

# WisdomTree India Hedged Equity Fund

# INDH

Foreign investor interest in India is perking up.

Bolstered by increased infrastructure spending by Prime Minister (PM) Modi's government, India is transforming from the back office of the world to a leading manufacturer of cutting-edge technology.<sup>1</sup> Economic growth in India has continued to impress, posting an 8.4% surge in the last quarter of 2023. At this pace, India is set to surpass Japan and Germany to become the world's third-largest economy by 2027.

From a performance perspective, the MSCI India Index, a market gauge of 130 stocks, outperformed the S&P 500, MSCI ACWI and MSCI Emerging Markets Indexes in the most recent one-year period,<sup>2</sup> providing investors with a return of nearly 37%. Over the last decade, MSCI India has had a 9.7% annual return, outpacing the global market (as measured by the MSCI ACWI Index) by more than 1%.<sup>3</sup>

The stock performance has been supported by a strong underlying economy, growth in services and manufacturing, a rise in the ease of doing business, better corporate governance standards, political stability, and favorable global sentiment.

## But What about Currency Fluctuations?

Emerging market (EM) investors recognize that increased performance potential does not come without an increase in volatility, driven both by higher volatility in local stocks and added currency fluctuations. Over the last eight years, the average absolute difference between USD and local calendar year returns, which isolates currency volatility, was the following:

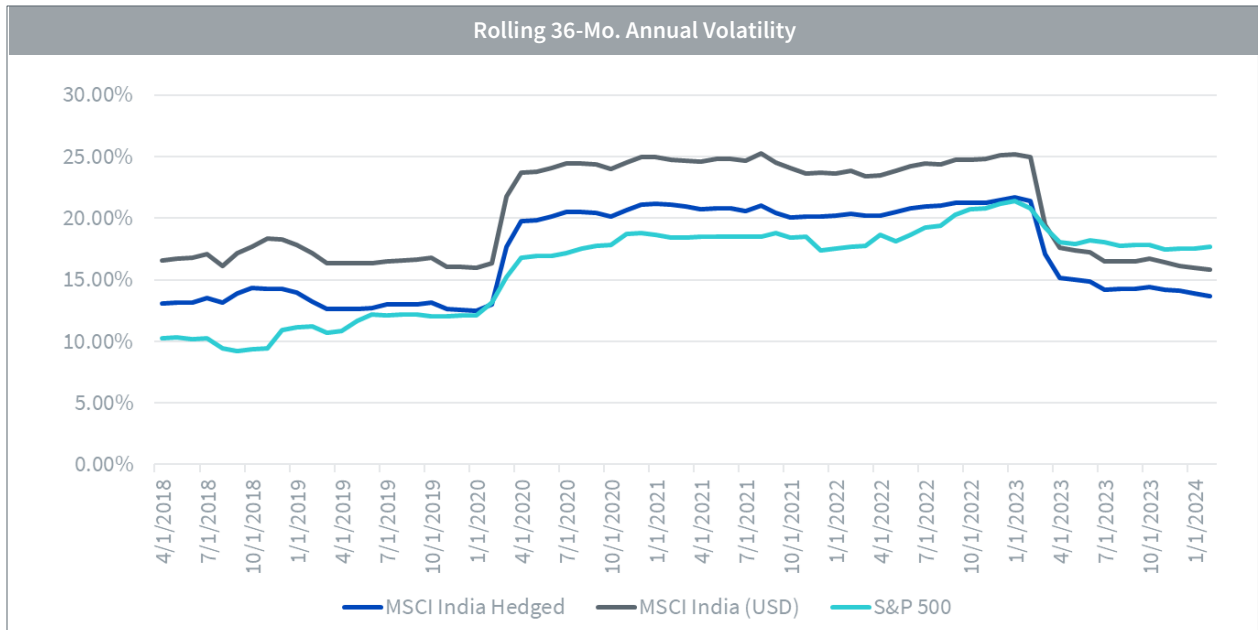
- Developed international (measured by the MSCI EAFE Index): 5.15%
- Emerging markets (measured by the MSCI Emerging Markets Index): 2.60%
- India (measured by the MSCI India Index): 4.74%

To ease potential currency fluctuation concerns, hedging the currency can be impactful. In figure 1, we can see the effect of hedging exposure to the Indian rupee (INR) for a U.S. dollar (USD) investor. On average, USD investors saw the volatility of their Indian exposure reduced by 3.5% annually when hedging out currency movements. This brought the volatility of their India exposure closer to—if not below—that of U.S. equity markets.

