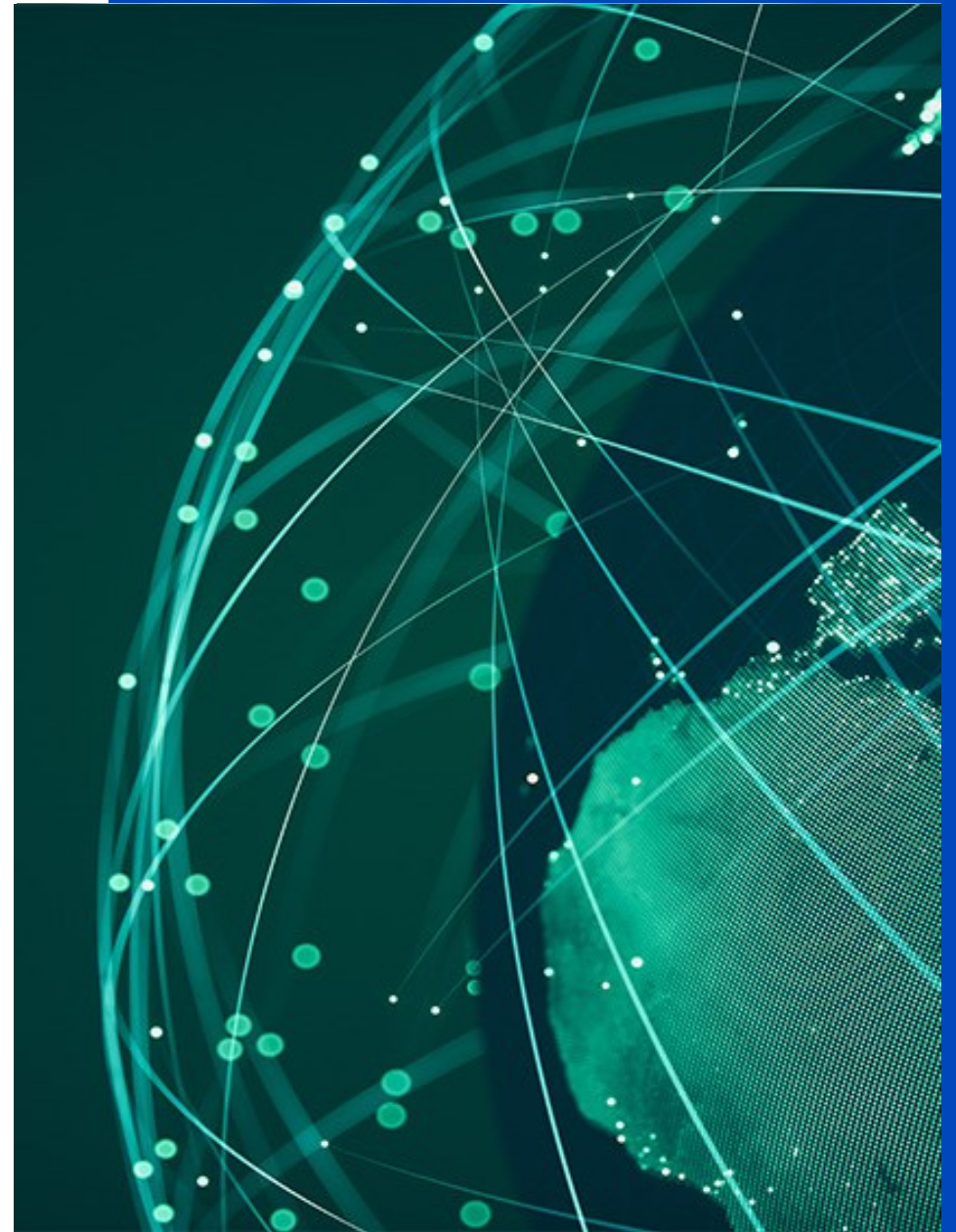




March 2026

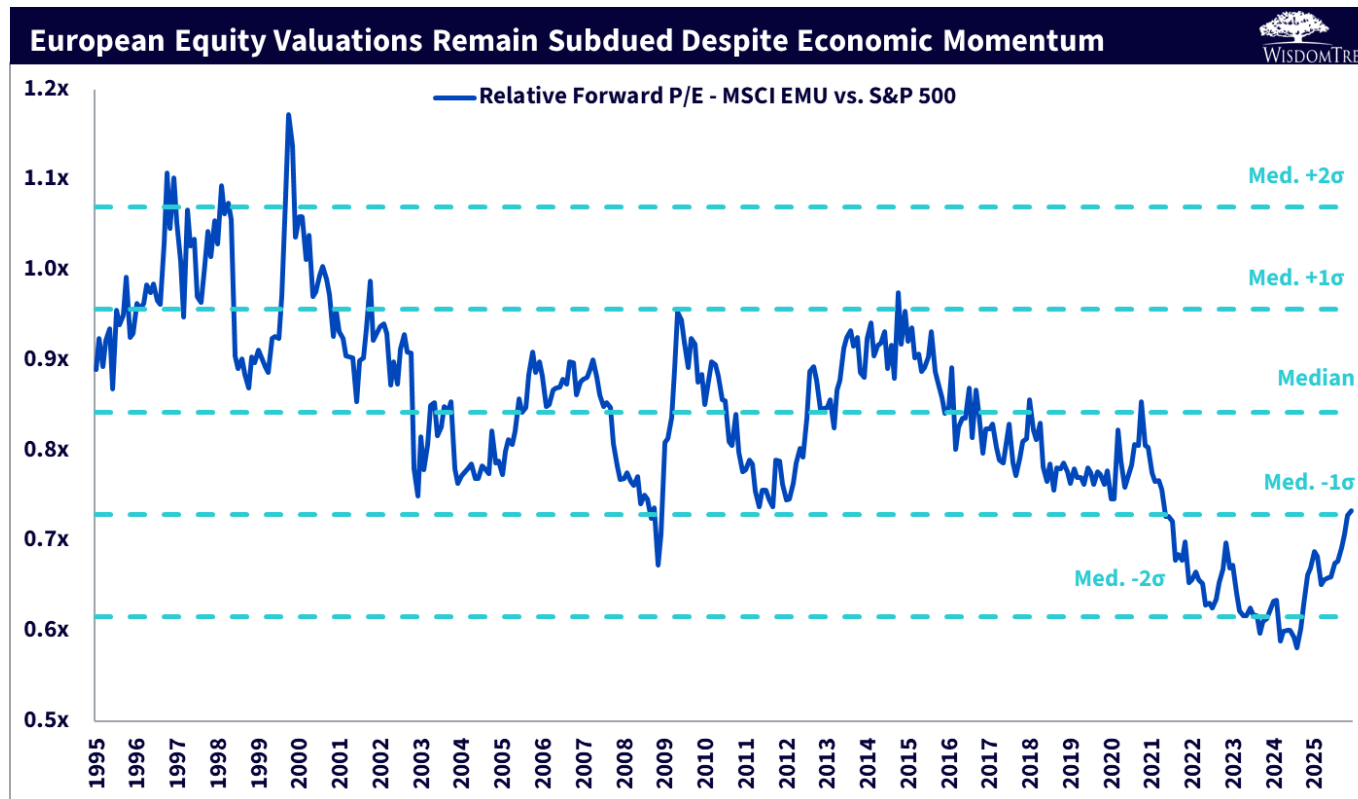
# Managing Currency Exposure in International Investments (HEDJ)



# Building a Bull Case for the Eurozone: **Valuations**



- + European equity valuations still do not fully reflect the momentum from the economic recovery.
