

# XSOE: GOVERNANCE AND GROWTH IN EMERGING MARKETS

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An interesting dichotomy has developed in emerging markets (EM), between government actors and independent investors in publicly traded equities. Government ownership may lead to corporate governance issues that arise from the inherent principal-agent problem and cause operational inefficiencies and weaker levels of profitability.

State-owned enterprises (SOEs)<sup>1</sup> typically advocate on behalf of a broad set of interests rather than focusing on maximizing shareholder value. These conflicts of interest can cause stagnation in the long-term growth potential of these companies.

There is yet another reason to remove SOEs from EM investment universes. Investors often are attracted to EM for their long-term growth potential—derived from more favorable demographics and long-term consumption trends. Are SOEs representative of this growth opportunity set?

The two dominating industries among SOEs tend to be large banks and energy companies, whereas consumer and tech companies are rarely SOEs. There is a strong case that focusing on a universe of non-SOE companies best marries the EM investment opportunity set with the reason for investing in the first place: the growth potential of EM economies and future technology and consumption trends.

## THE WASHINGTON CONSENSUS

The International Monetary Fund (IMF) and the World Bank have long advocated for the economic development of EM through a market-based approach, with a preference for the privatization of SOEs. The philosophy of these intergovernmental organizations (IGOs) is often referred to as the Washington Consensus.

The IMF published a paper in June assessing SOEs in central, eastern and southeastern Europe.<sup>2</sup> Their conclusion? SOEs in the region generally “generate less revenue than their private counterparts, incur heavier costs of production not least on wages, and as a consequence are significantly less profitable.” Political influences can often result in SOEs employing too many people that are paid too much.

A broader study written by the World Bank in 2014 came to a similar conclusion. It argues that SOE underperformance is in part driven by exogenous factors like lower commodity prices or other sector-specific factors. But it concludes there is “increasing recognition that poor corporate governance of SOEs is at the heart of the matter.”<sup>3</sup>

<sup>1</sup> State-owned enterprises are defined as firms that have more than 20% of their shares owned by government entities.

<sup>2</sup> “Reassessing the Role of State-Owned Enterprises in Central, Eastern, and Southeastern Europe,” International Monetary Fund, 6/18/19, pp 15–23.

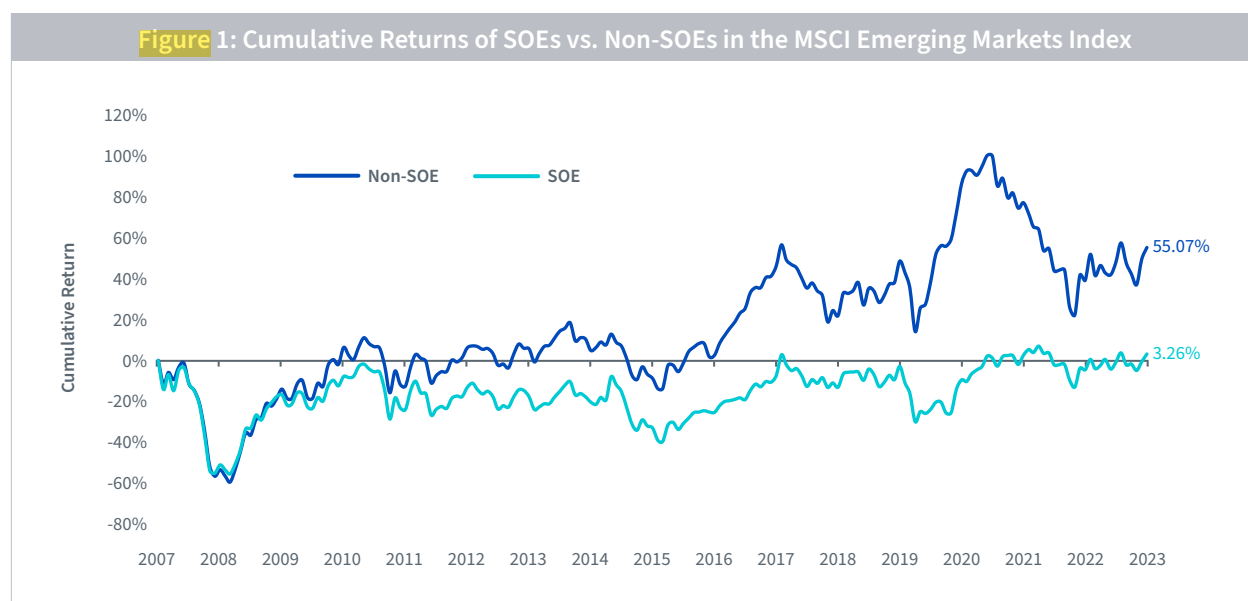
<sup>3</sup> “Corporate Governance of State-Owned Enterprises,” World Bank, 2014, pp 11–12.

