

INDIA: 1.4 BILLION PEOPLE EMERGE

CONSIDER DEMOGRAPHICS AS YOU ASSESS THE MERIT OF INVESTING IN INDIA

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The thing about “emerging markets” is that sometimes you end up owning submerging markets.

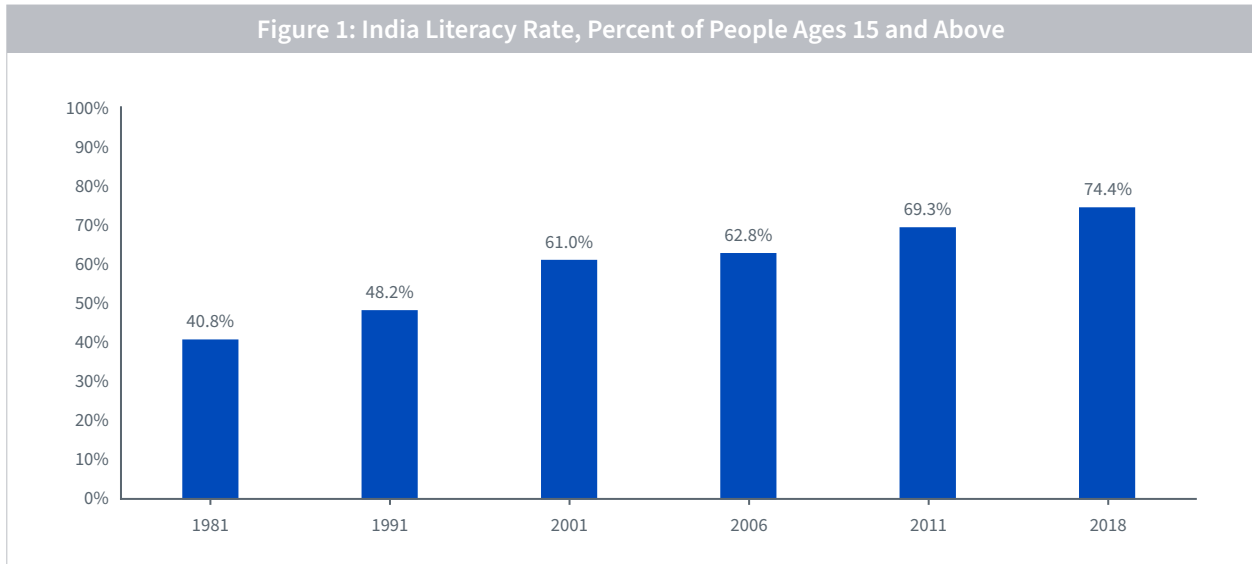
Venezuela comes to mind. Argentina does its own back-and-forth every few years. In Eastern Europe, Ukraine has been a “submerging market” for several years; its stock market has roughly halved since the 2016 highs.

India’s profile is directionally opposite those nations. It has robust GDP growth and is constantly striving to reach industrialized status. Progress.

In poorer nations like India—make no mistake—you must start at square one: access to clean toilets, malaria vaccinations, overcrowded slums and hundreds of millions of people who cannot read. But that is the point: We want to be invested during the bulk of a country’s emerging process.

On literacy, India is progressing. The percentage of citizens who can read has nearly doubled since 1981, but critically, India still has work to do, with one-quarter of its population still illiterate. Historically, as they receive a higher-quality education, labor productivity will leap.

Now consider educational opportunities that are available for a different cohort: India’s future business leaders.



Sources: World Bank, UNESCO Institute for Statistics.

BUSINESS EDUCATION

Four of 2020's *Financial Times* Global Top 100 business schools are Indian. This is a new phenomenon; not long ago it was zero. The country still has work to do—China has nine schools on the list.

Nevertheless, India’s four are good ones, the equivalent in quality to UCLA or Indiana University, both excellent schools. For India’s elite students, it is no longer imperative to study abroad in order to achieve a top-quality education, especially for those who prefer to stay in their home country.