- + While U.S. equity multiples remain elevated, Europe's forward price-to-earnings (P/E) ratio relative to the S&P 500 remains one standard deviation below its historical median.

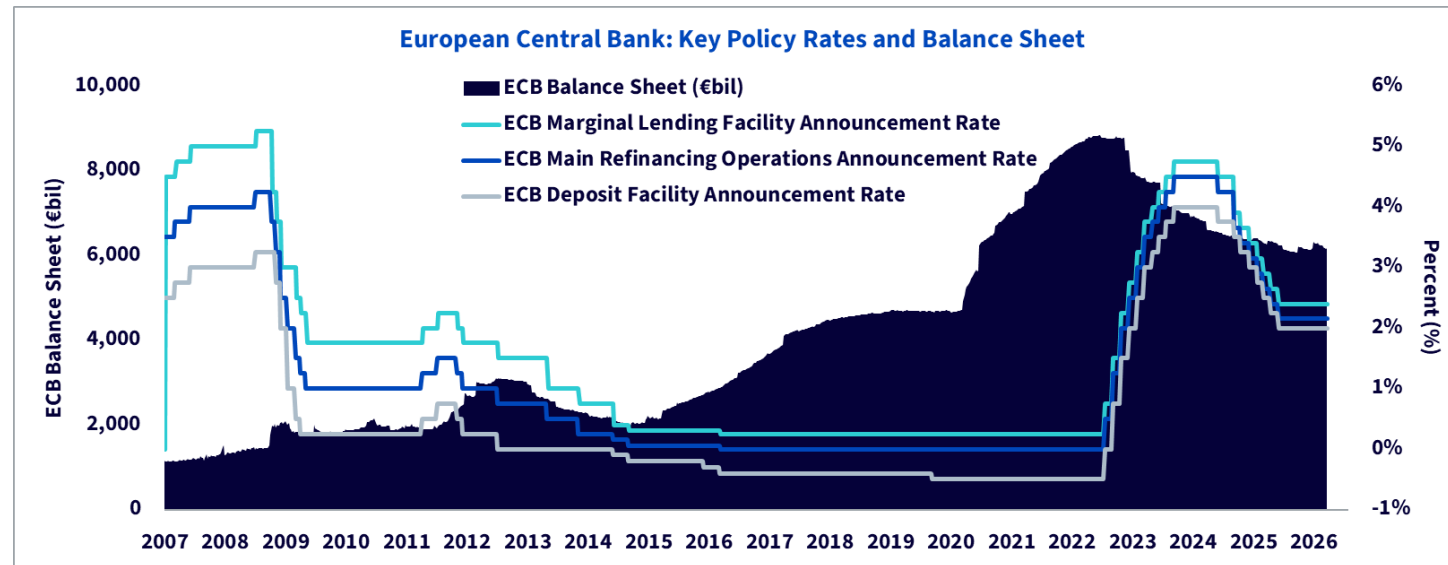


Source: WisdomTree, FactSet, MSCI as of 3/31/2026. You cannot invest directly in an index.