## THE PERFORMANCE DIFFERENCE

The first, and probably most critical, question to ask is whether SOEs and non-state-owned enterprises (non-SOEs) have performed differently. If the thesis that having multiple owners—shareholders and the government—significantly exacerbates what is referred to as the principal-agent problem for SOEs, it is bound to be reflected in investment 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 in figures 1 and 2 shows a consistently large performance gap in favor of non-SOEs.

Some might ask if non-SOE outperformance is simply a consequence of sector tilts, or if non-SOEs have outperformed SOEs regardless. Data in figure 3 shows annualized return by sector for each of the SOE and non-SOE portfolios. We can conclude that sector tilts contributed to outperformance, as non-SOEs tend to be underweight the Energy, Materials and Industrials sectors, which have been the worst performers over the 13-year period. We can also see how the performance of non-SOEs was stronger than SOEs within the different sectors, except for the Consumer Staples, Financials and Real Estate sectors.



Sources: FactSet, WisdomTree, 12/31/07–12/29/23. 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. 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.

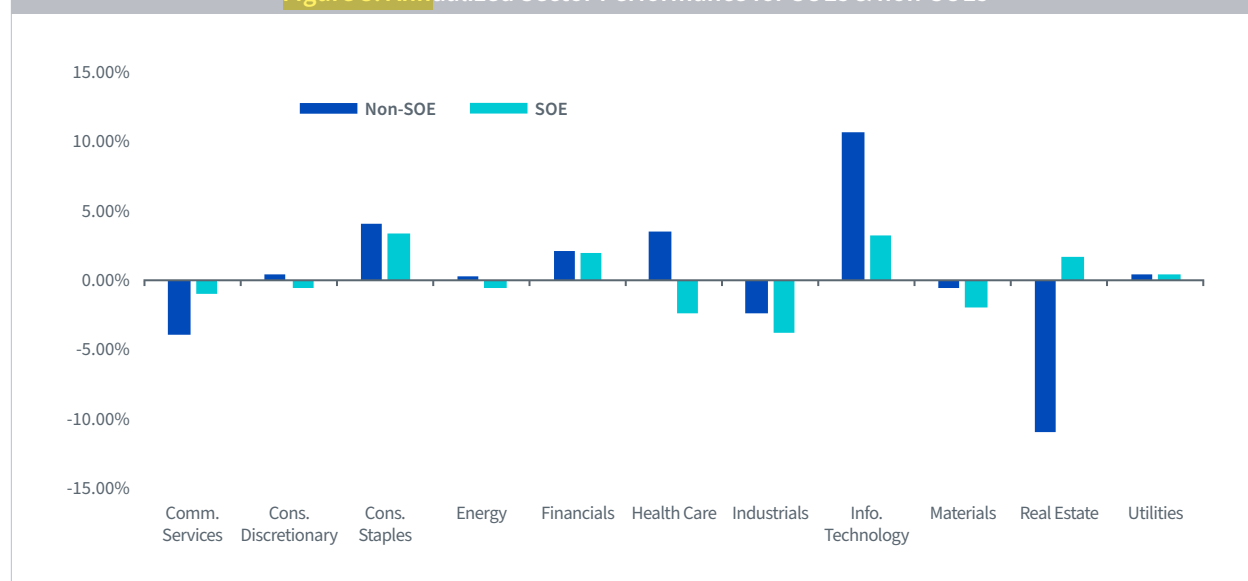
**Figure 2: Standardized** Calendar Year, Annual Returns & Standard Deviation (as of 12/29/23)

Average Annual Returns						Standard Deviation					
	1 Yr	3 Yr	5 YR	10 YR	Since 2007		1 Yr	3 Yr	5 YR	10 YR	Since 2007
<b>Non-SOE</b>	-21.43%	-2.16%	-0.98%	2.74%	2.22%	<b>Non-SOE</b>	19.15%	19.19%	20.11%	17.58%	21.38%
<b>SOE</b>	-6.97%	-0.60%	0.61%	0.95%	-0.31%	<b>SOE</b>	13.86%	14.07%	17.79%	17.41%	21.05%

Calendar Year Performance																
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Non-SOE</b>	-53.42%	84.52%	23.69%	-17.77%	20.62%	-0.48%	-0.81%	-13.01%	12.35%	42.57%	-16.63%	20.75%	25.35%	-5.99%	-21.43%	11.56%
<b>SOE</b>	-51.20%	70.63%	10.80%	-17.62%	14.33%	-5.35%	-3.20%	-15.92%	11.42%	24.17%	-6.18%	11.87%	-6.84%	13.30%	-6.97%	8.16%

Source: WisdomTree, as of 12/29/23. Universe of securities is the MSCI Emerging Markets Index. 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.

