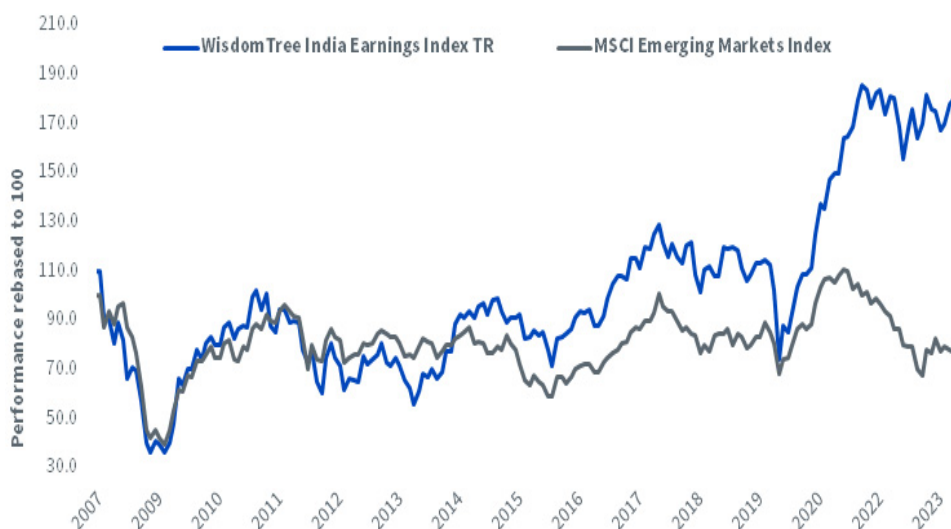


INDIA POISED TO SUSTAIN GROWTH DESPITE THE GLOBAL SLOWDOWN

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Indian equities¹ are on a tear this year, outperforming the [MSCI Emerging Markets Index](#) by 6.2%. India has had a number of obstacles thrown at it—from the COVID-19 pandemic in 2021 to the Adani case raised by Hindenburg in 2023—yet improving corporate fundamentals have helped the economy power ahead. India is not just the world’s fifth-largest economy; it is also home to the world’s fifth-largest stock market. India’s stock market has surged more than 14% in the past three months, aided by strong net inflows of US\$9.4Bn by foreign investors.²

India's Outperformance vs. Emerging Markets



Sources: Bloomberg, WisdomTree, as of 6/30/23. Past performance is not indicative of future results. You cannot invest directly in an index.

India in an Advantageous Position Owing to Robust Domestic Demand

Clearly, what is working for India is the strength of its domestic demand. Post-pandemic quarterly trajectories of consumption and investment have already crossed their pre-pandemic paths.³ However, net exports still have some ground to cover as external demand remains weak. We believe when external demand begins to turn around, the pre- and post-pandemic trajectories of real [GDP](#) will also converge.

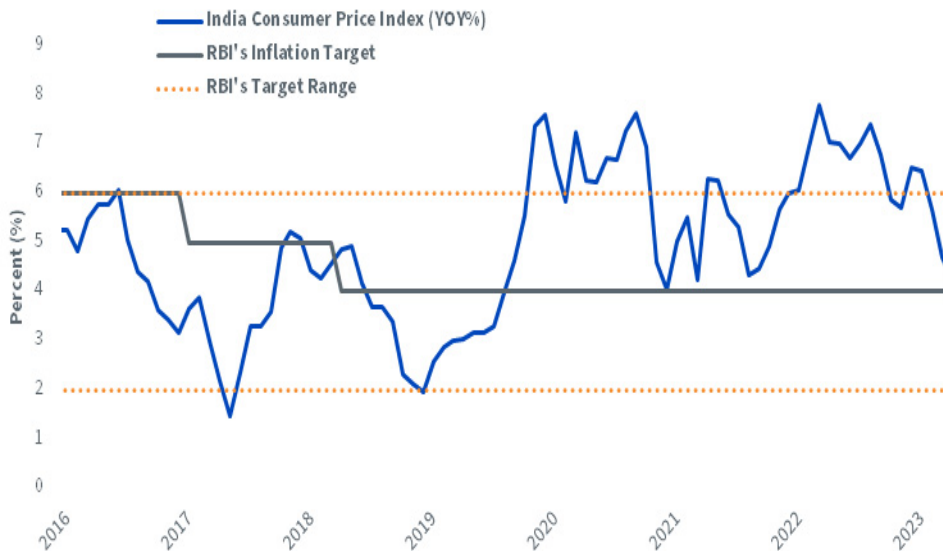
GDP growth in Q4 (ending March 2023) the full 2022–23 fiscal was ahead of expectations at 6.1% year over year (YOY), led by strong construction and financial services momentum. The economic recovery drove a pickup in credit growth in FY23. India’s purchasing managers’ indexes for manufacturing and services continue to remain in expansionary mode, well ahead of peers. While growth is likely to moderate in the coming quarters from the fading re-opening gains, India is less vulnerable to slowing global demand as exports currently make up less than a quarter of GDP. The decline in global

