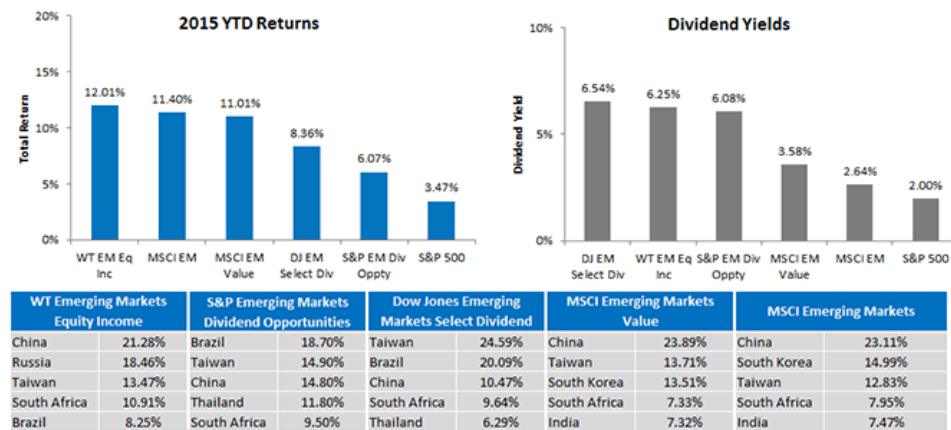


# THERE MAY BE VALUE IN THE EMERGING MARKETS—IF YOU KNOW WHERE TO LOOK

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Over the past few years, it's been somewhat unheard-of for the [MSCI Emerging Markets Index](#) to start a year outperforming the [S&P 500 Index](#). But so far in 2015, that's exactly what's happening. The left-hand side of the chart below illustrates the point.



Sources: WisdomTree, Bloomberg, Standard & Poor's, Dow Jones and MSCI

2015 YTD returns refer to period from 12/31/14 to 4/24/15. Dividend yields were sourced from Index fact sheets as of most recent publication, 3/31/15, due to data availability. Top five country exposures were sourced from Index fact sheets, as of 3/31/15, except in the case of WisdomTree, where the data source was Standard & Poor's. S&P 500 Index shown as a benchmark for where U.S. equity markets are relative to these emerging markets Indexes.

Past performance is not indicative of future results. You cannot invest directly in an Index. Holdings subject to change.

One way to look for “value” is to focus on stocks with relatively high [dividend yields](#). And another way to access those companies is via an index comprised of high dividend yielders. In the emerging markets (EM) region, three indexes do this, albeit in different ways. And these differences make, well, all the difference. Let's compare and contrast how index methodology can impact total return: **Evidence of Emerging Markets “Value” Gaining Steam**

- **WisdomTree Emerging Markets Equity Income Index:** This Index is the broadest of the bunch (395 members, as of March 31, 2015), and to qualify for initial inclusion, constituents must rank in the top 30% by dividend yield in a universe of all emerging market dividend-payers.<sup>1</sup> Companies are weighted by cash dividends paid, leading to large exposures in Russian Energy stocks and Chinese Financials. These sectors happen to be rallying thus far in 2015, contributing to this Index *outperforming* the broader MSCI Emerging Markets benchmark.
- **S&P Emerging Markets Dividend Opportunities Index** This Index is more narrow (100 members, as of March 31, 2015). A potential consequence of a lower number of constituents is a higher level of stock selection risk. There is also a much greater focus on stocks with higher yields, as well as optimizing the weight of the constituents to try to generate the highest possible yield, subject to certain constraints to ensure that adequate diversification is maintained. Larger exposures are to Brazil, China and Taiwan. Since Brazil and Taiwan have delivered lackluster performance, this Index is *underperforming* the broader MSCI Emerging Markets benchmark.
- **Dow Jones Emerging Markets Select Dividend Index** This Index is also more narrow (100 members, as of March 31, 2015). This is another index where a lower number of constituents can potentially lead to a higher level of stock selection risk. Weighting is by indicated annual dividend yield, and there are capping rules in place to encourage adequate diversification. Larger exposures are to Taiwan, Brazil, China and South Africa. China is

the only one of these more significant exposures to have delivered strong performance. This Index is *underperforming* the broader MSCI Emerging Markets benchmark. **Not All Indexes Are Created Equal** The MSCI Emerging Markets Value Index had 484 constituents as of March 31, 2014. As can be seen, the WisdomTree Emerging Markets Equity Income Index was the only Index that was even close to this number. The other Indexes, having approximately one-fourth the constituents, rely on stock selection to a much greater extent. As value may be gaining momentum, what's clear as of April 24, 2015, is that only one of the dividend-focused strategies is outperforming the broader MSCI Emerging Markets Index thus far in 2015. <sup>1</sup>Refers to the [WisdomTree Emerging Markets Dividend Index](#) universe.

**Important Risks Related to this Article**

Investments in emerging, offshore or frontier markets 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. 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.

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

**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.

**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.

**Value** : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

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

**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.

**S&P Emerging Markets Dividend Opportunities Index** : The S&P Emerging Markets Dividend Opportunities Index provides exposure to high yielding emerging markets common stocks. The index is part of the S&P Dividend Opportunities Series which aims to provide income seeking investors with exposure to global high yielding common stocks while meeting diversification, stability, and tradability requirements.

**Dow Jones EPAC Select Dividend Index** : Designed to measure the performance of relatively higher-yielding companies in developed market countries outside the United States that meet certain dividend criteria defined by Dow Jones. Weighting is by dividend yield.

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