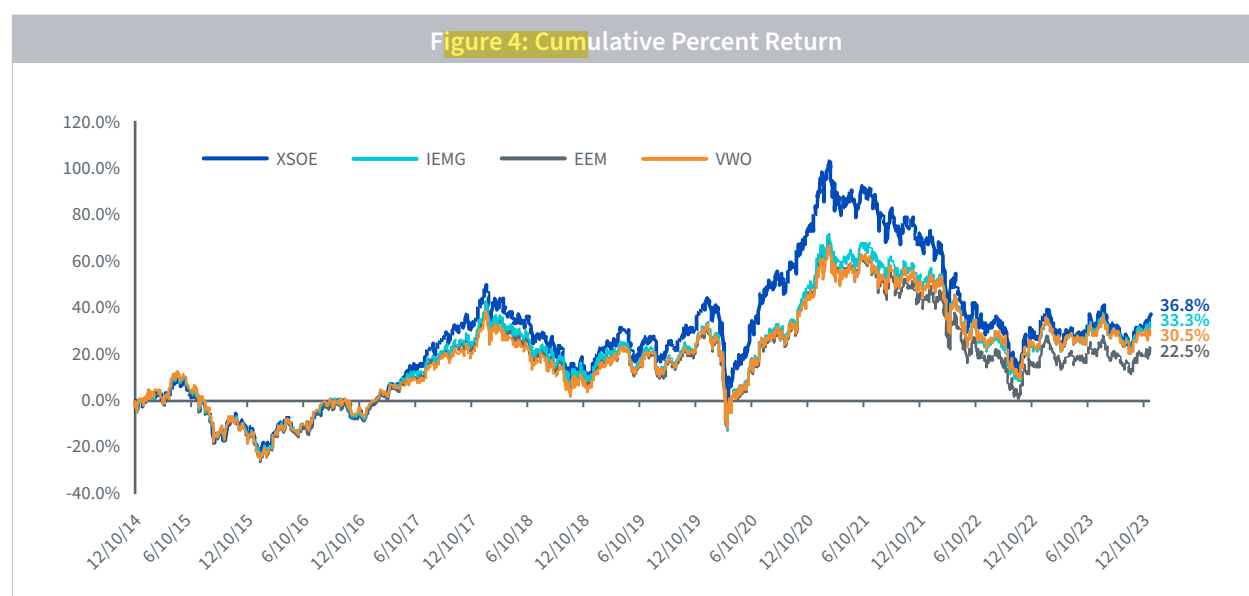
**Figure 3: Annualized** Sector Performance for SOEs & non-SOEs

Source: WisdomTree, 12/31/07-12/29/23. Universe of securities is the MSCI Emerging Markets Index. 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.

## HOW TO ACCESS NON-STATE-OWNED ENTERPRISES?

The WisdomTree Emerging Markets ex-State-Owned Enterprises Fund (XSOE) provides exposure to the broad EM universe, investing in companies in which the local government owns less than 20% of shares, making it the only fund of its kind. We believe exposure to non-SOEs is a more efficient way to approach EM equity markets for investors that want to mitigate the risks inherent in investing in companies that don't have complete control over their own operations.

Since its inception in December 2014, XSOE has outperformed its largest peers in the broad EM space<sup>4</sup> such as the iShares MSCI Emerging Markets ETF (EEM), iShares Core MSCI Emerging Markets ETF (IEMG) and Vanguard FTSE Emerging Markets Fund (VWO), and ranks in the top 49 percent of its Morningstar peer group, US Fund Diversified Emerging Markets, which includes about 650 active and passive EM funds<sup>5</sup>.



Sources: WisdomTree, Bloomberg, as of 12/29/23. Past performance is not indicative of future results.

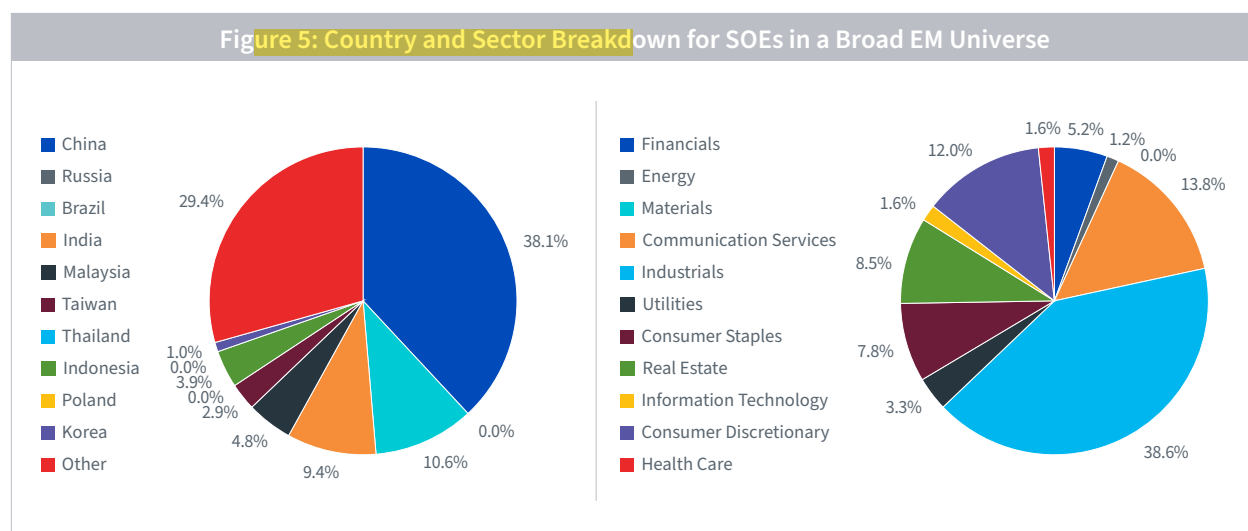
Performance data for the most recent month-end is available at [wisdomtree.com/investments/etfs/equity/xsoe](https://wisdomtree.com/investments/etfs/equity/xsoe) for XSOE; [ishares.com/us/products/244050/ishares-core-msci-emerging-markets-etf](https://ishares.com/us/products/244050/ishares-core-msci-emerging-markets-etf) for IEMG; [ishares.com/us/products/239637/ishares-msci-emerging-markets-etf](https://ishares.com/us/products/239637/ishares-msci-emerging-markets-etf) for EEM; [investor.vanguard.com/investment-products/etfs/profile/vwo](https://investor.vanguard.com/investment-products/etfs/profile/vwo) for VWO.

