

WisdomTree Emerging Markets ex-China Fund

XC

State-Owned Enterprises

An interesting dichotomy has developed in emerging markets (EM), between government actors and other investors in publicly traded equities. Some argue that government ownership can negatively impact the operational efficiency of a company. Government-owned and influenced companies typically run their businesses with a broader set of interests, appealing more to government wishes than generating the maximum possible return for shareholders. Over time, these influences can lead to quite large but fairly inefficient businesses, and as such, have the potential of stagnating the long-term growth potential of these companies in their respective emerging markets economies. Often these companies are referred to as “state-owned enterprises” (SOEs).

The Performance Difference

The first and probably most critical question to ask is whether SOEs and non-SOEs have performed differently. We believe that if shareholder returns and fundamentals such as return on equity (ROE)¹ are not the top priority of these SOEs, it would be seen in things like greater risk or lower overall performance. To show this, WisdomTree built broad market capitalization-weighted portfolios of SOEs and non-SOEs in EM. State ownership, as defined by WisdomTree, applies to firms that have more than 20% of their shares owned by government entities. The data below in figures 1 and 2 shows that over this cumulative period, there has been a consistently large performance gap in favor of non-SOEs.

Figure 1: Cumulative Returns of State-Owned Companies (SOEs) vs. Non-State-Owned Companies (Non-SOEs) in the MSCI Emerging Markets Index, excluding China



Sources: FactSet, WisdomTree, from 12/31/2007 – 9/30/2022. SOEs are defined as firms that have more than 20% of their shares owned by government entities. Non-SOEs are defined as firms that have less than 20% of their shares owned by government entities. Universe of securities is the MSCI Emerging Markets Index, excluding China. Returns are calculated in U.S. dollars. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

¹ Return on equity (ROE): Measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested.

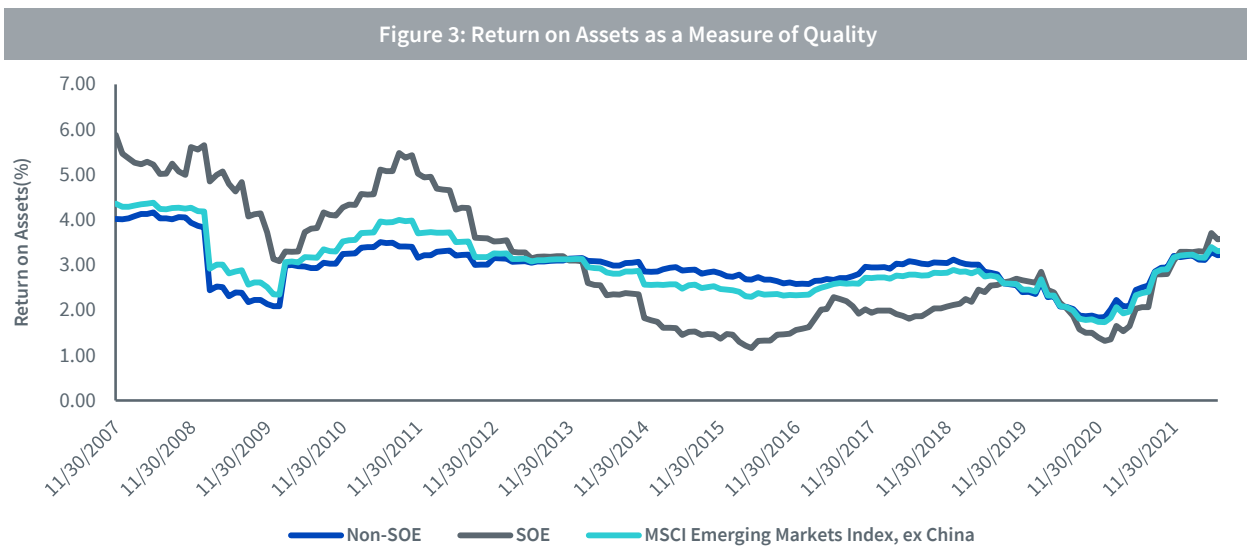
Figure 2: Annualized Returns (as of 09/30/2022)

	1 Year	3 Year	5 Year	10 Year	Since 12/31/2007
Non-SOE	-24.60%	1.76%	0.47%	2.18%	1.53%
SOE	-7.75%	2.33%	3.21%	0.70%	-0.39%

Source: WisdomTree, as of 9/30/2022. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns. Universe of securities is the MSCI Emerging Markets Index, excluding China.

