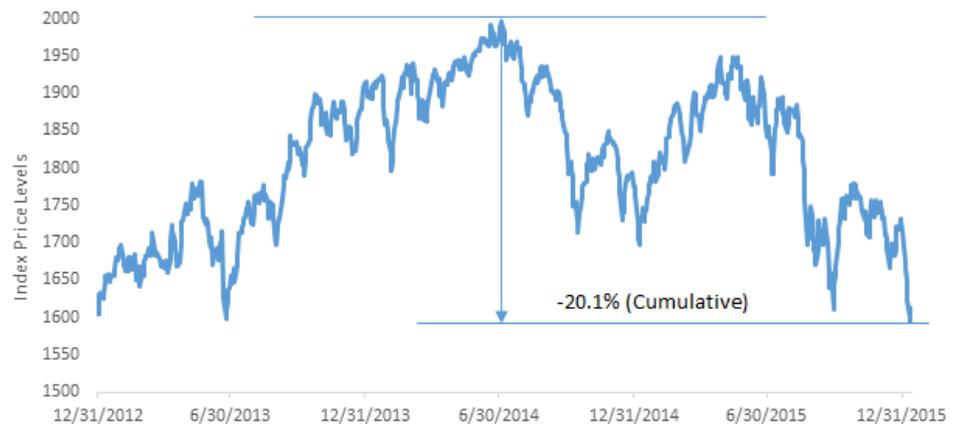


THINKING ABOUT INTERNATIONAL TAX LOSS HARVESTING ON PULLBACK

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Most investors start concentrating on [tax loss harvesting](#) strategies at the time of year-end planning, and we see a lot of rotation late in the year on the backs of this. But market [volatility](#) offers opportunities to reposition throughout the year. As the chart below shows, many of the broad international benchmarks such as [MSCI EAFE](#) are now down almost 20% from either June 30, 2014, or June 30, 2015, through the middle of January 2016. This offers the ability to examine exposures and refine positioning into allocations that might be more desirable over the long run, or just tactically book the tax loss to help offset future gains one might experience. **MSCI EAFE (USD) Performance over Time**



Source: Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an index.

(12/31/2012–1/13/2016)

Rethinking Core International Allocations The most common international allocations all center on the MSCI EAFE Index for developed world exposures—a [market cap-weighted](#) strategy. Below we outline three exposures worth considering in a tax loss swap with core international equity exposures tracking this benchmark. **WisdomTree International Equity Fund (DWM): Broad International Equities with Dividend Tilt** WisdomTree believes one can add value over traditional market cap weighting through a process that annually [rebalances](#) back to [Dividend Streams®](#). In the 9.5 years since WisdomTree launched its first dividend-weighted broad international ETF, a broad international Fund has tracked MSCI EAFE with a .99 [correlation](#)—showing very broad tracking to the broad international benchmark while also consistently delivering higher returns than broad international indexes since its inception. [View DWM standardized performance.](#) **WisdomTree Dynamic Currency Hedged International Equity Fund (DDWM): Dynamic Currency Hedging of International Equities** WisdomTree further believes one of the most important factors influencing international equity returns is the currency exposure inherent in these foreign investments. WisdomTree has called this currency exposure *uncompensated risk*, as we do not think there is reason to believe currencies like the euro will *always* appreciate. Sometimes currency exposure helps boost returns, sometimes currencies subtract from returns, as they have done considerably over the last four to five years—either way, currency can very well be expected to add to the volatility profile of international mandates. WisdomTree believes one should strategically adopt a [currency-hedged](#) starting point more often than not and that most people are taking on more risk than they need to achieve international returns. What about tactically taking on currency risk? Investors may want to add in the currency risk if they consider it more attractive or if they consider hedging less attractive. **DDWM Takes the Guessing Game Out of the Currency Hedging**

Decision How should one make the timing call to rotate between hedged and unhedged strategies? WisdomTree launched a dynamic currency-hedged Index family that incorporates the tactical hedge based on factors we found most important in driving currency movements over time. The dynamic currency hedge that DDWM tracks (after fees and expenses) is the same equity Index that has nine years of real-time results described above on an unhedged basis, but it layers the dynamic currency hedge on top of it. [Read more about the indexing process underlying DDWM here.](#) We believe this Fund is meant to serve as a replacement for core international allocations. Utilizing a tactical tax loss harvesting opportunity would be an excellent way to rotate into these strategies for the long term, in our view.

WisdomTree International Hedged Quality Dividend Growth Fund (IHDG): Value Added through Stock Selection and Strategic Currency Hedging Two years ago WisdomTree launched a family of quality [dividend growth](#) Indexes and ETFs that track them. Our broad international quality dividend growth strategy was built on a currency-hedged basis. This strategy has been a leading market performer in the international category both due to the stock selection in the strategy and the fact that it has the currency hedge in place that mitigated the weakness in the foreign currencies.¹ [We discussed why quality has been an important factor during volatile periods here.](#) In our view, this strategy is a good option for those who believe in the risk reduction potential of currency hedging over the long run but also want to try to add [value](#) through a factor approach to stock selection focused on companies with high return on equity, high return on assets and better long-term growth prospects. 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 (.97 to MSCI EAFE stocks with no currency), but due to the currency hedge it has a lower correlation to traditional MSCI EAFE Index stocks with currency exposure (.89 correlation). **All correlation data is as of 12/31/2015 unless stated otherwise; sources: WisdomTree and Bloomberg.** ¹Source: Morningstar, as of 12/31/15 in the Foreign Large Blend/Value/Growth Category.

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There are risks involved 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. DDWM invests in derivatives in seeking to obtain a dynamic currency hedge exposure. 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. Derivatives used by the Fund may not perform as intended.

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. Funds that have 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.

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Please read each Fund's prospectus for specific details regarding each Fund's risk profile.

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

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

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You cannot invest directly in an index.

DEFINITIONS

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.

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

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.

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.

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.

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.

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

Dividend growth : The growth in trailing 12-month dividends for the specified universe.

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 : A portion of corporate profits paid out to shareholders.