Figure 2: India’s Four Institutions in the Financial Times’ 2020 Global Business School Rankings (with Comparably Ranked U.S. Institutions for Comparison)

Global Rank	Indian Business Schools in Top 100	Global Rank	Nearest-Ranked U.S. School
27	Indian Institute of Management Bangalore	26	UCLA Anderson School of Management
28	Indian School of Business	30	University of Michigan (Ross)
42	Indian Institute of Management Calcutta	40	Indiana University (Kelley)
61	Indian Institute of Management Ahmedabad	60	Babson (Olin)

Sources: World Bank, UNESCO Institute for Statistics.

A STRATEGIC EDGE IN AN INTERCONNECTED WORLD: THE ENGLISH LANGUAGE

There are 7,000 languages spoken today, though many experts theorize that several thousand of them are at risk of disappearing in the coming years.

Consider network effects in an interlinked world.

Want to professionally engage on social media? You have one choice: LinkedIn. Suppose a Dutch person has a job interview in Paris. If you think about it, that conversation is probably in English. A Brazilian person in conversation with a Korean company? Maybe English is the language in that discussion, too.

A theory: This all converges to a half-dozen or a dozen major languages, with network effects dictating that studying English makes the most career sense.

In India, English is part of everyday life.

Cities like Mumbai, Hyderabad and New Delhi are perfect for Anglophonic careers, with each ranking "High" or "Moderate" on the EF English Proficiency Index¹. When I think about my “generally monoglot” household (my wife was born in the U.S. to immigrants from Colombia, but our kids could be better at Spanish), where in Asia could we get along easiest with our language skills? India has its bumps and bruises, but communication barriers for English-speaking expats is not high on the “setbacks list.”

Figure 3: India Literacy Rate, Percent of People Ages 15 and Above

Very High Proficiency		High Proficiency		Moderate Proficiency	
Copenhagen	659	Buenos Aires	592	Milan	549
Amsterdam	656	Nairobi	592	Lagos	548
Helsinki	642	Prague	589	Rome	548
Oslo	639	Mumbai	588	San Jose	545
Vienna	635	Paris	586	Shanghai	542
Stockholm	631	Manila	582	Hong Kong	542
Berlin	627	Sofia	580	Havana	534
Hamburg	627	Córdoba (AR)	579	Hyderabad	530
Porto	624	Davao City	578	Santiago	529
Budapest	622	Barcelona	564	New Delhi	528
Brussels	616	Madrid	557	São Paulo	521
Warsaw	614	Seoul	556	Beijing	520
Bucharest	612	Taipei	550	Kiev	520
Lisbon	612			Moscow	520
Kuala Lumpur	604			Saint Petersburg	520

Source: 2020 Edition of the EF English Proficiency Index.

It works the other way, too.

An Indian businessperson can easily visit clients abroad, seamlessly holding meetings in a common language—assuming the others around the table are also versed in English.

¹ The EF English Proficiency Index (EF EPI) attempts to rank countries by the average level of English language skills amongst those adults who took the EF test.

INDIA'S YOUTH

Of the world's 230 countries, India's median age is akin to what you often find in "frontier markets," *the emerging markets of emerging markets*.

India's 1.4 billion people are nearly a decade younger than China's 1.3 billion.