<sup>4</sup> Largest emerging markets ETFs by AUM that track market cap-weighted indexes, as of 12/31/23.

<sup>5</sup> Morningstar, as of 12/31/23. Morningstar, Inc., 2023. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance, rankings and ratings are no guarantee of future results. The % of Peer Group Beaten is the funds' total-return percentile rank compared to all funds within the same Morningstar Category and is subject to change each month. Regarding ranking of funds, 1 = Best.

## METHODOLOGY

The proprietary index that XSOE tracks starts with a broad universe of approximately **1,050** EM companies, which are analyzed to identify significant government ownership. After going through filings and regulatory documents, WisdomTree identified **221** companies in which the local government owns more than 20% of shares—state-owned enterprises. Looking at the breakdown of the SOEs that are removed from the universe we can see that **close to half** of them are Chinese and that most are concentrated in the Financials, Energy and Materials sectors.



Sources: WisdomTree, FactSet, as of 12/29/23. Subject to change.

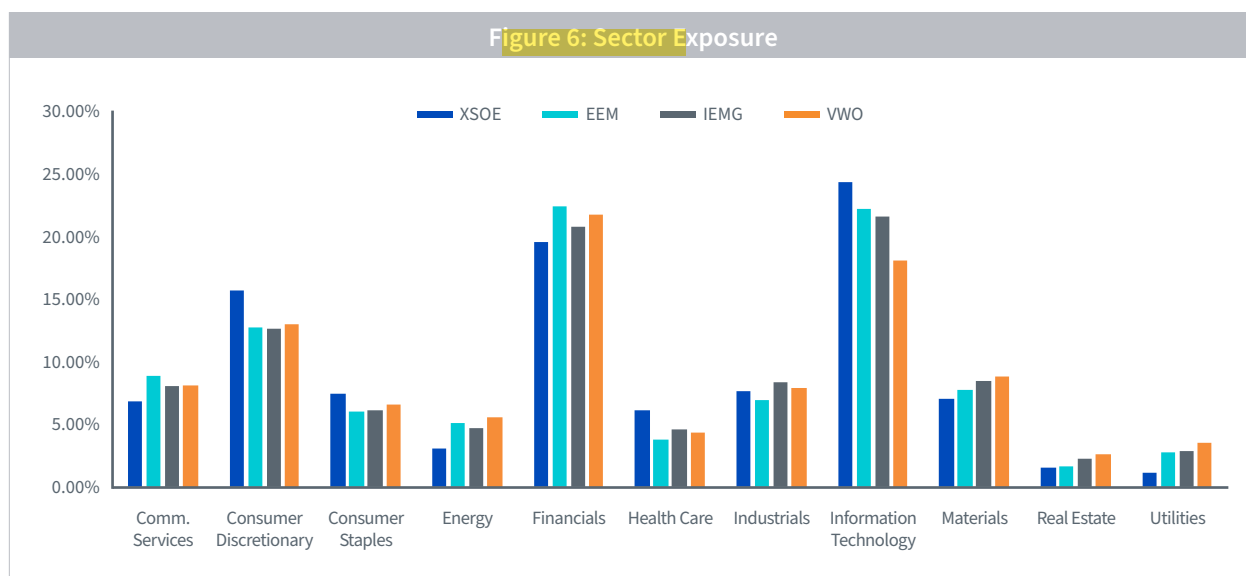
After removing SOEs from the universes, the index weights non-SOEs using a modified float-adjusted market cap. Final weights are adjusted with the objective of staying close to the sector and country exposure of the broader starting universe. These deviations from a pure market capitalization-weighted strategy are reflected in XSOE's holdings, aggregate exposures and fundamentals.

## AGGREGATE COUNTRY AND SECTOR EXPOSURES

Removing SOEs, which tend to be concentrated in “old economy” sectors like Financials, Energy and Materials, results in XSOE having modest structural tilts towards “new economy” sectors like Information Technology, Consumer Discretionary and Communication Services.