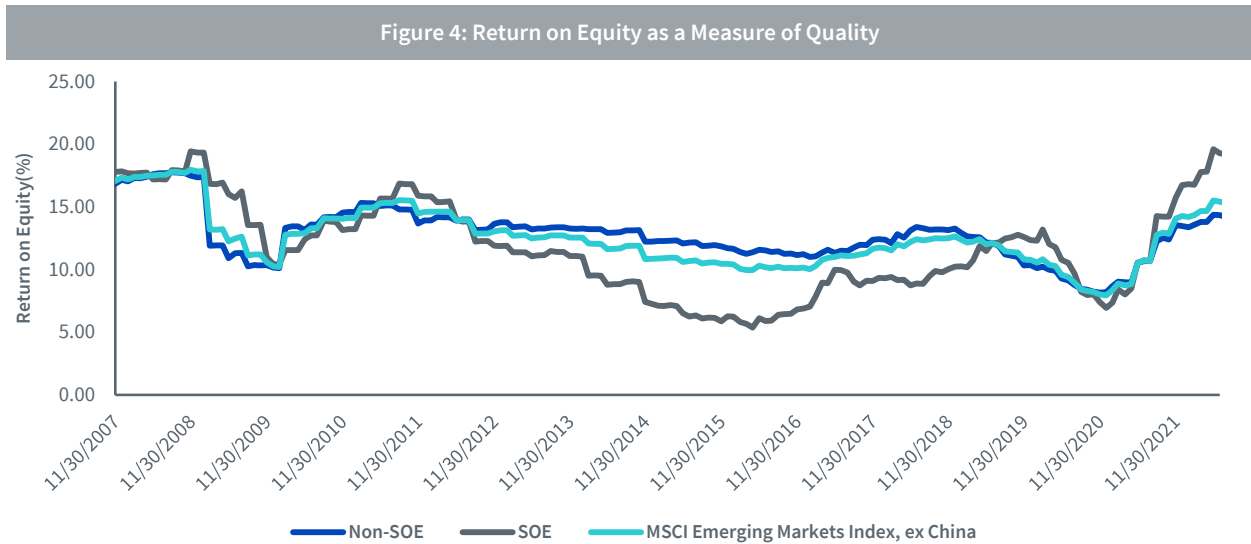
Differentiation in Fundamentals

After performance, the next area of consideration is fundamentals. Again, if SOEs put government priorities ahead of the interests of shareholders, we believe it would most likely show up in some fashion through either “lower quality” or “less efficient” fundamental metrics. One way to highlight this would be to view some of the fundamental metrics across time, such as with return on assets (ROA)² and ROE. As seen in figure 3, the non-SOEs have had a distinct advantage over this period, and the difference to SOEs also appears to be widening during most recent time frame.



Sources: FactSet, MSCI, WisdomTree, as of 11/30/2007 – 9/30/2022. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

² Return on assets (ROA): Firm profits (after accounting for all expenses) divided by the firm’s total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.



Sources: FactSet, MSCI, WisdomTree, as of 11/30/2007 – 9/30/2022. Past performance is not indicative of future results. You cannot invest directly in an index.

Benchmark Exposure Analysis

Lastly, it is prudent to consider the exposure of SOEs compared to non-SOEs in the broad MSCI Emerging Markets ex China Index. Since the end of 2007, the benchmark has seen an evolution of exposures. SOEs continue to occupy a large share of the market’s overall exposure. Worth noting is the growth of the Information Technology and Consumer sectors over this period, particularly among non-SOEs. It is no coincidence that these “new economy” sectors have been among the key drivers of broad EM returns and overall growth of the market, as some of the more traditional, “old economy” sectors, such as Energy and Financials, have lost market share and continue to be the largest sectors of SOEs.