<sup>1</sup> [India for the Long Run | WisdomTree](#)

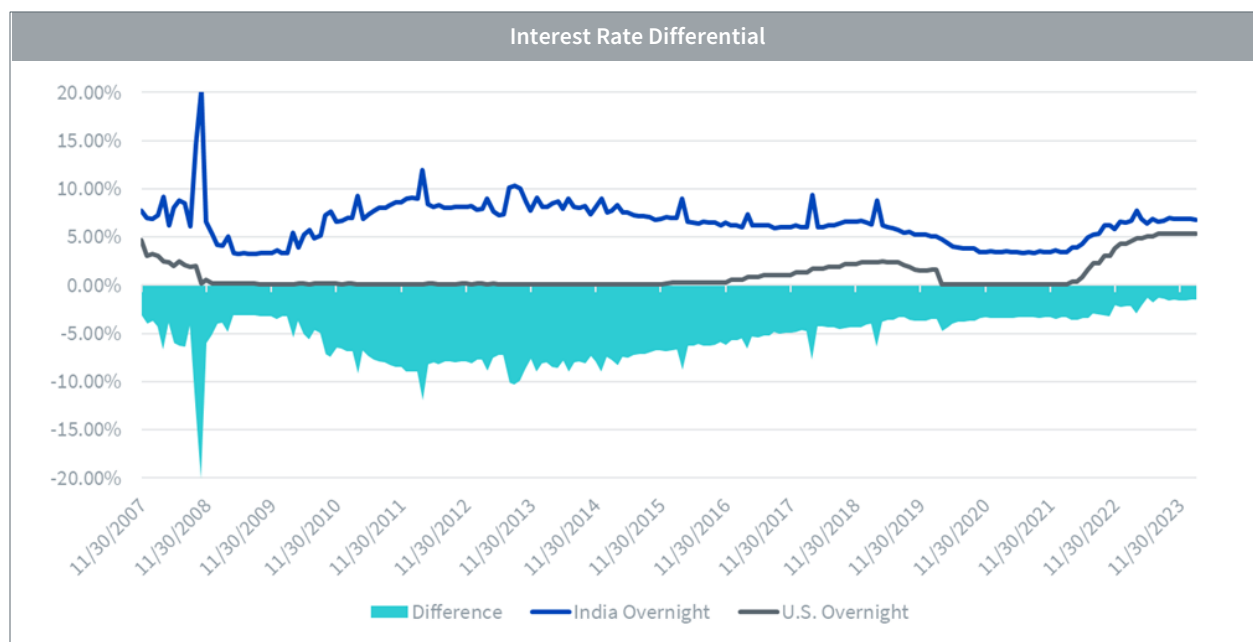
<sup>2</sup> Source: WisdomTree. Data from 3/31/23–3/29/24.

<sup>3</sup> Source: WisdomTree. Data from 3/31/14–3/29/24.



Sources: WisdomTree, FactSet. Data from 4/30/15–2/29/24

One objection that comes up related to hedging currency is that it can be expensive due to interest rate differentials—particularly for emerging market foreign exchange markets. However, the cost of hedging INR exposure for a USD investor has come down significantly in the past few years as monetary policy rates in India have converged and the U.S. has become more restrictive in its inflation fight. The most recent six-month average implied cost of carry, or interest rate differential, was -1.54%; there were many years in the last decade with the Federal Reserve anchored at a zero lower bound when the cost of hedging was well over 5%.