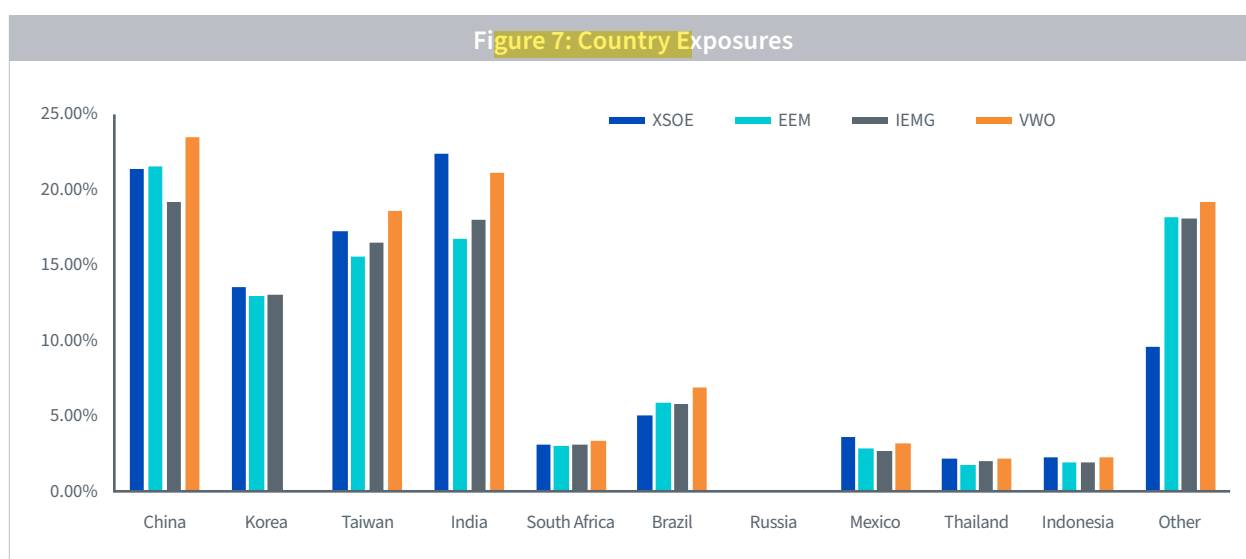
New economy sectors are those in EM economies that are positioned to take advantage of a growing middle class and increased domestic consumption, trends we believe will persist in the future. Meanwhile, old economy sectors rely more on international growth and are more prone to suffer from global trade tensions.

In figure 6 we can see XSOE's sector tilts relative to its peers.



Sources: WisdomTree, FactSet, as of 12/29/23. Weights subject to change.

In terms of country exposures, XSOE stays relatively close to its starting universe as well as to its peers. Because of the concentration of many SOEs in a handful of countries, the index methodology had to ensure that XSOE's final portfolio was not overly biased—either for or against—any individual country.



Sources: WisdomTree, FactSet, as of 12/29/23. Subject to change.

## FUNDAMENTALS

Comparing aggregate fundamentals for the baskets underlying each fund gives us an under-the-hood look and helps us understand where some of their differences come from.

We can see that by removing SOEs from its universe, XSOE achieves higher profitability and earnings growth estimates than its peers. Profitability metrics such as ROE and ROA are significantly higher for XSOE, along with favorable growth metrics such as trailing 3 year revenue and earnings growth, implied growth (ROE x Earnings Retention) and consensus earnings growth expectations. To us, this gets to the core of why investors may be disadvantaged by companies with significant state ownership.

Better profitability and growth fundamentals both come from XSOE having interests aligned between management and shareholders, along with better corporate governance and the inherent sector tilts away from inefficient, old economy sectors into the more dynamic new economy sectors.

One of the few potential drawbacks of XSOE when looking at aggregate fundamentals is the valuation premium associated with having higher profitability and implied growth. However, looking at a growth-adjusted metric such as the PEG ratio, which shows the trade-off between a portfolio's valuation (P/E ratio) and its expected growth rate, we can see that the valuation premium isn't as significant as it initially appears as it accounts for higher growth.

Historically, SOEs have been known to be less capital efficient than non-SOEs, incurring higher financial leverage. As seen below, aggregate leverage as measured by the assets/equity ratio, is significantly higher for XSOE's peers.

Figure 8: Aggregate Fundamentals				
Fundamentals	XSOE	EEM	IEMG	VWO
P/E Ratio	18.55	13.54	14.05	14.10
Forward P/E Ratio	16.15	12.69	12.96	13.01
Return on Equity (%)	11.76	12.07	11.64	12.01
Return on Assets (%)	2.18	1.82	1.83	1.73
ROE x Earnings Retention (%)	7.23	7.42	7.04	7.04
Trailing 3yr. Revenue Growth (%)	0.13	0.12	0.11	0.10
Trailing 3yr. Earnings Growth (%)	0.15	0.13	0.15	0.13
Earnings Growth Expectations (%)	15.49	13.05	13.50	13.25
PEG Ratio	1.18	1.02	1.01	1.02
Leverage*	5.39	6.65	6.36	6.94
LargeCap Weight (%)	70.27	74.93	64.30	62.02
MidCap Weight (%)	28.94	24.26	25.85	27.77
SmallCap Weight (%)	0.79	0.85	9.92	10.45

\*Assets/Equity.

