

Shareholder Distribution Yields in Japan on the Rise

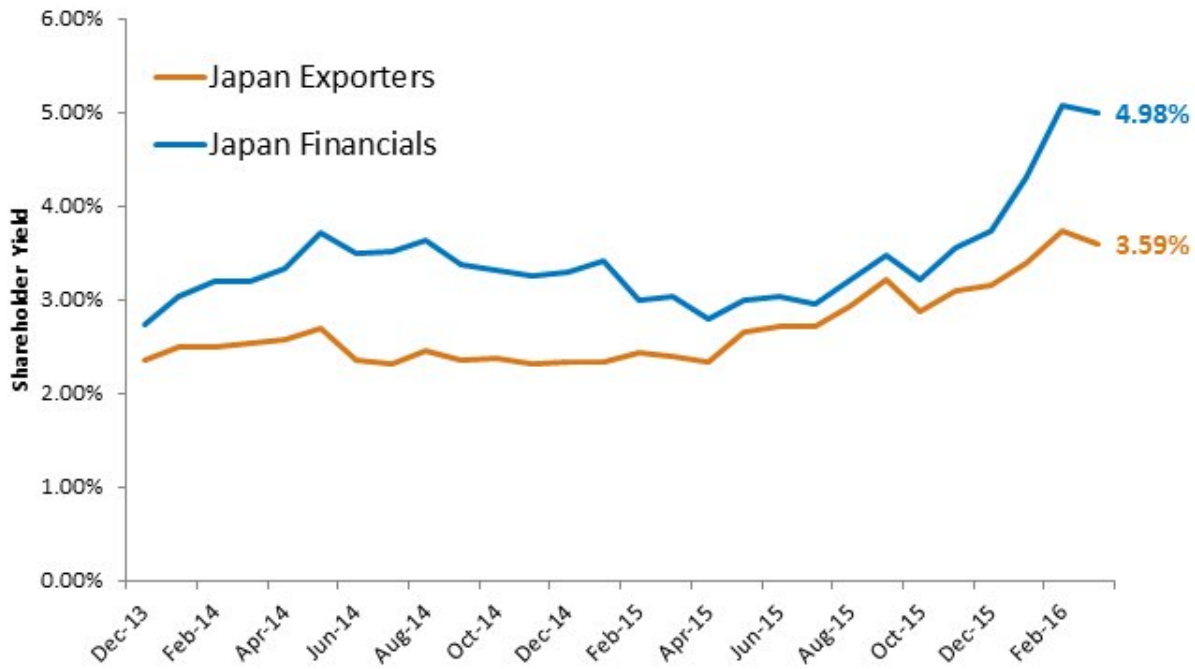
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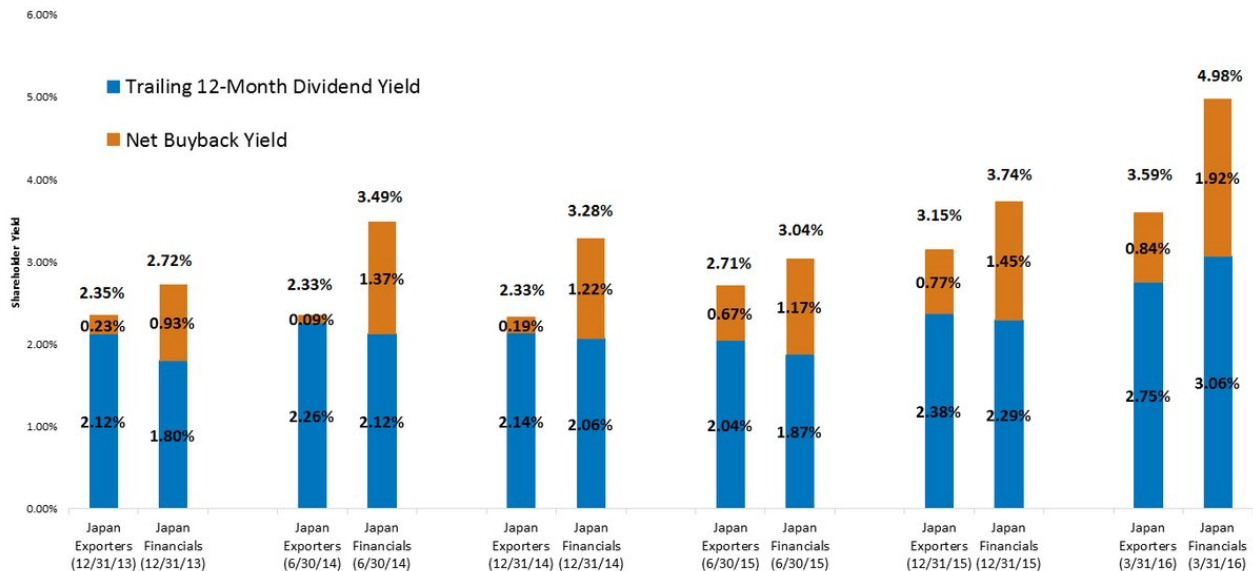
Japan has been one of the hardest-hit markets in 2016. The Bank of Japan's (BOJ) experiment with a negative interest rate policy (NIRP) has led to questions about the efficacy of monetary policy globally and the yen has strengthened considerably, further weakening sentiment vis-à-vis Japan. Our Japan team still believes Japan remains one of the more attractive long-term opportunities from a market valuation perspective—and [we expect further support from policy makers on both the fiscal and the monetary policy front](#). In addition to the expected policy accommodations, a key story underpinning our Japan thesis is that corporate Japan remains committed to growing capital distributions to shareholders in the form of dividends and share buybacks. The government initiative to make Japan more globally competitive from a corporate profitability perspective has managers doing a better job of managing the cash on their balance sheets. The segment of the market where sentiment turned most negative on Japan—and which interestingly has been conducting the most stock buybacks—are Japanese financials¹. Whereas our Japanese exporter basket², which tends to include some of the better run and more profitable ventures in Japan, has a net buyback yield of 0.84% as of March 31, 2016 (up approximately fourfold since earlier in 2013 and 2014), Japanese financials have seen their net buyback yields grow to approximately 2%, a doubling of the net buyback yield from the end of 2013. The dividend yield for Japanese financials has also grown from 1.8% at the end of 2013 to over 3% at the end of March 2016. This combined dividend and buyback yield of close to 5% for Japanese financials makes them some of the most attractively priced global financial stocks around. The shareholder yields for developed international financials and U.S. financials were 4.58% and 4.15%, respectively.³ Jesper Koll and I have discussed the pessimism surrounding Japanese financials on the back of negative interest rates, and Jesper believes these companies are not going to be hurt by negative interest rates as much as the price declines imply. We believe the Japanese exporters are also likely to benefit from the renewed focus on fiscal support and coordination that Japanese prime minister Shinzo Abe is working to achieve. Japanese exporters, based on very reasonable relative valuations and continued growth in shareholder distributions, are a relatively low-priced way to access global growth.