# Building a Bull Case for the Eurozone: **ECB Focused on Economic Growth**



- + The members of the ECB Governing Council are now fairly confident that the inflation target will be achieved in the foreseeable future.
- + The interest rate cut cycle is likely expected to pause, based on interest rate market pricing activity. The key interest rate would then be at the lower end of the range in which the ECB sees the neutral rate.
- + The euro remained resilient amid the ECB and individual governments utilizing the monetary and budgetary toolkits. Fiscal policy will be important for stimulating and sustaining economic growth.

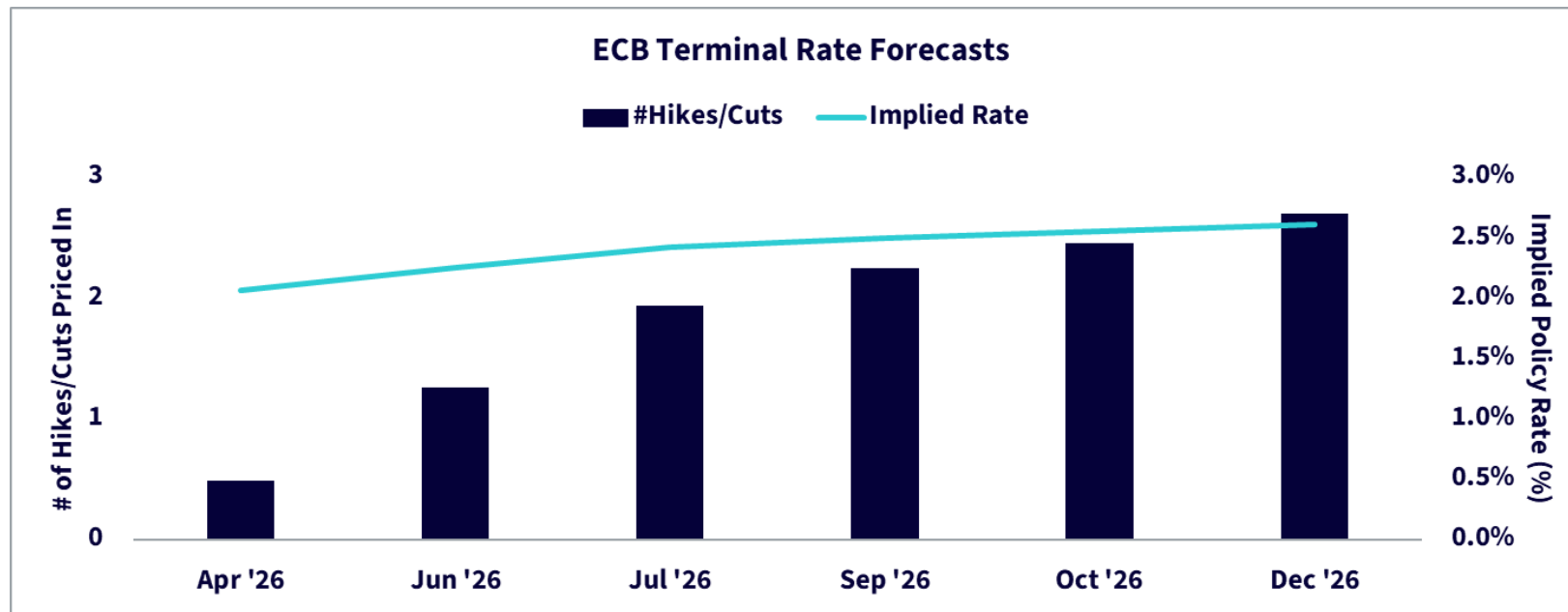


Source: WisdomTree, Bloomberg as of 3/31/2026. Forecasts are not an indicator of future performance.

# Building a Bull Case for the Eurozone: **Europe Trending Toward Rebound**



- + Though the ECB may be forced to raise rates to combat the inflationary pressures stemming from oil price spikes amid the ongoing conflict in the Middle East, **an economic expansion is still expected.**
- + The recently-approved fiscal package in Germany should accelerate the stagnant economic growth environment.
- + Credit demand remains strong. The European Central Bank's (ECB) 4Q'25 Bank Lending Survey revealed further demand among enterprises, and especially for housing among consumers. In aggregate, lending standards in the euro area only slightly tightened.



Source: Bloomberg, WisdomTree, as of 3/31/2026. ECB Survey data as of 12/31/2025. Forecasts are not an indicator of future performance.

# Understanding Currency's Role in International Equity Returns



+ Without hedging currency exposure, its effect on investment returns can be summarized as:

## Returns from International Investments

**Local Market  
Equity Return**

+

**Currency  
Return**

=

**Investor's  
Return in USD**



**International investments introduce an additional, uncertain influence on portfolio returns. Dollar strength would hurt performance, while USD weakness would aid it.**

# Overview: Why Currency-Hedge International Equity Exposure?



## + Three Myths of Currency-Hedging:

**Fiction:** “Currency-Hedging is Expensive to Implement.”

**Fact:** Based on prevailing interest rate differentials, investors are **paid** (via positive cost of carry) to hedge. Likewise, forward contracts on the yen (JPY), euro (EUR), and pound (GBP) versus the dollar are among the most liquid in the world and command narrow bid/ask spreads.