Sources: WisdomTree, FactSet. Data from 4/30/15–2/29/24. Financial Benchmarks India Overnight Mumbai Interbank Outright Rate used as a proxy for India Overnight rate. US Federal Funds Effective Rate used as a proxy for U.S. Overnight rate.

### The WisdomTree India Hedged Equity Index

WisdomTree has been at the forefront of providing both exposure to the Indian market and currency hedging for a long time. In 2008, WisdomTree launched the India Earnings Fund (EPI), which holds close to \$3 billion in assets under management (AUM).<sup>4</sup>

And in 2010, WisdomTree launched its currency-hedged franchise, which includes the WisdomTree Japan Hedged Equity Fund (DXJ), the WisdomTree Europe Hedged Equity Fund (HEDJ) and several other Funds with approximately \$11 billion in AUM.<sup>5</sup>

Combining our expertise in currency hedging with the increased interest in hedging exposure in the Indian market, WisdomTree created the India Hedged Equity Index (WTIEQH).

As part of its methodology, WTIEQH selects the 75 largest Indian securities and weights them by float-adjusted market capitalization. At rebalance, the single stock exposure is capped at 10%, and sector exposures are capped at 30%. The Index is rebalanced annually in September using data as of the end of August. The Index is designed to neutralize fluctuations of the INR using one-month forward rates.

<sup>4</sup> AUM data as of April 2024.

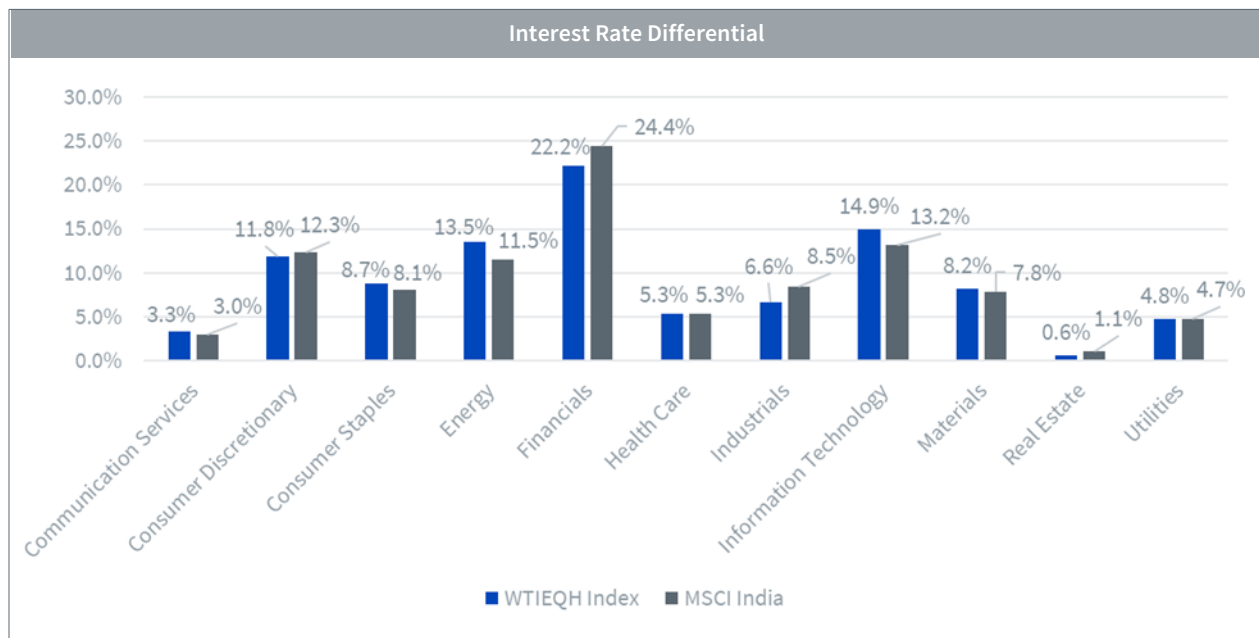
<sup>5</sup> AUM data as of April 2024.