Shareholder Yield



Sources: WisdomTree, FactSet, 12/31/13–3/31/16. "Japan Financials" refers to the WisdomTree Japan Hedged Financials Index. "Japan Exporters" refers to the WisdomTree Japan Hedged Equity Index. Past performance is not indicative of future results. You cannot invest directly in an index.

Shareholder Yield Decomposition: Dividends Plus Buybacks



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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.

WisdomTree has been providing tools to access broad Japanese markets for the past decade. A little over five years ago, we enhanced our approach to Japan by providing access vehicles that were first to hedge the currency risk⁴. More recently, around the start of Abenomics, WisdomTree provided a way to focus on exporters while also hedging the currency risk—through the [WisdomTree Japan Hedged Equity Fund \(DXJ\)](#). About two years ago, WisdomTree expanded its Japanese toolkit even further by providing more precise exposure through five sector-focused Funds, one being the [WisdomTree Japan Hedged Financials Fund \(DXJF\)](#). Investors looking for a relatively low-priced⁵ way to access global growth should consider DXJ, and investors wanting to take a more precise and contrarian view should consider DXJF. 1“Japanese financials” refers to the [WisdomTree Japan Hedged Financials Index](#). 2“Japanese exporters” refers to the [WisdomTree Japan Hedged Equity Index](#). 3Sources: WisdomTree, FactSet, as of 3/31/16. 4Refers to the WisdomTree Japan Hedged Equity Fund, the first U.S.-listed, currency-hedged and Japan-focused ETF. 5Based on P/E ratio.

Important Risks Related to this Article

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. The Funds focus their investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance.

Funds focusing their investments on certain sectors and/or smaller companies increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility.

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Due to the investment strategy of these Funds, they may make higher capital gain distributions than other ETFs. Please read each Fund's prospectus for specific details regarding each Fund's risk profile.