**Fiction:** “Currency exposure is a wash in the long run.”

**Fact:** Over the short-term, currency changes can be highly uncertain and volatile. There is no expected return model that says a currency like the euro should always appreciate versus the dollar, but most of time currency volatility adds extra risk to international investments.

**Fiction:** “Having protection from a weakening U.S. dollar is a useful diversifier.”

**Fact:** U.S. equities have an embedded weak dollar bias due to earnings from overseas, and unhedged currency exposure compounds this. Hedging has better diversification potential during periods when the dollar is negatively correlated to U.S. equity markets (i.e., today).

# Fiction: “Currency-Hedging is Expensive to Implement.”



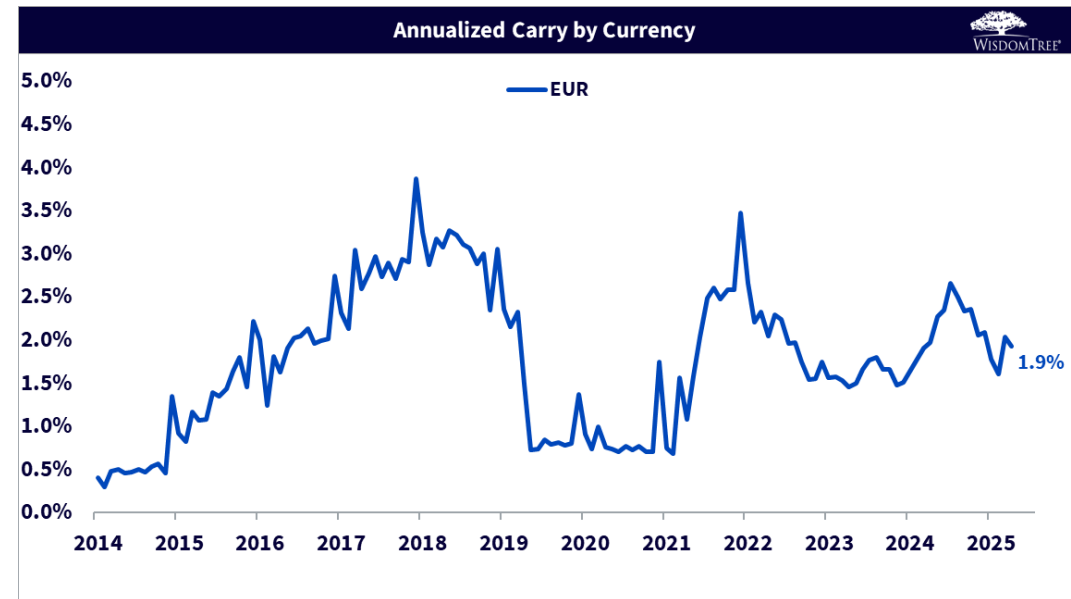
**Fact:** Based on prevailing 1-month interest rate differentials between the U.S. and the foreign market, investors are **paid** (via positive cost of carry) to hedge.

**Carry** involves borrowing in one currency that requires a low interest rate payment and investing the proceeds in a currency earning a higher interest rate to earn the differential.

Forward contracts on the yen (JPY) and euro (EUR) versus the dollar are among the most liquid in the world and command narrow bid/ask spreads.

Carry for the EAFE FX basket climbed during the Federal Reserve’s 2022 rate hike campaign and remains elevated in the “higher-for-longer” policy rate environment.

Today, the annualized carry rate remains about 1% higher than its recent average.