Rank	Name	WTIEQH Weight	MSCI India Weight	MSCI India Rank
1	Reliance Industries Limited	10.33%	8.63%	1
2	HDFC Bank Limited	7.47%	3.82%	4
3	Infosys Limited	6.47%	5.39%	2
4	ICICI Bank Limited	5.89%	5.29%	3
5	Tata Consultancy Services Limited	4.52%	3.64%	5
6	Bharti Airtel Limited	2.92%	2.45%	6
7	Axis Bank Limited	2.69%	2.38%	7
8	Larsen & Toubro Ltd.	2.45%	2.27%	8
9	Hindustan Unilever Limited	2.37%	1.93%	9
10	Mahindra & Mahindra Ltd.	2.05%	1.75%	11

Sources: WisdomTree, FactSet. Data as of 2/29/24.

### Index Sector Weights

Like MSCI India, WTIEQH has significant exposure to the Financials, Information Technology and Energy sectors.



Sources: WisdomTree, FactSet. Data as of 2/29/24

**WisdomTree India Hedged Equity Fund (INDH)**

The WisdomTree India Hedged Equity Fund (INDH) seeks to track the price and yield performance, before fees and expenses, of the WisdomTree India Hedged Equity Index. It can be used to gain broad exposure to Indian companies while mitigating exposure to fluctuations of the INR.

Quick Facts	
Ticker	INDH
Exchange	NYSE Arca
Expense Ratio (Gross)	0.63%
Expense Ratio (Net)	0.63%
Structure	Open-end ETF
Exposure	Large-cap Indian equities
Rebalancing	The portfolio is rebalanced on an annual basis.

\*The expense ratio of the Fund may fluctuate annually due to changes in interest expenses incurred from annual portfolio rebalance activity.

## Glossary

Cost of carry: Also known as currency carry, refers to costs associated with the carrying value of an investment. These costs can include financial costs, such as the interest costs on bonds, interest expenses on margin accounts, interest on loans used to make an investment and any storage costs involved in holding a physical asset. Currency hedging: Strategies designed to mitigate the impact of currency performance on investment returns. Federal Reserve: The central banking system of the United States. Float-adjusted market capitalization: Share price x number of shares outstanding, adjusted for the fact that in many emerging markets, not all of the shares outstanding regularly trade, which leads to a reduction in the number of shares outstanding used in the calculation. Foreign exchange market: A global marketplace for the trading of one nation's currency for another. MSCI ACWI Index: A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. MSCI EAFE Index: A market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan. MSCI Emerging Market Index: A free float-weighted equity index that captures large- and mid-cap representation across emerging market countries. MSCI India Index: A market capitalization-weighted index designed to measure the performance of the Indian equity market. S&P 500 Index: A 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. WisdomTree India Hedged Equity Index (WTIEQH): A market-capitalization index that includes the 75 largest companies in India.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. For a prospectus or, if available, the summary prospectus containing this and other important information about the Fund, call 866.909.9473 or visit [WisdomTree.com/investments](http://WisdomTree.com/investments). Read the prospectus or, if available, the summary prospectus carefully before investing.**

There are risks associated with investing, including the possible loss of principal.

**INDH**: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in India, thereby increasing the impact of events and developments associated with the region that can adversely affect performance. Investments in emerging, offshore or frontier markets such as India are generally less liquid and less efficient than developed markets and are subject to additional risks, such as of adverse governmental regulation and intervention or political developments. Investments in currency involve additional special risks, such as credit risk, interest rate fluctuations and derivative investment risk, which can be volatile and may be less liquid than other securities, and the effect of varied economic conditions. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs.

**EPI**: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in India, thereby increasing the impact of events and developments associated with the region that can adversely affect performance. Investments in emerging, offshore or frontier markets such as India 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. As this Fund has a high concentration in some sectors, the Fund can be adversely affected by changes in those sectors. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs.

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

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

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