oil and commodity prices since their 2022 peaks has eased pressure on India's current account (CA) balance and [inflation](#).

The End of Monetary Tightening in Sight as Inflation Moderates

Since May 2022, the Reserve Bank of India (RBI) has hiked the policy repo rate in every [Monetary Policy Committee \(MPC\)](#) meeting, barring the meetings of April 6 and June 8, 2023, in which it unexpectedly decided to pause. After 250 [basis points \(bps\)](#) of rate increases in the past year, the policy rate was kept unchanged at 6.50%. Headline inflation has fallen sharply from 6.50% at the start of 2023 to 4.25% in May 2023. A gradual moderation in the pace of inflation will provide the RBI with room to focus more on domestic growth and stability considerations. We expect a policy pause to continue over the next few months, with the potential for rate cuts in H2FY24.

Inflation Is Approaching the RBI's Target

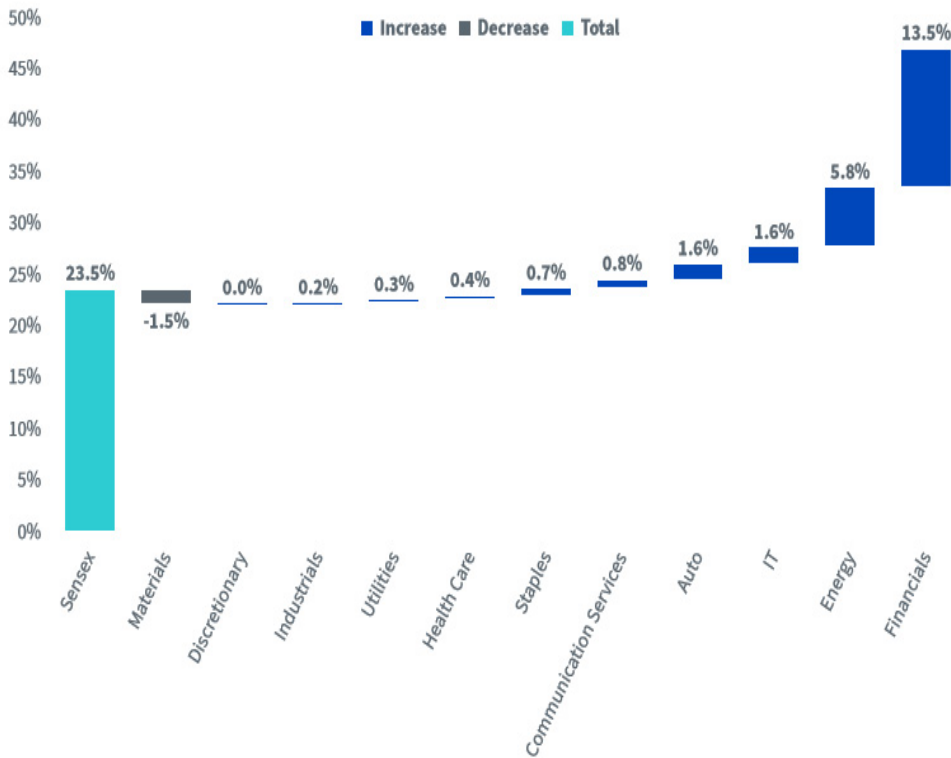


Sources: Bloomberg, WisdomTree, as of 6/23/23. Past performance is not indicative of future results.