Sector Exposures as of 6/30/2022	MSCI Emerging Markets Index, ex China		WisdomTree Emerging Markets ex-China Index
	Non-SOE	SOE	
"New Economy"	60.61%	20.91%	62.30%
Communication Services	4.85%	10.91%	5.44%
Consumer Discretionary	7.74%	1.16%	8.99%
Consumer Staples	7.77%	2.84%	8.63%
Health Care	3.79%	0.27%	4.64%
Industrials	5.78%	5.74%	5.92%
Information Technology	30.67%	0.00%	28.68%
"Old Economy"	39.39%	79.09%	37.70%
Energy	4.11%	14.94%	4.32%
Financials	22.88%	36.49%	20.75%
Materials	9.22%	17.99%	9.49%
Real Estate	1.07%	1.51%	1.11%
Utilities	2.11%	8.16%	2.04%

Sources: MSCI, WisdomTree, as of 9/30/2022. Exposures expected to change. Exposures may not sum to 100% due to rounding.

The WisdomTree Emerging Markets ex-China Fund

WisdomTree’s unique product lineup of broad EM and country-specific ex-SOE equity funds offers targeted exposures to EM companies that have less than 20% government ownership.

The WisdomTree Emerging Markets ex-China Fund seeks to track the price and yield performance, before fees and expenses, of the WisdomTree Emerging Markets ex-China Index (WTEMXC).

Standardized Annual Returns (as of 09/30/2022)					
	1 Year	3 Year	5 Year	10 Year	Since 9/22/2022
WisdomTree Emerging Markets ex-China Fund (NAV)	N/A	N/A	N/A	N/A	-6.47%
WisdomTree Emerging Markets ex-China Fund (Price)	N/A	N/A	N/A	N/A	-6.43%
WisdomTree Emerging Markets ex-China Index	N/A	N/A	N/A	N/A	-6.59%
MSCI Emerging Markets ex-China Index	N/A	N/A	N/A	N/A	-6.15%

Sources: FactSet, MSCI, WisdomTree, since fund inception 09/22/2022 – 09/30/2022.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price ("Price") returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

Quick Facts	
Ticker	XC
Exchange	NYSE Arca
Expense Ratio (Gross)	32bps ³
Expense Ratio (Net)	32bps
Structure	Open-end ETF
Exposure	Emerging markets stocks, excluding China, that are not state-owned enterprises, which is defined as having more than 20% government ownership.
Rebalancing	The portfolio is rebalanced on an annual basis.

At WisdomTree, we do things differently. We build our ETFs with proprietary methodologies, smart structures and uncommon access to provide investors with the potential for income, performance, diversification and more.

For more information about XC, contact your WisdomTree representative or visit WisdomTree.com.

³ Basis points (bps): 1/100th of 1 percent.

Definitions and Disclosures

The WisdomTree Emerging Markets ex-China Index measures the performance of emerging markets stocks (excluding China) that are not state owned enterprises. State owned enterprises are defined as government ownership of more than 20% of outstanding shares of companies. The index employs a modified float-adjusted market capitalization weighting process to target the weights of countries in the universe (excluding China) prior to the removal of state owned enterprises while also limiting sector deviations to 3% of the starting universe.

The MSCI Emerging Markets ex China Index captures large and mid cap representation across 23 of the 24 Emerging Markets (EM) countries excluding China.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure emerging markets equity performance.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473, or visit WisdomTree.com to view or download a prospectus. Investors should read the prospectus carefully before investing.

The Fund is new and therefore has a limited performance history.

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks. The Fund's investment strategy limits the types and number of investment opportunities available and, as a result, the Fund may underperform other funds. The Fund's exposure to certain sectors, countries, or regions may increase its vulnerability to any single economic or regulatory development related to such sector, country, or region. The Fund is non-diversified, as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. 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. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

Unless otherwise stated, the data source is WisdomTree.

You cannot invest directly in an index. Additional index information is available at www.wisdomtree.com.

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