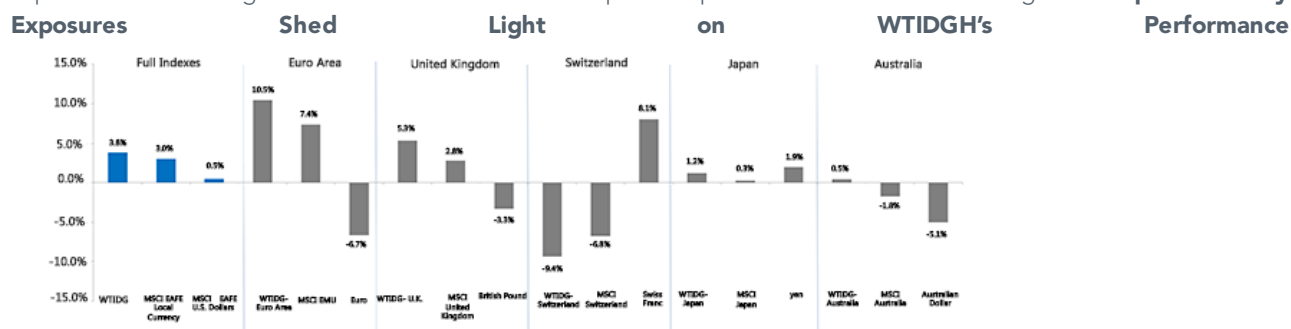


INTERNATIONAL EQUITIES: QUALITY AND GROWTH FACTOR WORKING IN 2015

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We're more than a month into 2015, and there already have been some sharp moves in equity and currency markets. In particular, European Central Bank president Mario Draghi unleashed a widely expected form of [monetary easing](#), which has sent the euro down by almost 7% versus the U.S. dollar, but European stocks are flying higher¹. Meanwhile, U.S. stocks have been more volatile and have shown small declines to start the year.² The change in monetary stimulus around the world is causing rapid adoption of [currency hedged](#) strategies. And [WisdomTree's broad-based International Hedged Dividend Growth Index \(WTIDGH\)](#) is building positive momentum. Here, we examine the top five currency exposures in the hedged WTIDGH to see where this positive performance has been coming from. **Top 5 Currency Exposures**



Source: Bloomberg, with data for period 12/31/14 to 1/31/15. MSCI EMU, MSCI United Kingdom, MSCI Switzerland and MSCI Australia Indexes are measured in local currency terms. The MSCI EAFE Local Currency Index is measured in local currency terms, whereas MSCI EAFE U.S. Dollars represents performance measured in U.S. dollars.

For definitions of indexes in the chart, please visit our [glossary](#).

- **U.S. Dollar Headwind:** Illustrating the importance of currency impact on returns, we note the difference between the [MSCI EAFE Index](#) in local currency and that in U.S. dollars was 2.5%, showing how much of a drag on performance currency has been to U.S. investors in EAFE thus far in 2015.
- **Euro Area (33.5% Average Weight)*:** The dominant theme within the euro area has been Draghi's blockbuster open-ended [quantitative easing](#) program, which has contributed to driving the euro down almost 7% compared to the U.S. dollar. Local equity markets have responded very strongly, but WTIDGH's exposure to the euro area outperformed the [MSCI EMU Index](#) by more than 3%. It's worth noting that WTIDGH's focus on [dividend](#) growers avoids euro-area Financials and Utilities firms.
- **British Pound (19.4% Average Weight)*:** The pound has depreciated 3.3% against the U.S. dollar thus far in 2015. WTIDGH's exposure to United Kingdom equities has outperformed the [MSCI United Kingdom Index](#) by 2.5%.
- **Swiss Franc (12.99% Average Weight)*:** One of the biggest surprises of 2015 has been the action taken by the Swiss National Bank, depegging the Swiss franc from the euro and allowing significant appreciation. Swiss equities have therefore faced significant headwinds, especially the exporters in the Health Care and Industrials sectors where WTIDGH has the bulk of its Swiss equity exposure.
- **Japanese Yen (8.85% Average Weight)*:** With the yen appreciating nearly 2% versus the U.S. dollar, Japanese equities have not had an easy start to the year. However, WTIDGH's focus on potential dividend growers has steered around the Financials sector, which has had some of the worst performance within Japanese equities.
- **Australian Dollar (7.20% Average Weight)*:** The Australian dollar has depreciated more than 5% versus the U.S. dollar during the first month of 2015. WTIDGH's dominant exposure here is to BHP Billiton (3.88% average weight), which was down about 1.2% over the month, but other Australian exposures were able to buoy WTIDGH's

overall Australia performance to about 50 basis points. **Average weight refers to the average weight within WTIDGH from 12/31/14 to 1/31/15. Source for all bullet points is Bloomberg, with data measured from 12/31/14 to 1/31/15.* **One-Third Exposure to the Euro Area** The greater than 33% average exposure to the euro area has made the WisdomTree International Hedged Dividend Growth Index an interesting broad-based international strategy to gain significant exposure to positive equity performance catalyzed by the policies of the European Central Bank. We continue to believe the adoption of currency-hedged strategies are in early days—currency hedging started in Japan in 2013 and continued in the eurozone in late 2014 and early 2015. Broad international regional allocations are a natural frontier for people to expand this approach, and WisdomTree's dividend-focused approach—with screens for quality and growth that the WTIDGH employs for stock selection—makes it an attractive option for developed world exposures.

¹Source: Bloomberg. European stocks represented by the MSCI EMU Index are up more than 7% from 12/31/14 to 1/31/15. ²Source: Bloomberg. U.S. stocks represented by the S&P 500 Index from 12/31/14 to 1/31/15.

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You cannot invest directly in an index.

DEFINITIONS

Monetary easing policies : Actions undertaken by a central bank with the ultimate desired effect of lowering interest rates and stimulating the economy.

Currency hedging : Strategies designed to mitigate the impact of currency performance on investment returns.

MSCI EAFE Index : is a market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan.

Quantitative Easing (QE) : A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

MSCI EMU Index : A free float-adjusted market capitalization-weighted index designed to measure the performance of the markets in the European Monetary Union.

Dividend : A portion of corporate profits paid out to shareholders.

MSCI United Kingdom Index : A market capitalization-weighted index designed to measure the performance of the United Kingdom equity market.