

OUR BEST- AND WORST-PERFORMING EQUITY ETFs IN 2017

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We currently have 61 exchange-traded funds (ETFs) focused on equities that have been in live trading since before December 31, 2016. Looking at the five best- and the five worst-performing ETFs from this list in 2017 could help us gain better insight regarding what is driving global equity performance this year.

Average Annual Total Returns as of September 30, 2017

Fund	Fund Information			NAV Returns (%)					Market Price Returns (%)				
	Ticker	Exp. Ratio	Inception Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree China ex-State-Owned Enterprises Fund	CXSE	0.32%	9/19/12	50.69%	16.30%	11.50%	N/A	11.41%	50.84%	16.52%	11.83%	N/A	11.42%
WisdomTree Emerging Markets ex-State-Owned Enterprises Fund	XSOE	0.32%	12/10/14	27.36%	N/A	N/A	N/A	8.62%	27.98%	N/A	N/A	N/A	9.08%
WisdomTree India Earnings Fund	EPI	0.84%	2/22/08	17.12%	5.50%	6.77%	N/A	0.92%	17.60%	5.80%	6.97%	N/A	0.90%
WisdomTree Europe Domestic Economy Fund	EDOM	0.48%	10/29/15	36.70%	N/A	N/A	N/A	14.07%	37.19%	N/A	N/A	N/A	14.07%
WisdomTree Emerging Markets Consumer Growth Fund	EMCG	0.32%	9/27/13	13.35%	2.26%	N/A	N/A	2.40%	13.87%	2.47%	N/A	N/A	2.40%
WisdomTree United Kingdom Hedged Equity Fund	DXPS	0.48%	6/28/13	11.00%	7.94%	N/A	N/A	8.04%	10.35%	7.81%	N/A	N/A	7.58%
WisdomTree U.S. SmallCap Dividend Fund	DES	0.38%	6/16/06	14.98%	12.31%	14.16%	8.30%	8.41%	14.97%	12.33%	14.11%	8.30%	8.41%
WisdomTree U.S. SmallCap Quality Dividend Growth Fund	DGRS	0.38%	7/25/13	14.36%	11.23%	N/A	N/A	10.23%	14.43%	11.27%	N/A	N/A	10.22%
WisdomTree Japan Hedged Financials Fund	DXJF	0.48%	4/8/14	30.87%	3.21%	N/A	N/A	5.56%	29.49%	3.11%	N/A	N/A	6.04%
WisdomTree Middle East Dividend Fund	GULF	0.88%	7/16/08	6.90%	-6.01%	7.56%	N/A	0.31%	6.31%	-6.57%	7.51%	N/A	0.00%

Top 5 Bottom 5 ETFs of 2017

- **WisdomTree China ex-State-Owned Enterprises Fund (CXSE):** China's equity market has been on fire in 2017. CXSE tracks the [WisdomTree China ex-State-Owned Enterprises Index](#), which eliminates exposure to companies in which China's government has a greater than 20% ownership stake. Looking at the top five holdings of CXSE as of November 21, 2017, we saw that three of them, Ping An Insurance Group, Alibaba Group and Tencent Holdings, had greater than 100% returns in U.S. dollar terms for this year-to-date period. In fact, nearly 40% of the fund's exposure was in firms that had seen their shares appreciate by more than 100% in 2017. While it's impossible to know how far this incredible rally can go, we believe that in a bigger-picture sense it speaks to the potential of China's new economy tech firms and their strong growth potential¹.
- **WisdomTree Emerging Markets ex-State-Owned Enterprises Fund (XSOE) & WisdomTree Emerging Markets Consumer Growth Fund (EMCG):** XSOE tracks the [WisdomTree Emerging Markets ex-State-Owned Enterprises Index](#), which takes a broad-based exposure to emerging markets but eliminates those constituents that have greater than 20% ownership by government entities. EMCG tracks the total return performance of the [WisdomTree Emerging Markets Consumer Growth Index](#), an exposure that emphasizes a consumer-focused tilt to a broad-based emerging markets exposure. Both Indexes shift away from the very large [market capitalization](#) "old-economy" companies, like those in the Energy and Materials sectors, that tend to either operate globally or be majority-owned by governments, and this has worked well in 2017.
- **WisdomTree India Earnings Fund (EPI):** EPI tracks the [WisdomTree India Earnings Index](#), and on its February 22, 2008, inception, it was the first U.S.-listed ETF that gave investors exposure to physical shares on India's local equity market.² As with any emerging market country in the last period of nearly 10 years, there have been ebbs and flows, but we focus a lot on India's potential and are extremely encouraged by many of the reforms and developments we've seen this year. For a deeper look at our thoughts on India, please click [here](#).
- **WisdomTree Europe Domestic Economy Fund (EDOM):** EDOM tracks the [WisdomTree Europe Domestic Economy Index](#). In 2017, we've found that investors have been attracted to the idea of European equities from a few angles. 1) There was an appreciation of an uptick in economic sentiment within Europe. 2) There was a perception of increased aggregate demand occurring on the ground within Europe. 3) There was a desire for [eurozone](#) or at least "ex-United Kingdom" exposure, due largely to [Brexit's](#) uncertainties. 4) With the euro appreciating more than 11.6% year-to-date versus the dollar through November 21, 2017, we saw a desire for exposure to the currency among some investors.³ The WisdomTree Europe Domestic Economy Index ticks all of these boxes.

