors leading the beta

reduction in WTEMDG vs. WTEMHY: • Lower allocation to higher-beta Energy, Materials and Financial stocks • Biggest is the 20% position in Consumer Staples stocks, which have a .75 beta vs. the [MSCI Emerging Markets Index](#); this sector receives a marginal weight in WTEMHY, at only 2%, as its dividend yields are low compared to those in other emerging market equity sectors. The sector exposures are intertwined with the country exposures. As of June 30, 2013: • WTEMDG gives much less weight to Russia, one of the higher-beta countries, than does WTEMHY. • WTEMDG gives more weight to Mexico, Indonesia and Thailand ("MIT") than it does to Brazil, Russia, India and China (BRIC). By contrast, the MSCI Emerging Markets Index gives almost four times more weight to BRIC countries than to MIT. • South Korea and Taiwan: Combined, they represent just over one-quarter of the weight of the MSCI Emerging Markets Index but less than 10% of WTEMDG. **For a more thorough analysis of the country and sector exposures, please read our market insight [here](#). Conclusion: A Differentiated Exposure for Emerging Market Equities** WisdomTree has been a pioneer in creating Indexes of dividend payers for the emerging markets. We started with an Index that focuses on the highest-dividend-yielding part of the dividend-paying market—a strict valuation-based selection requirement. The introduction of this new growth-oriented Index provides a natural complement—these stocks have lower current dividend yields but are expected to grow those dividends faster over time. We believe the contrasting sector and country exposures allow investors to tailor exposure to the emerging markets in a more precise and balanced way. **Unless otherwise stated, data source is WisdomTree.** ¹Refers to initial constituent eligibility for inclusion in WTEMHY contingent upon being in the top 30% of stocks by trailing 12-month dividend yield from within the broader WisdomTree Emerging Markets Dividend Index. ²Sources: Bloomberg, Zephyr StyleADVISOR. Measured against the MSCI Emerging Markets Index for the period from 6/1/2007 to 6/30/2013. ³Refers to those stocks in the MSCI Emerging Markets Energy and Materials indexes. ⁴Sources: Bloomberg, Zephyr StyleADVISOR. Betas are calculated for the MSCI Emerging Markets Energy and Materials indexes against the MSCI Emerging Markets Index and then ranked against the 10 MSCI Emerging Markets sector indexes. ⁵Source: Bloomberg.

Important Risks Related to this Article

Dividends are not guaranteed, and a company's future ability to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time. You cannot invest directly in an index.

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

WisdomTree Emerging Markets Dividend Index : A cash dividend-weighted Index measuring the performance of dividend-paying equities incorporated within emerging markets.

WisdomTree Emerging Markets Equity Income Index : A subset of the WisdomTree Emerging Markets Dividend Index measuring the performance of the higher-yielding stocks as measured by trailing 12-month dividend yields, weighted by cash dividends.

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

Dividend Stream : Refers to the regular dividends per share multiplied by the number of shares outstanding.

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

Beta : A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark.

MSCI Emerging Markets Index : a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as “emerging markets” by MSCI.