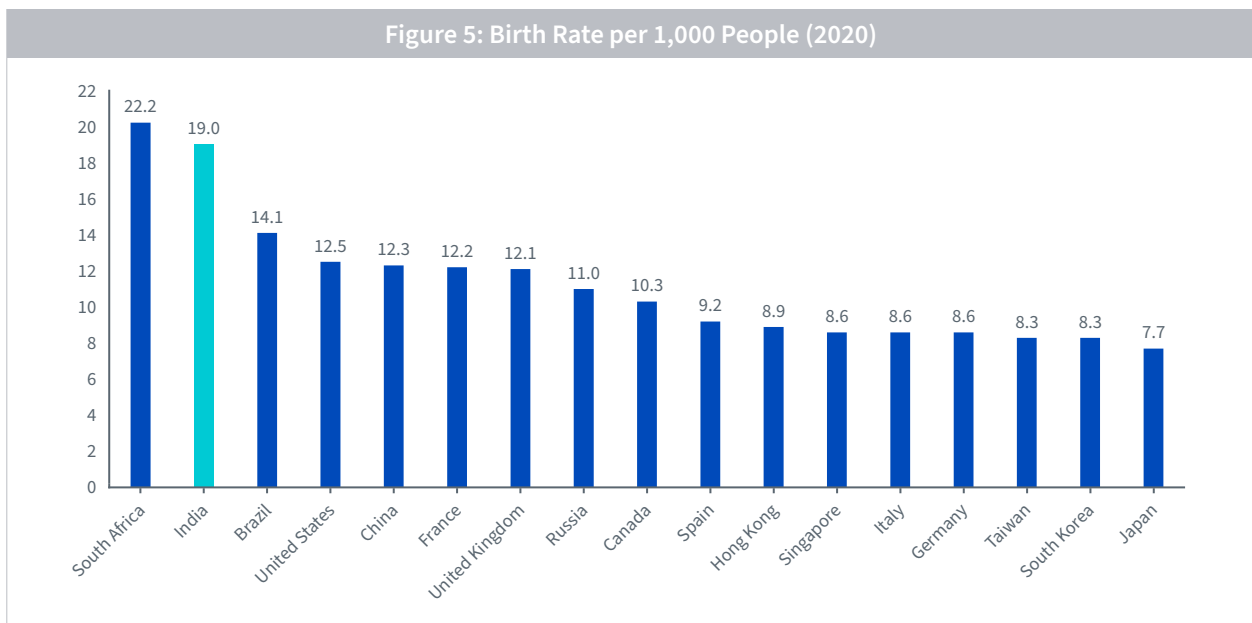
Figure 4: Median Age, Select Countries

Rank	Country	Age	Rank	Country	Age
1	Monaco	53.1	130	Mexico	28.3
2	Japan	47.3	136	Burma	28.2
3	Germany	47.1	137	Dominican Republic	28.1
23	Spain	42.7	138	India	28.1
40	France	41.4	139	Algeria	28.1
47	Taiwan	40.7	140	Peru	28.0
50	United Kingdom	40.5	228	Mali	15.8
61	United States	38.1	229	Uganda	15.8
67	China	37.4	230	Niger	15.4

Source: 2018 CIA Factbook.

Not only is India young, but it will stay that way, too.

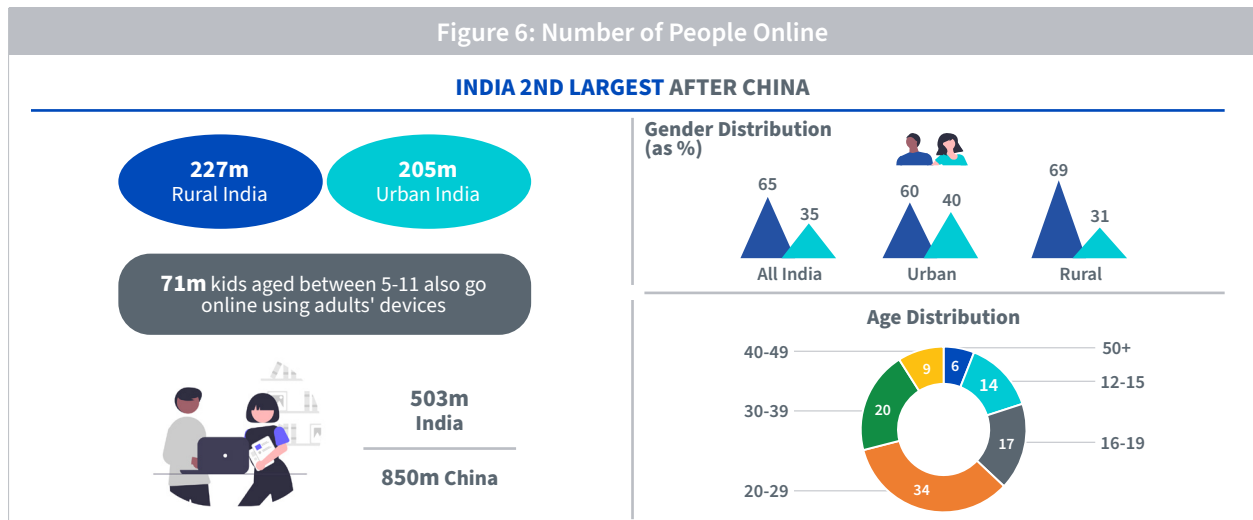
Figure 5 ranks India's birth rate among a selection of major economies. While countries such as China, the U.S. and Japan may be relegated to slowly declining populations, India's will grow.