Five Worst-Performing Equity Funds at WisdomTree Still Positive

The first thing that stands out to us for 2017 through November 21 is the fact that all five of WisdomTree's worst-performing ETFs still delivered positive returns. What this really indicates is how strongly global equities have performed over this period.

- **WisdomTree Middle East Dividend Fund (GULF):** GULF tracks the [WisdomTree Middle East Dividend Index](#), which, most interestingly, just added exposure to Saudi Arabia's equities, which until recently were inaccessible to foreign investors. The [price-to-earnings ratio](#) for this Index is between 10x to 11x both [forward](#) and [trailing 12-month earnings](#),⁴ a [valuation](#) level not easy to find in global equities today.
- **WisdomTree Japan Hedged Financials Fund (DXJF):** DXJF tracks the [WisdomTree Japan Hedged Financials Index](#). Japanese Financials⁵ have been among the worst-performing sectors in Japan year-to-date in 2017, up only about 3.26% during a period where the market⁶ is up more than 17%.⁷ Since the September 8, 2017, low in the [U.S. 10-Year Treasury](#) of about 2.03%,⁸ Japan's Financials have done better—up nearly 12%—but this is still a sector with close to a single-digit price-to-earnings ratio.

- **WisdomTree U.S. SmallCap Quality Dividend Growth Fund (DGRS) & WisdomTree U.S. SmallCap Dividend Fund (DES)**: DGRS tracks the [WisdomTree U.S. SmallCap Quality Dividend Growth Index](#), while DES tracks the total return performance of the [WisdomTree U.S. SmallCap Dividend Index](#). [We wrote here](#) about the [Russell 2000 Index](#)—specifically, how firms with the lowest [return on equity](#), negative earnings or no dividends actually were tending toward outperformance in U.S. small caps during 2017. While we remain hopeful about the potential for some type of tax announcement from the government, we recognize that after a very strong 2016 (over 30% cumulative returns for both DGRS and DES⁹), the slow pace of the U.S. government's process has made U.S. small-cap equity performance tough to come by.
- **WisdomTree United Kingdom Hedged Equity Fund (DXPS)**: DXPS tracks the [WisdomTree United Kingdom Hedged Equity Index](#). This strategy has been hit on two fronts. 1) The British pound has appreciated against the U.S. dollar from \$1.23 to \$1.33, more than 7%.¹⁰ 2) Investors are very unsure about what Brexit will mean in the coming years, in many cases preferring to avoid U.K. exposure altogether.

Whether you are looking for opportunities in the marketplace where momentum is running (China tech, emerging markets, India and the European domestic economy) or looking for opportunities where markets have lagged other parts of the world (the Middle East, the United Kingdom, Japanese financials and U.S. small caps), this look at top and bottom performers might give you a year-end shopping list from which to choose.

¹Source for all data within CXSE bullet: Bloomberg, with data from 12/31/16 to 11/21/17.

²Sources: WisdomTree, Bloomberg.

³Sources: WisdomTree, Bloomberg, with appreciation of the euro vs. the U.S. dollar measured from 12/31/16 to 11/21/17.

⁴Sources: WisdomTree, FactSet, with data as of 11/21/17.

⁵Refers to [MSCI Japan Financials Index](#).

⁶Refers to [MSCI Japan Index](#).

⁷Sources: WisdomTree, Bloomberg, with period from 12/31/16 to 11/21/17.

⁸Sources: WisdomTree, Bloomberg.

⁹Source: WisdomTree, with period from 12/31/15 to 12/31/16.

¹⁰Sources: WisdomTree, Bloomberg, with period from 12/31/16 to 11/21/17.

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Double-digit returns were achieved primarily during favorable market conditions. Investors should not expect that such

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You cannot invest directly in an index.

DEFINITIONS

Market Capitalization : 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.

Eurozone (EZ) : Consists of the following 18 countries that have adopted the euro as their currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain (source: European Central Bank, 2014).

Brexit : an abbreviation of "British exit" that mirrors the term Grexit. It refers to the possibility that Britain will withdraw from the European Union.

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.

Forward contracts : Agreements to buy or sell a specific currency at a future date at an agreed upon rate.

Trailing 12-month earnings : is the sum of a company's earnings for the previous 12 month.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

10- Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.

Russell 2000 Index : Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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

MSCI Japan Financials Index : designed to measure the equity market performance of the Financials sector of Japan.

MSCI Japan Index : A market cap-weighted subset of the MSCI EAFE Index that measures the performance of the Japanese equity market.