Earnings Beat on Margin Expansion

Foreign investors have been impressed by the strong earnings results in Q4FY23. The [Sens ex Index](#) delivered a 24% YOY earnings growth in Q4FY23 ([free float](#)-weighted). While topline growth slowed, margin expansion was the primary driver of earnings growth. Sector-wise, earnings growth was led by Financials and Energy, while Materials dragged earnings growth lower.

Sector-Wise Earnings Growth for Sensex Q4FY23



Sources: Bloomberg, WisdomTree, as of 6/23/23. Past performance is not indicative of future results.

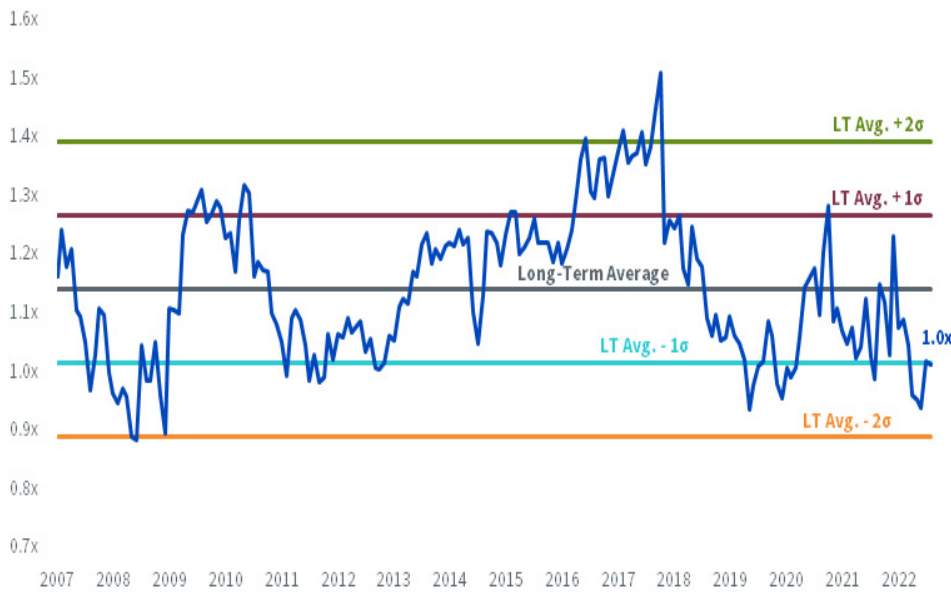
Materials continued to face sharp margin compression. Despite strong domestic demand, a weak revival in China post-COVID-19 has impacted confidence in its steel industry and weighed on steel prices. Looking ahead, current expectations are for a 15% earnings growth for FY24/25. The auto sector is expected to see the highest upgrades, while Materials and Communication Services are expected to face downgrades.

Adopting an Earnings Bias to Tap into Indian Equities

For investors looking to tap into India’s buoyant earnings growth at a discount, the [WisdomTree India Earnings Fund](#), which seeks to track the [WisdomTree India Earnings Index](#), offers a unique opportunity. Over the past year, the WisdomTree India Earnings Index has outperformed the [MSCI India Index](#) by 7.79% owing to its earnings-focused methodology. WisdomTree’s earnings-focused methodologies tilt the portfolio toward lower-valuation companies.

Indian equities are often touted as expensive. However, the WisdomTree India Earnings Index is trading at a significant discount to the MSCI India Index at a [price-to-earnings ratio](#) of 14.8x versus 24.8x, respectively, without sacrificing earnings growth and quality characteristics. This highlights the impact that earnings weighting has had on valuations, enabling valuations to be consistently cheaper on a relative basis versus the broad MSCI Emerging Markets Index and the MSCI India Index, as illustrated below.

Relative P/E - WisdomTree India Earnings Index vs. MSCI EM



Sources: FactSet, WisdomTree, as of 6/30/23. Past performance is not indicative of future results.

