WHY HEDGING THE EURO MIGHT BE A GOOD IDEA

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The sovereign debt crises in Europe and struggling European economies have been hurting equity prices in Europe, but not all companies are impacted in the same fashion. In my opinion, many European companies are very attractive—and the euro weakness over the last 3-4 years has helped them. Consider that: • Many of the world's leading companies are headquartered in Europe—and many have a global revenue base. • As many companies are export driven, they benefit from a weakening euro, which makes their goods more attractive in the global market. In fact, the average returns of the current top 10 European stocks* with a global revenue base were 30.66% since the euro started weakening in April 2008—while the MSCI EMU Local Currency Index has declined nearly 30% in the same period. • I believe the current uncertainty has created attractive buying opportunities, as European equity prices relative to U.S. equity prices are near historic lows.** European risks are currently elevated, but from my perspective, the euro itself may be the most significant risk facing U.S. investors in Europe. While a declining euro can help exporters provide greater local currency returns, it can also eat away at the U.S. dollar returns for investors in the United States. One way to address this problem is to hedge the euro at the portfolio level. That way, investors can benefit from the companies that benefit from a declining currency without any currency drag. WisdomTree Europe Hedged Equity Fund (HEDJ) provides access to leading European exporters (they must derive at least 50% of their revenue from outside Europe), neutralizes exposure to the euro and more. *Read the whole commentary to learn more about why now may be the right time for European equities. Learn more about HEDJ here.* **Take the euro out of Europe (Video)** *As of 7/2/2012; refers to the WisdomTree Europe Hedged Equity Index; Sources: S&P, Bloomberg, WisdomTree. **Source: Bloomberg.

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