GERMANY IS HAVING A MOMENT

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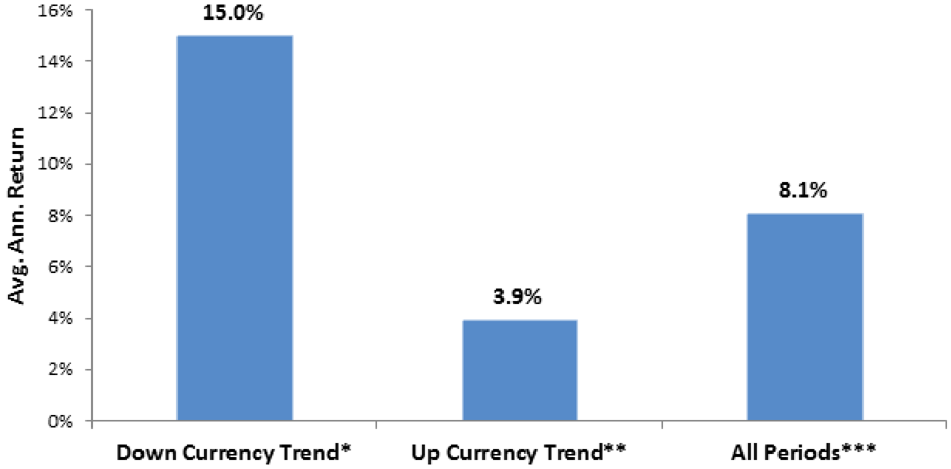
One of the most exciting developments thus far in 2015 has been Mario Draghi's announcement of an open-ended quantitative easing program at the European Central Bank (ECB) to stimulate economic growth and stem deflationary risk to the eurozone. While it may take time to fully assess the efficacy of this policy, we think that the impact of a weaker euro may be more immediately visible. Where might this be most evident? We've got our eyes on Germany. **2015: The Year to Own German Equities?** Exports are an important part of Germany's economy, and as a result, a weaker euro should have a strong impact on the region. In the chart below, we take a historical look at how currency has impacted bottom-line performance in the German equity market. During a period of more than 45 years, investors saw a clear advantage to owning German equities during periods of currency depreciation. While the past can't guarantee the future, the trend is compelling. **MSCI Germany Index in Local Currency (12/31/1969?1/31/2015)**



Sources: WisdomTree, Bloomberg
*Down currency trend: Refers to the average annual return of the MSCI Germany Local Currency Index during periods where the German currency was in a sustained downward trend compared to the U.S. dollar.
**Up currency trend: Refers to the average annual return of the MSCI Germany Local Currency Index during periods where the German currency was in a sustained upward trend compared to the U.S. dollar.
***All periods: Refers to the average annual return of the MSCI Germany Local Currency Index, 12/31/69–1/31/15.
Past performance is not indicative of future results. You cannot invest directly in an index.

Zooming in on Currency Trend Periods For the period we were able to study, there were six overall currency trends—three characterized by a stronger German currency and three characterized by a weaker one, all measured relative to the U.S. dollar. Two out of the three weaker German currency trends were characterized by double-digit equity market

Currency Trend Periods	Currency Trends	Average Annual Return for German Currency	Average Annual Return for Local Equity Market
12/31/69-12/31/79	Stronger German Currency	7.8%	2.2%
12/31/79-02/28/85	**Weaker German Currency**	**-11.3%**	**14.7%**
02/28/85-03/31/95	Stronger German Currency	9.2%	8.9%
03/31/95-10/31/00	**Weaker German Currency**	**-9.0%**	**25.6%**
10/31/00-03/31/08	Stronger German Currency	8.8%	-0.3%
03/31/08-01/30/15	**Weaker German Currency**	**-4.8%**	**7.0%**
Entire Period		**1.8%**	**8.1%**

Sources: WisdomTree, Bloomberg

Past performance is not indicative of future results.

returns. **Fine-Tuning the Focus on German Exporters** While the MSCI Germany Index has a long available history, it does not focus solely on German exporters or tilt away from purely domestic revenue generators. However, on May 1, 2013, WisdomTree launched its Germany Hedged Equity Index (German Exporters)—an Index requiring that all constituents generate less than 80% of their revenues from sources in Germany. Only two currency trends in the euro are available for examination from the inception date to February 6, 2015. • **Euro Strength, May 1, 2013?May 6, 2014:** This period saw the euro move from about $1.32 to $1.39. German exports were up 19.9%, while the MSCI Germany Index in local currency was up 18.8%. Of course, those measuring the performance of the MSCI Germany Index in U.S. dollars would have benefitted from the appreciation of the euro and been up almost 26% cumulatively over the same period.[1] • **Euro Weakness, May 6, 2014?February 6, 2015:** This period saw the euro move from about $1.39 to about $1.13—a depreciation of nearly 19%. German exports were up 15.0%, while the MSCI Germany Index in local currency was up 14.9%?thus offering very similar returns. The real key was in not layering on the additional exposure of the euro, which drove down the returns of the MSCI Germany Index in U.S. dollars to -6.4% cumulatively over the same period.[2] We encourage investors not to forget about Germany, especially if they believe that Mario Draghi's program of quantitative easing has the potential to cause a further trend of euro weakness.

[1]Source: Bloomberg. [2]Source: Bloomberg.

Important Risks Related to this Article

Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. Investments focused in Germany are increasing the impact of events and developments associated with the region, which can adversely affect performance.

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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.

Deflation : The opposite of inflation, characterized by falling price levels.

Eurozone (EZ) : Consists of the following 18 countries that have adopted the euro as their currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain (source: European Central Bank, 2014).

MSCI Germany Index : Index weighted by float-adjusted market capitalization designed to measure the performance of the German equity market.