Sources: World Bank, UNESCO Institute for Statistics.

LOGGING ON

Because the country is still largely impoverished, the bulk of its people are still not yet online. The Internet & Mobile Association of India, along with Nielsen, found that the country still only has 503 million internet users (add the 227m, 205m and 71m in figure 6). That leaves 900 million people who can become computer literate, creating a feedback loop into societal productivity.

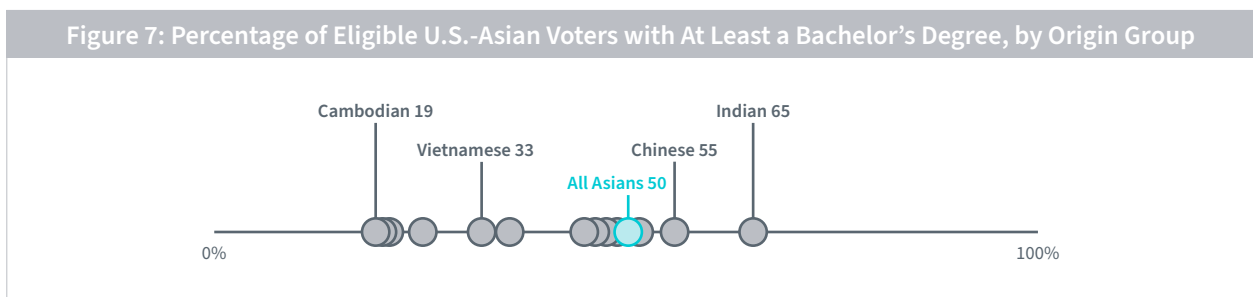


Source: 2019 Digital in India report published by the Internet and Mobile Association of India (IAMAI) and curated by Nielsen.

INDIA'S DIASPORA

Many Indians who have emigrated have social, political and monetary capital in wealthy nations. In the U.S., two out of every three Indian-Americans have a bachelor's degree, a level that the Pew Research Center found to be higher than all other Asian-American groups.

Many of them are first and second generation, meaning strong business relationships with peers in India are common. Because of these relationships, the source of Indian venture capital is often wealthy Americans, Canadians or Britons of Indian ancestry.



Source: Pew Research Center analysis of 2018 American Community Survey. Survey note: "Chinese include those who identify as Taiwanese. Asians are a single-race and include only non-Hispanics. Eligible voters are adult U.S. citizens. Population estimates may include people who identify with multiple Asian origin groups; in these cases, people are counted in each group to which they belong, which may result in some overlap between groups."



WisdomTree has two Indian equity ETFs. They are:

- + The WisdomTree India Earnings Fund (**EPI**)
- + The WisdomTree India ex-State-Owned Enterprises Fund (**IXSE**)

The former weights its component companies by their earnings as a percentage of the total earnings pie.

The latter eliminates from contention any company that has 20% or more of its equity owned by the Indian government. We believe that screen's side effect is that it tends to eliminate the stocks that are "India's past," emphasizing companies that are "India's future."

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