Sources: WisdomTree, FactSet, as of 12/29/23. Past performance is not indicative of future results.

## TOP HOLDINGS

Comparing the 10 largest holdings for XSOE relative to its peers, we can see the effect of the modified float-adjusted market cap-weighting after removing SOEs. The largest exclusions from the countries that dominate SOEs can give us further insight into which companies XSOE removes from its investable universe.

**Figure 9: Top 10 Holdings and Largest Exclusions (as of 12/29/23)**

XSOE	Weight	EEM		Weight
Taiwan Semiconductor Manufacturing Co., Ltd.	7.17%	Taiwan Semiconductor Manufacturing Co., Ltd.		6.73%
Samsung Electronics Co., Ltd.	4.83%	Samsung Electronics Co., Ltd.		4.68%
Alibaba Group Holding Limited	2.86%	Tencent Holdings Ltd.		3.55%
HDFC Bank Limited	2.20%	Alibaba Group Holding Limited		2.23%
Al Rajhi Bank	2.07%	Reliance Industries Limited		1.34%
Reliance Industries Limited Sponsored GDR 144A	1.92%	PDD Holdings Inc. Sponsored ADR Class A		1.24%
PDD Holdings Inc. Sponsored ADR Class A	1.77%	Petroleo Brasileiro SA Pfd		0.94%
ICICI Bank Limited Sponsored ADR	1.09%	ICICI Bank Limited		0.87%
Infosys Limited Sponsored ADR	1.06%	Infosys Limited		0.87%
PT Bank Central Asia Tbk	1.01%	SK hynix Inc.		0.85%
IEMG	Weight	VWO		Weight
Taiwan Semiconductor Manufacturing Co., Ltd.	5.77%	Taiwan Semiconductor Manufacturing Co., Ltd.		6.35%
Samsung Electronics Co., Ltd.	4.01%	Tencent Holdings Ltd.		3.19%
Tencent Holdings Ltd.	3.04%	Alibaba Group Holding Limited		2.24%
Alibaba Group Holding Limited	1.91%	Reliance Industries Limited		1.42%
Reliance Industries Limited	1.15%	PDD Holdings Inc. Sponsored ADR Class A		1.20%
PDD Holdings Inc. Sponsored ADR Class A	1.06%	HDFC Bank Limited		1.07%
Petroleo Brasileiro SA Pfd	0.81%	Petroleo Brasileiro SA Pfd		0.99%
ICICI Bank Limited	0.76%	Infosys Limited		0.88%
Infosys Limited	0.75%	Vale S.A.		0.82%
SK hynix Inc.	0.73%	China Construction Bank Corporation Class H		0.76%
XSOE's Largest Exclusions - % Weight (as of 12/29/23)				
Name	Country	EEM	IEMG	VWO
China Construction Bank Corporation Class H	China	0.81%	0.69%	0.75%
Vale S.A.	Brazil	0.77%	0.66%	0.82%
Petroleo Brasileiro SA Pfd	Brazil	0.52%	0.44%	0.52%
Industrial and Commercial Bank of China Limited Class H	China	0.45%	0.39%	0.52%
PT Bank Rakyat Indonesia (Persero) Tbk Class B	Indonesia	0.36%	0.31%	0.35%
Kuwait Finance House K.S.C.	Kuwait	0.27%	0.24%	0.29%
Kweichow Moutai Co., Ltd. Class A	China	0.26%	0.22%	0.28%

Sources: WisdomTree, FactSet, as of 12/29/23. Holdings subject to change.