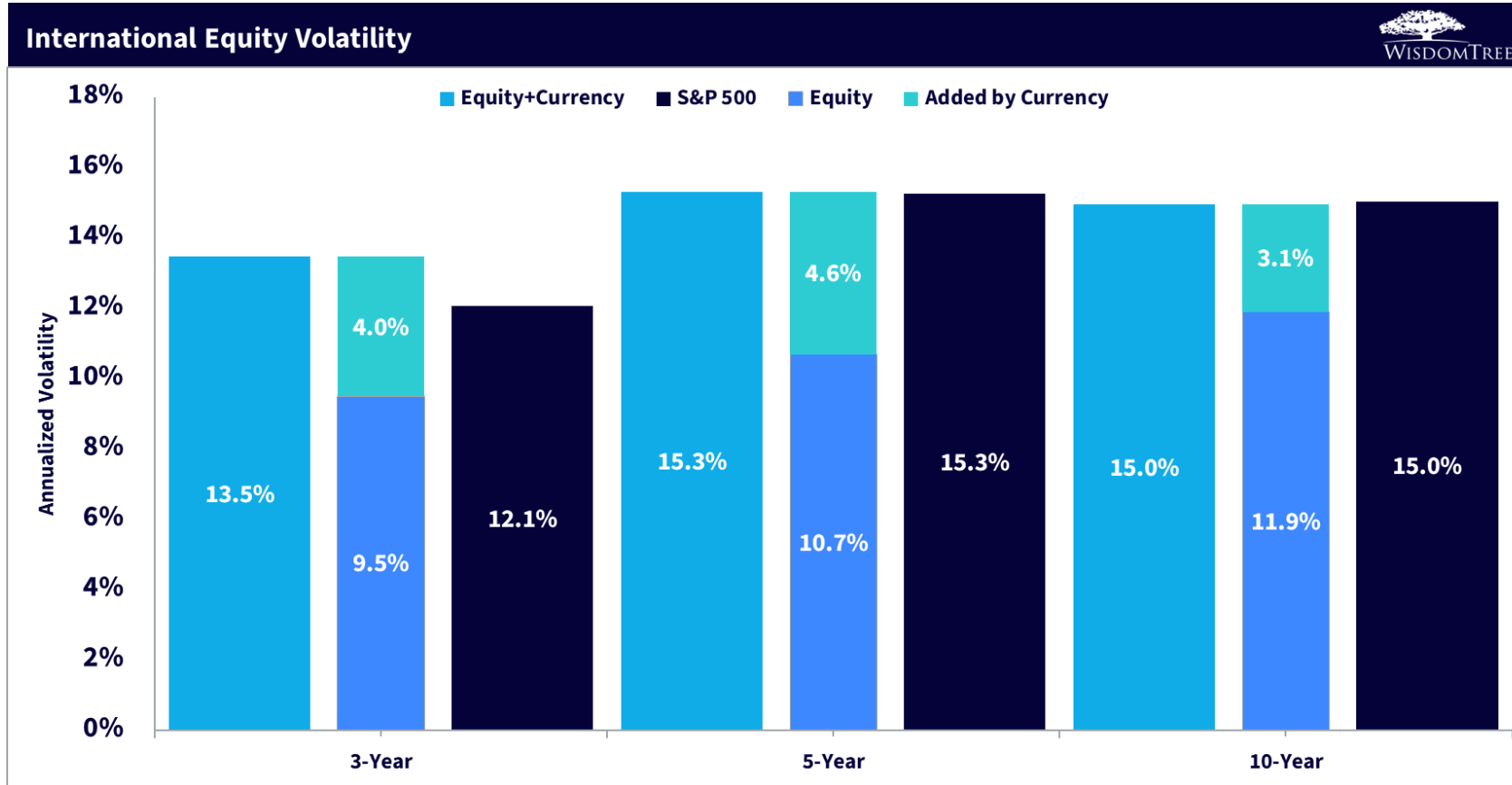


Source: WisdomTree, MSCI as of 3/31/2026. Carry measures the interest rate differential between the US dollar and foreign currencies embedded in the difference in spot and forward FX rates. Carry by currency beginning on 12/31/14. You cannot invest directly in an index.

# Fiction: “Currency Exposure is a Wash in the Long Run.”



**Fact:** Currency adds substantial volatility to international equities. Local stock markets consistently have lower risk than the S&P 500.



Source: WisdomTree, MSCI, S&P as of 3/31/2026. Equity+Currency represented by the net returns of the MSCI EAFE (USD) Index. Equity represented by the net returns of the MSCI EAFE (Local) Index. Currency represented by the difference between the net returns of the MSCI EAFE (USD) and MSCI EAFE (Local) indexes. Past performance is not indicative of future results. You cannot invest directly in an index.

## Fiction: “Currency Exposure is a Wash in the Long Run.”



**Fact:** Over the long-term, currency returns are negligible. Over the short-term, they’re highly uncertain. The only certainty, however, is additional volatility.

