

Actively Capitalizing on the Opportunity of Emerging Fixed Income

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Fixed income returns are increasingly driven by capital appreciation rather than just interest income. In our view, investors seeking higher potential total returns, or simply more complete diversification, should consider looking beyond the developed world to emerging markets for a portion of their fixed income allocations. We believe lower levels of debt as a percentage of gross domestic product (GDP) and better demographics are just two of the many compelling reasons to invest in emerging market debt. But regardless of why you're focusing on them, we believe investors in these markets will be better served by an active approach to fixed income that focuses on prudent risk management. Emerging markets are, by definition, a dynamic and constantly evolving collection of potential opportunities. In our view, with so much constant change, a flexible, active approach may offer greater potential to capitalize on the opportunities available in these markets. WisdomTree believes there are at least two approaches that can add value over time: structured active and traditional active. • Structured active is a multi-tiered approach that combines a disciplined investment framework (which focuses on fundamentals and weights toward countries keeping their economic house in order) with active monitoring for risk management. WisdomTree currently uses this type of strategy for its local debt funds. • Traditional active is what most investors think of when selecting an active fund manager. In fixed income, we believe it is important to select an active manager with experience navigating through credit and interest rate cycles. This is a primary reason why we chose to partner with Western Asset Management ("Western") for our corporate bond strategies. Active management allows Western to help capture potential opportunities and avoid the potential pitfalls of the global fixed income markets. Their investment process is particularly important when investing in emerging market corporate bonds. We believe in the importance of a disciplined, active approach to emerging market fixed income. When you combine that with the benefits of the exchange-traded fund structure, we believe it could be a win-win for investors. *To learn more about WisdomTree Fixed Income family, [click here](#).*

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