

# Uncovering Value in Emerging Markets

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- Increasing weight to firms that are growing their dividends—especially in cases where share price performance has not yet responded
- Decreasing weight from firms that see their dividends decrease, especially following runs of strong share price appreciation
- **Country Increases:** Typically EM Equity Income's value-seeking rebalancing process leads to adding weight to countries that underperformed and subtracting weight from countries that outperformed, but dividend growth also plays a role. So although Taiwan exhibited decent relative performance, its relative dividend growth was stronger, ultimately increasing the relationship between dividends and prices, earning a larger weight. Weight was also added to South Korea primarily due to strong dividend growth. More classic examples of where this strategy has typically added weight are Brazil and Indonesia. Both of these countries exhibited poor relative performance and had dividends grow at a higher rate than their price performance.
- **Country Decreases:** Although Russia exhibited poor performance over the period, its dividends contracted even more, decreasing the relationship between dividends and prices, earning a lower weight. Mexico and Malaysia also saw their weights lowered, both resulting from their dividends falling further than their price depreciation.
- **Sector Increases:** Again, typically EM Equity Income's value-seeking rebalancing process leads to subtracting weight from sectors that outperformed, but dividend growth also plays a role. So although the Information Technology sector displayed the highest relative performance, the sector also displayed the highest dividend growth, receiving a larger weight. Although the Materials sector saw dividends contract over the period, they didn't fall as much as the price performance, ultimately earning a higher weight because the relationship between dividends and price improved.
- **Sector Decreases:** It is no surprise to us, given the lower oil prices over the past year, that the Energy sector saw a decrease in weight, primarily driven by dividends decreasing. Financials saw the most significant decrease in weight, but the weight reduction is a result of a 25% sector-capping rule. Financials saw positive relative performance over the year, which allowed its weight to drift higher, so bringing it back in line with the capping rule is part of a rules-based, systematic process.

[WisdomTree Emerging Markets Equity Income UCITS ETF \(DEM\)](#)

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