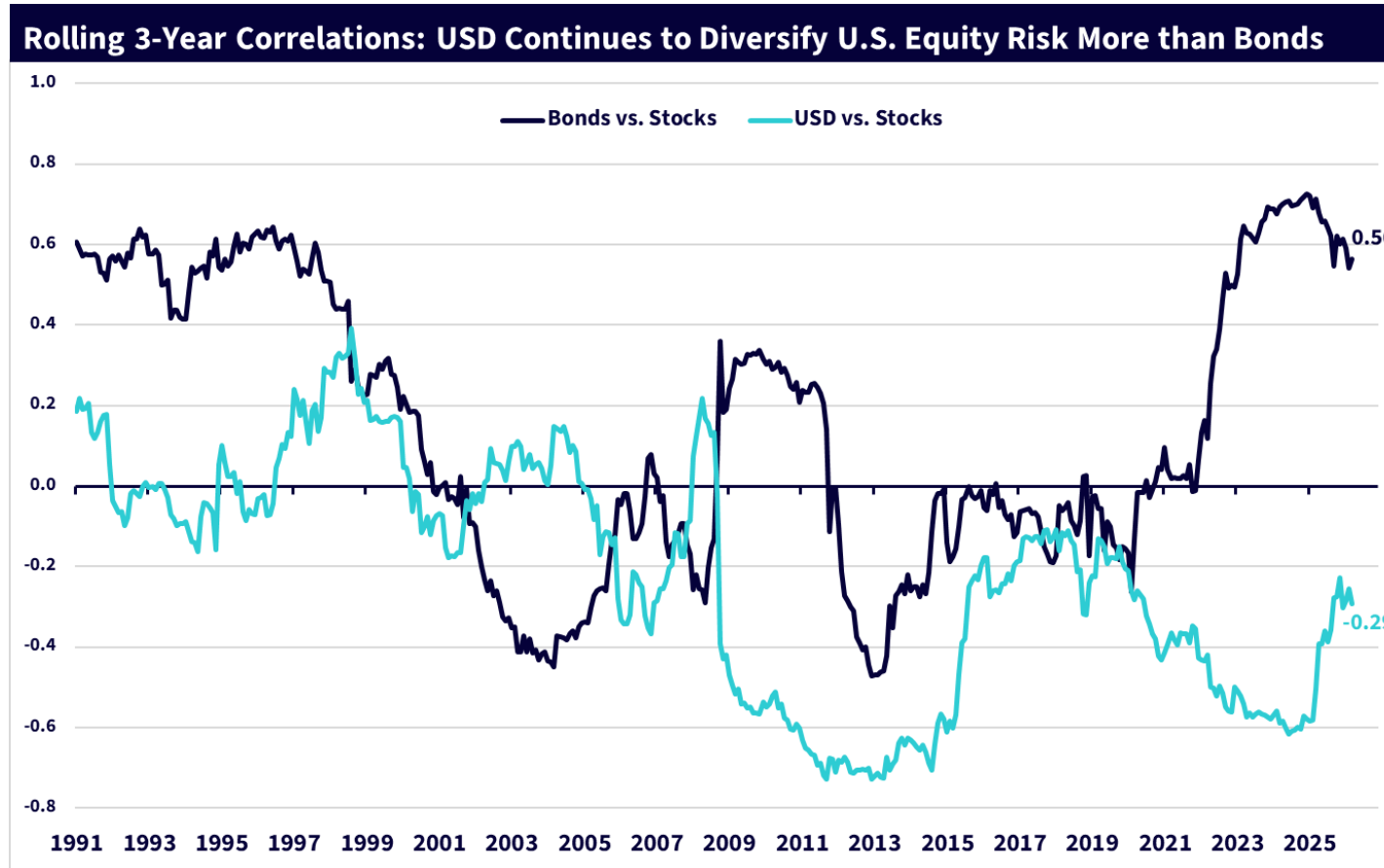
Period	Annualized Returns			Annualized Volatility			Incremental Volatility (in Std. Dev.)	Incremental Volatility (% Increase)
	Equity + Currency	Equity Only	FX	Equity + Currency	Equity Only	FX		
3-Year	13.6%	13.2%	0.4%	13.5%	9.5%	7.2%	+4%	<b>41.7%</b>
5-Year	7.9%	9.9%	-2.0%	15.3%	10.7%	7.4%	+4.6%	<b>43.2%</b>
10-Year	8.4%	9.3%	-1.0%	15.0%	11.9%	6.5%	+3.1%	<b>25.9%</b>
15-Year	6.3%	8.3%	-2.0%	15.1%	12.1%	6.5%	+3%	<b>25.1%</b>
2/28/06 - 3/31/26	5.2%	5.6%	-0.5%	16.8%	13.5%	7.1%	+3.3%	<b>24.7%</b>

Source: WisdomTree, MSCI, S&P as of 3/31/2026. Equity+Currency represented by the net returns of the MSCI EAFE (USD) Index. Equity represented by the net returns of the MSCI EAFE (Local) Index. Currency represented by the difference between the net returns of the MSCI EAFE (USD) and MSCI EAFE (Local) indexes. Past performance is not indicative of future results. You cannot invest directly in an index.

# Fiction: “Currency Exposure is a Diversifier for U.S. Investors.”



**Fact:** Today, the dollar has a strong negative correlation to U.S. stocks and offers better diversification potential than bonds, which have seen a positive spike in correlations to stocks due to inflation concerns.