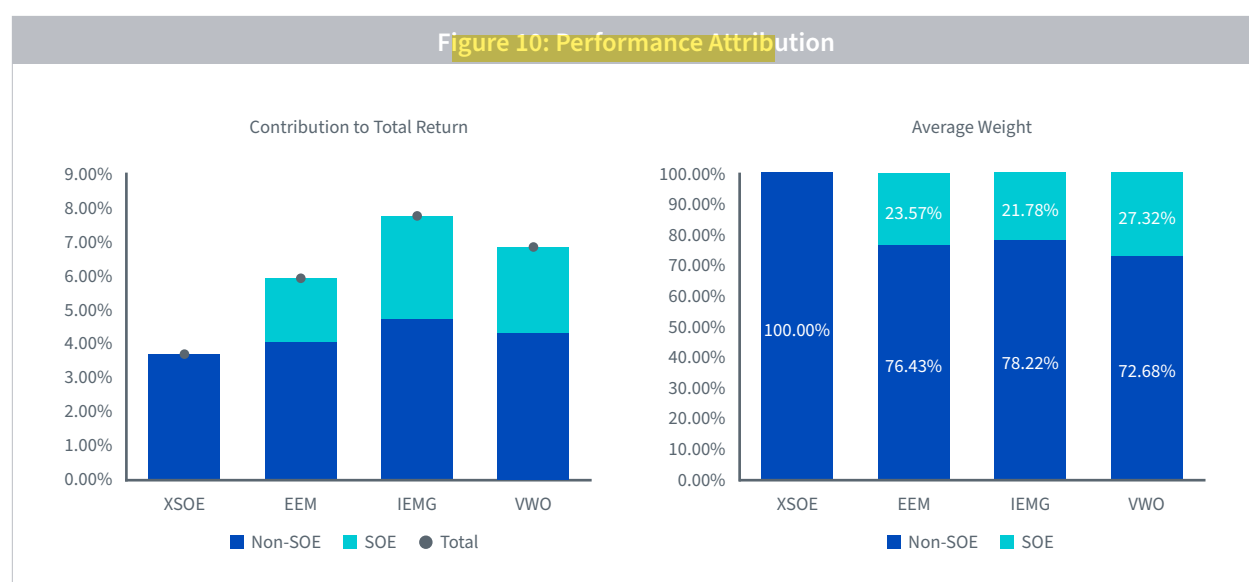


## PERFORMANCE ATTRIBUTION

By construction, XSOE will have 100% of its weight invested in non-SOEs, while competitors will likely have a combination of both SOEs and non-SOEs. As shown in figures 1 and 2, non-SOEs have consistently outperformed SOEs over the last 13 years, so being overweight non-SOEs and underweight SOEs has positively contributed to XSOE's outperformance since inception.

In figure 13 we show each Fund's average weight to SOEs and non-SOEs along with the contribution to total return for each group since December 31, 2014. At a high level, XSOE has managed to generate annualized excess returns of more than 60 basis points (bps) versus its peers. Looking into further detail, peers' exposure to SOEs has not been fruitful as the relative contribution to returns of this exposure is significantly smaller than its average weight to the category.

Given how the numbers have historically backed up a sound investment thesis, we believe in the potential for this trend to continue in the future.



Sources: WisdomTree, FactSet as of 12/29/23. Past performance is not indicative of future results. Weights are subject to change.

Figure 11: Standardized Performance

				Average Annual Total Returns as of 12/29/23									
Fund Information				Total Return NAV					Market Price				
Fund	Ticker	Exp. Ratio	Fund Inception Date	1-Yr.	3-Yr.	5-Yr.	10-Yr.	Since Fund Inception	1-Yr.	3-Yr.	5-Yr.	10-Yr.	Since Fund Inception
WisdomTree Emerging Markets ex-State-Owned Enterprises Fund	XSOE	0.32%	12/10/2014	-1.06%	-0.64%	0.65%	N/A	3.21%	-1.04%	-0.55%	0.75%	N/A	3.20%
iShares MSCI Emerging Markets ETF	EEM	0.68%	4/7/2003	1.12%	1.66%	0.32%	2.35%	8.39%	0.94%	1.69%	0.39%	2.39%	8.38%
iShares Core MSCI Emerging Markets ETF	IEMG	0.11%	10/18/2012	2.89%	3.58%	1.41%	3.17%	2.49%	2.87%	3.80%	1.48%	3.20%	2.52%
Vanguard FTSE Emerging Markets Fund	VWO	0.08%	3/4/2005	1.20%	3.51%	2.15%	3.23%	5.29%	1.23%	3.89%	2.22%	3.27%	5.29%

The fund recently experienced significant negative short-term performance due to market volatility associated with the COVID-19 pandemic.

Sources: WisdomTree, StyleAdvisor, as of 12/29/23. **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/investments](https://www.wisdomtree.com/investments). Performance data for iShares funds is available at [ishares.com](https://www.ishares.com). Performance data for Vanguard funds is available at [vanguard.com](https://www.vanguard.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. ET net asset value (NAV). Market 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.

The purpose of some of the information in this material is to provide Investors with a means to evaluate investment strategies of XSOE as compared to various emerging market ETFs. It is the opinion of WisdomTree, the Fund's investment adviser, that all funds are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund to fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund.