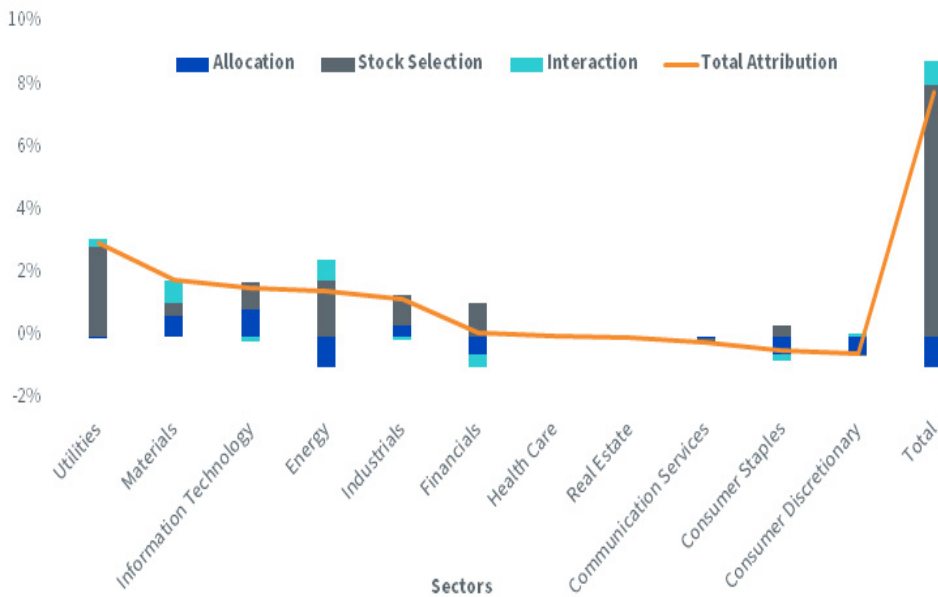
Relative Forward P/E - WisdomTree India Earnings Index vs. MSCI EM



Sources: FactSet, WisdomTree, as of 6/30/23. Past performance is not indicative of future results.

By earnings weighting our strategy, the portfolio takes on some unique sector tilts compared to a market cap-weighted approach. Over the past year, Utilities, Materials, Information Technology and Energy provided the highest contributions across sectors, enabling the WisdomTree India Earnings Index to outperform the MSCI India Index by 7.79%.

Sector Attribution - 1 Year



Sources: FactSet, WisdomTree, as of 6/30/23. Past performance is not indicative of future results.

¹ WisdomTree India Earnings Index TR, as of 7/11/23.

² Bloomberg, as of 6/30/23.

³ Finance Ministry, latest assessment of the annual Economic Review for 2022-23.

Important Risks Related to this Article

Aneeka Gupta is an employee of WisdomTree UK Limited, a European subsidiary of WisdomTree Asset Management Inc.'s parent company, WisdomTree, Inc.

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. This Fund focuses its investments in India, thereby increasing the impact of events and developments associated with the region which can adversely affect performance. Investments in emerging, offshore or frontier markets such as India are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. As this Fund has a high concentration in some sectors, the Fund can be adversely affected by changes in those sectors. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of EPI please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/epi>

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

Related Funds

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View the online version of this article [here](#).

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DEFINITIONS

MSCI Emerging Markets Index: a broad market cap-weighted Index showing performance of equities across 23 emerging market countries defined as “emerging markets” by MSCI.

Gross domestic product (GDP): The sum total of all goods and services produced across an economy.

Inflation: Characterized by rising price levels.

Monetary Policy Committee (MPC): A committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

Basis point: 1/100th of 1 percent.

Sensex: An abbreviation of the Bombay Exchange Sensitive Index (Sensex) – the benchmark index of the Bombay Stock Exchange (BSE). It is composed of 30 of the largest and most actively-traded stocks on the BSE. Initially compiled in 1986, the Sensex is the oldest stock index in India.

free-floating: an exchange rate regime whereby the value of the currency is determined by supply and demand against other currencies.

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

Price-to-earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.