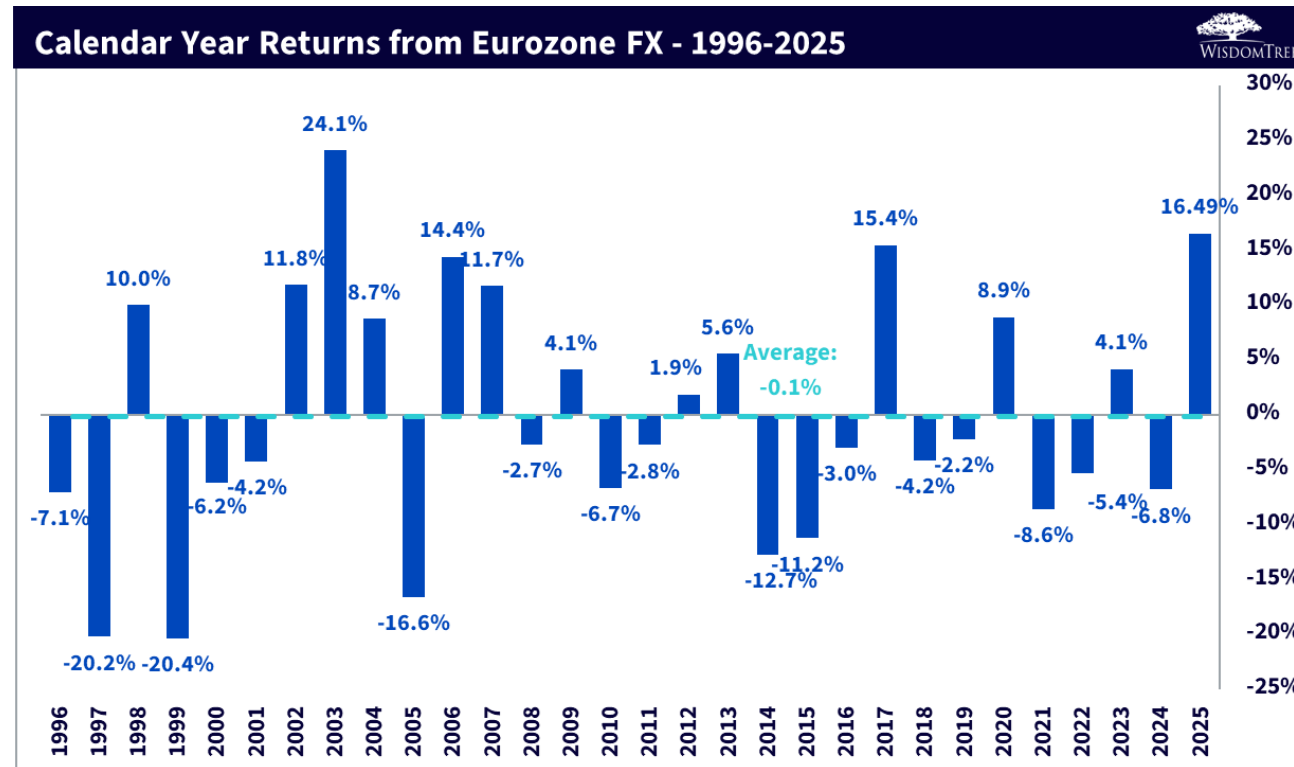


Source: WisdomTree, S&P, FactSet as of 3/31/2026. Stocks represented by the S&P 500 Index. USD represented by the Bloomberg U.S. Dollar Total Return Index. Bonds represented by the Bloomberg U.S. Aggregate Bond Index. You cannot invest directly in an index.

# How Have Foreign Currencies Performed Against the U.S. Dollar?



- + Currency exposure has historically been a coin flip for returns.
- + Over the past 30 calendar years, the Europe Economic and Monetary Union Index currency basket produced positive returns against the dollar **only 43%** of the time.



Source: WisdomTree, MSCI as of 12/31/2025. Currency performance represents the difference in net returns for the MSCI Europe Economic and Monetary Union Index (EMU) (USD) and MSCI Europe Economic and Monetary Union Index (Local) indexes. Past performance is not indicative of future results. You cannot invest directly in an index.

# Understanding Currency's Role in International Equity Returns



- + The **International Investor's Paradox**: Most investors want to invest overseas for return potential and portfolio diversification benefits but prefer to avoid the additional volatility associated with FX fluctuations. Is the former possible without the latter?
- + **Solution**: Currency Hedging

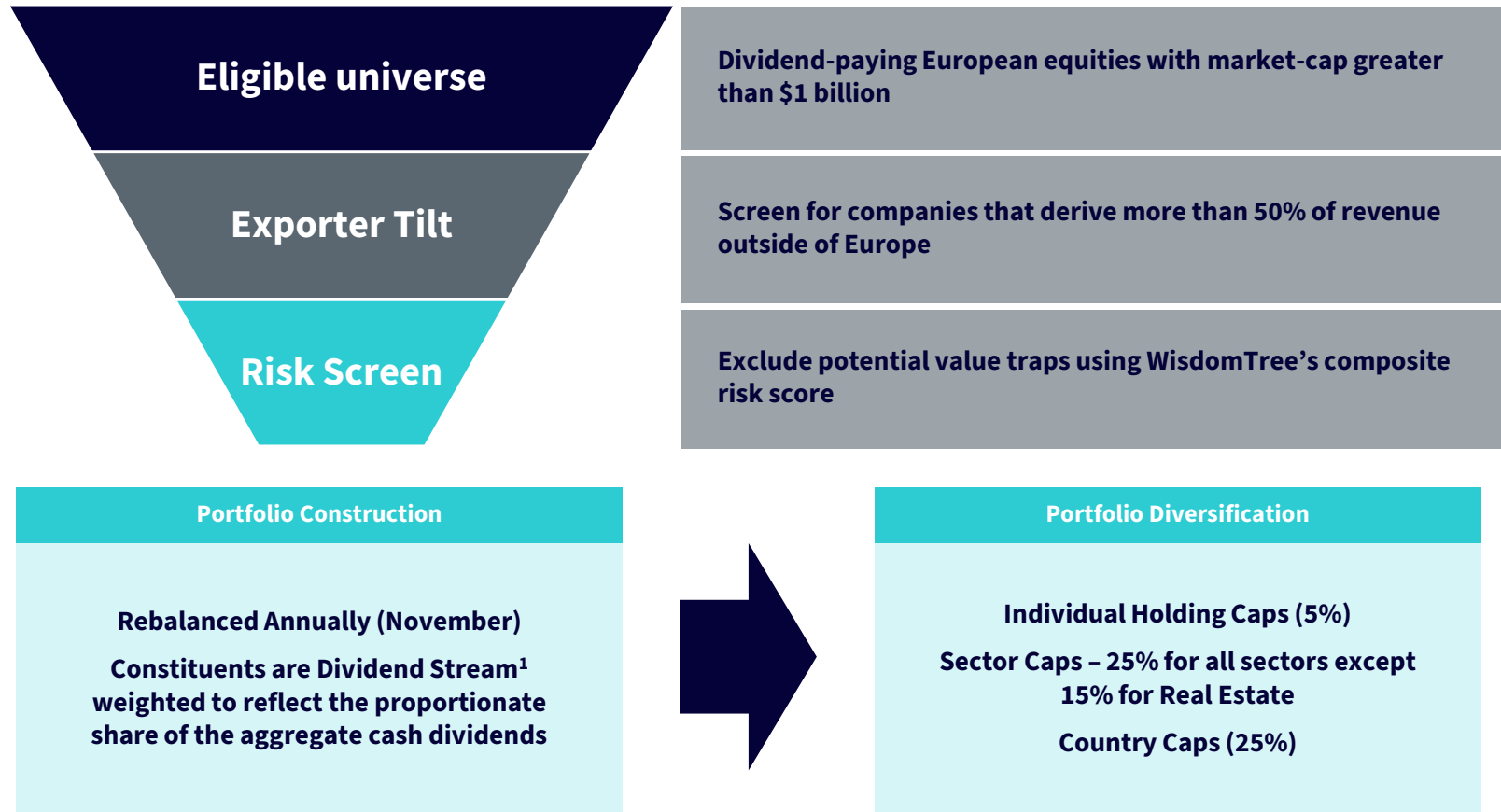
## Deriving Returns from Currency-Hedged International Investments