## GLOSSARY

Basis point (bp): 1/100th of 1 percent. Earnings growth (earnings growth estimates): Bloomberg analysts' long-term earnings growth expectations, which encompass the estimated growth in operating earnings per share over the company's next full business cycle, typically three to five years. Trailing earnings is the amount of profit that a company produces during prior fiscal year. Emerging market (EM): Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors. Forward price-to-earnings: Share price divided by compilation of analyst estimates for earnings-per-share over the coming 12-month period. These are estimates that may be subject to revision or prove to be incorrect over time. Fundamentals: Attributes related to a company's actual operations and production as opposed to changes in share price. Global Standards Screening (GSS): Assesses companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. International Monetary Fund (IMF): An international financial institution, headquartered in Washington, D.C., that works to achieve sustainable growth and prosperity for all of its 190 member countries. Leverage: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative. 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. MSCI Emerging Markets Index: A free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM). PEG ratio: A stock's price-to-earnings ratio divided by the growth rate of its earnings. Price to Earnings Ratio (P/E): Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested. 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. Return on equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Revenue growth: Measures the increase in a firm's sales from one quarter to another. Trailing revenue growth is the increase during a prior period. Size capitalization: A measure by which a company's size is classified. Large caps are usually classified as companies that have a market cap over \$10 billion. Mid-caps range from \$2 billion to \$10 billion. Small caps are typically new or relatively young companies and have a market cap between \$200 million and \$2 billion. Standard deviation: A measure of how widely an investment or investment strategy's returns move relative to its average returns for an observed period. A higher value implies more "risk", in that there is more of a chance the actual return observed is farther away from the average return. State-owned enterprises (SOEs): 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. United Nations Global Compact Principle: A non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. Valuations: 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.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473 or visit [WisdomTree.com/investments](http://WisdomTree.com/investments) to view or download a prospectus. Visit [ishares.com](http://ishares.com) to view or download a prospectus for iShares funds. Visit [vanguard.com](http://vanguard.com) to view or download a prospectus for Vanguard funds. Investors should read the prospectus carefully before investing.**

There are risks associated with investing, including the 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 or offshore markets 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. Funds focusing their investments on certain sectors and/or regions increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. 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.

During the most recent fiscal year, the Fund's portfolio turnover rate was 18% of the average value of its portfolio, excluding the value of portfolio securities received or delivered as a result of in-kind creations or redemptions of the Fund's capital share. The fund issues and redeems shares at NAV only in large blocks of shares ("Creation Units"), which only certain institutions or large investors (typically market makers or other broker-dealers) may purchase or redeem. Currently, Creation Units generally consist of 100,000 shares, though this may change from time to time. Creation Units are not expected to consist of less than 25,000 shares.

All funds are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund to fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund.

iShares MSCI Emerging Markets Fund (EEM)		
Inception Date	Expense Ratio	AUM (as of 12/31/23)
4/7/2003	0.70%	\$18.0B
<b>Objective</b>	The iShares MSCI Emerging Markets ETF seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities. The index is reviewed quarterly, by the provider, and rebalanced semiannually. The Fund generally invests at least 90% of its assets in the securities of its Underlying Index and in depositary receipts representing securities in its Underlying Index. BFA will waive portfolio management fees in an amount equal to the portfolio management fees of such other iShares funds for any portion of the Fund's assets invested in shares of such other funds. The Fund invests all of its assets that are invested in India through a wholly owned subsidiary located in the Republic of Mauritius (the "Subsidiary"). During the most recent fiscal year, the Fund's portfolio turnover rate was 9% of the average value of its portfolio. For this Fund, the number of ETF Shares in a creation unit is 450,000.	
<b>Principal Risks</b>	International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.	

iShares Core MSCI Emerging Markets Fund (IEMG)		
Inception Date	Expense Ratio	AUM (as of 12/31/23)
10/18/2012	0.09%	\$75.5B
<b>Objective</b>	The iShares Core MSCI Emerging Markets Fund (IEMG) seeks to track the investment results of the MSCI Emerging Markets Investable Market Index, which measures the performance of large-, mid- and small-cap equity market across 24 global emerging markets, consisting of 2,610 constituents as of 12/31/23. The index is reviewed quarterly, by the provider, and rebalanced semiannually. The Fund generally will invest at least 90% of its assets in the component securities of the Underlying Index and in investments that have economic characteristics that are substantially identical to the component securities of the Underlying Index. The Fund invests all of its assets that are invested in India through a wholly owned subsidiary located in the Republic of Mauritius (the "Subsidiary"). During the most recent fiscal year, the Fund's portfolio turnover rate was 9% of the average value of its portfolio. For this Fund, the number of ETF Shares in a Creation Unit is 600,000. iShares Funds are distributed by BlackRock Investments, LLC. For a prospectus go to <a href="https://www.ishares.com">ishares.com</a> .	
<b>Principal Risks</b>	International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.	

Vanguard FTSE Emerging Markets Fund (VWO)		
Inception Date	Expense Ratio	AUM (as of 12/31/23)
10/18/2012	0.09%	\$75.5B
<b>Objective</b>	The Vanguard FTSE Emerging Markets Fund (VWO) tracks the FTSE Emerging Markets All Cap China A Inclusion Index, a market-capitalization-weighted index that is made up of approximately 4,439 constituents as of 12/31/23, and is rebalanced semi-annually. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the Index in terms of key characteristics. During the most recent fiscal year, the Fund's portfolio turnover rate was 9% of the average value of its portfolio. For this Fund, the number of ETF Shares in a Creation Unit is 200,000. Vanguard Funds are distributed by Vanguard Marketing Corporation.	
<b>Principal Risks</b>	The chance the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, tax, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.	

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