$$\text{Local Market Equity Return} + \text{Currency Return} - \text{Forward Currency Return} = \text{Local Investor's Return}$$



Forward contracts on currencies can be used to neutralize the effect of FX fluctuations and replicate the local equity market's return.

# Methodology: WisdomTree Europe Hedged Equity Index



<sup>1</sup>Dividend Stream®: refers to the regular dividends per share multiplied by the number of shares outstanding. You cannot invest directly in an index.

# WisdomTree Europe Hedged Equity Fund (HEDJ)



+ HEDJ offers three components that may benefit in the prevailing market environment:

- 1. Allocates to exporters** to access an important engine of the Eurozone economy and provide global revenue diversification amid a weaker and rangebound euro
- 2. Dividend-weighted** to capture Europe's preference for dividends as a driver of shareholder return
- 3. Euro-hedged** to compound benefits from export-oriented equity basket and potentially insulate additional volatility

Fundamentals as of 3/31/2026									
Fund/Index	Overall Morningstar Rating	Dividend Yield	Price-to-Earnings (P/E)	Est. P/E	Price-to-Book (P/B)	Return-on-Equity (ROE)	Return-on-Assets (ROA)	Return-on-Sales (ROS)	Leverage
HEDJ	★★★★	2.7%	16.0x	14.5x	2.2x	13.6%	2.4%	11.9%	5.7x
MSCI European Monetary Union (EMU)	--	2.9%	17.1x	14.6x	2.1x	11.7%	1.5%	12.8%	7.9x

Top 10 Holdings	
Name	Weight
Banco Bilbao Vizcaya Argentaria, S.A.	5.8%
ASML Holding NV	5.5%
Deutsche Telekom AG	4.8%
Banco Santander, S.A.	4.8%
Sanofi SA	4.4%
LVMH Moet Hennessy Louis Vuitton SE	4.3%
Siemens Aktiengesellschaft	3.5%
L'Oreal S.A.	3.1%
BASF SE	2.5%
Anheuser-Busch InBev SA/NV	2.4%

Standardized Performance as of 3/31/2026							
Fund/Index	Inception Date	Gross Expense Ratio	SEC 30-Day Yield	Annualized Performance			
				1-Year	3-Year	5-Year	10-Year
HEDJ (NAV)	12/31/2009	0.58%	2.09%	11.59%	11.08%	10.20%	9.89%
HEDJ (MKT)				12.59%	11.57%	10.48%	10.09%
MSCI European Monetary Union (EMU) (Local)	--	--	--	12.31%	11.86%	9.03%	8.64%

Source: WisdomTree, FactSet as of 3/31/2026. Morningstar rating is based on risk-adjusted returns among the 67 funds in the Europe Stock category as of 2/28/2026. For complete disclosures and methodology pertaining to Morningstar Ratings™, please see the Important Information on slide 17. You cannot invest directly in an index. SEC 30-Day Yield: The yield figure reflects the dividends and interest earned during the period, after deduction of the Fund's expenses. This is also referred to as the "standardized yield." **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](http://wisdomtree.com/investments).**

# Mechanics of Currency-Hedging using Forward FX Contracts



- + Establish **short positions** in 1-month forward contracts versus USD (to offset existing long positions from international equity investments)
  - + Non-deliverable forwards (NDFs) are rebalanced monthly, such that notional principal equals total assets
  - + Currency hedges can be adjusted intra-month to accommodate ETF creations and redemptions
- + Tax Implications:
  - + If gains arise from FX hedging, they are taxed as 60% long-term capital gains and 40% short-term capital gains
  - + If hedging generates *losses*, they can be carried forward in accordance with Internal Revenue Service (IRS) rules to potentially offset future gains

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