
A LOOK AT THE PERFORMANCE BEHIND OUR SUITE OF DYNAMICALLY HEDGED ETFS

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At WisdomTree, we offer numerous suites of Funds. In this blog post, I will focus on two particular suites: one that is dynamically hedged and another that is not hedged.

- In large caps: [WisdomTree Dynamic Currency Hedged International Equity Fund \(DDWM\)](#) vs. [WisdomTree International Equity Fund \(DWM\)](#).
- In small caps: [WisdomTree Dynamic Currency Hedged International SmallCap Equity Fund \(DDL\)](#) vs. [WisdomTree International SmallCap Equity Fund \(DLS\)](#).

The only difference between the Funds in each pair is the dynamic currency hedge, allowing for an easy evaluation of the net impact of currency hedging.

Dynamic currency hedging has reduced international portfolio risk while adding value on non-hedged equity portfolios.

Since 2016, [DDL](#) has added 2% annually over [DWM](#), as it benefited from adapting its hedge during a stronger dollar period for much of the last few years.

Because the U.S. dollar has been strong, it has been difficult to beat a 100% hedged portfolio. However, dynamically hedged [DDL](#), with a performance of 8.3% and risk of 12.7% since 2016, has been able to beat a 50% hedged portfolio.

The [current dynamic hedging strategy](#) has five components, with a broad market currency trend indicator accounting for 50% of the weight and the other four components (carry, cross asset, low vol and momentum) equal weighted across the remaining 50%.

Since 2023, every component has added some value, with carry and low volatility signals adding the most.

Figure 1: DDWM and DWM Performance vs. Different Hypothetical Hedging

Annualized Return (Past Years)	Actual			Assume No Transaction Cost		Dynamic Currency Components					
	DDWM	DWM	Total DDWM/DWM Return Difference (Currency Return)	If DWM Were 100% Hedged	If DWM Were 50% Hedged	Weighted Average of the Currency Component Returns	Trend	Carry	Cross Asset	LowVol	Momentum
1	13.1%	12.0%	1.1%	16.6%	14.3%	1.2%	0.4%	3.6%	0.4%	3.2%	0.5%
2	15.1%	13.8%	1.3%	17.7%	15.7%						
3	8.3%	4.0%	4.3%	9.5%	6.8%						
5	7.5%	5.0%	2.6%	8.3%	6.6%						
SI (1/31/16-6/28/24)	8.3%	6.3%	2.0%	8.5%	7.5%						
Since Current Model (12/31/22-6/28/24)	15.5%	14.1%	1.4%	18.9%	16.5%	1.3%	0.5%	3.7%	0.3%	3.6%	1.1%

Annual Std. Dev.	Actual		Assume No Transaction Cost	
	DDWM	DWM	If DWM Were 100% Hedged	If DWM Were 50% Hedged
1	9.5%	13.1%	9.2%	11.0%
2	12.6%	16.2%	11.9%	14.0%
3	12.0%	15.7%	11.7%	13.6%
5	14.4%	17.0%	14.1%	15.5%
SI (1/31/16-6/28/24)	12.7%	14.8%	12.6%	13.6%
Since Current Model (12/31/22-6/28/24)	10.9%	13.6%	10.0%	11.7%

Sources: WisdomTree, FactSet, Refinitiv 1/31/16-5/31/24. Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [DDWM](#), [DWM](#).

In July, we rebalanced both our developed and emerging markets currency models. Specifically, the hedge for the developed market decreased to about 20%. This change was primarily influenced by the two momentum components of the strategy: the broad trend and cross-sectional momentum, which together account for 62.5% of the weight. As previously mentioned, the increased momentum weight in the new developed market strategy since 2023 has led to more frequent adjustments in hedge ratios.

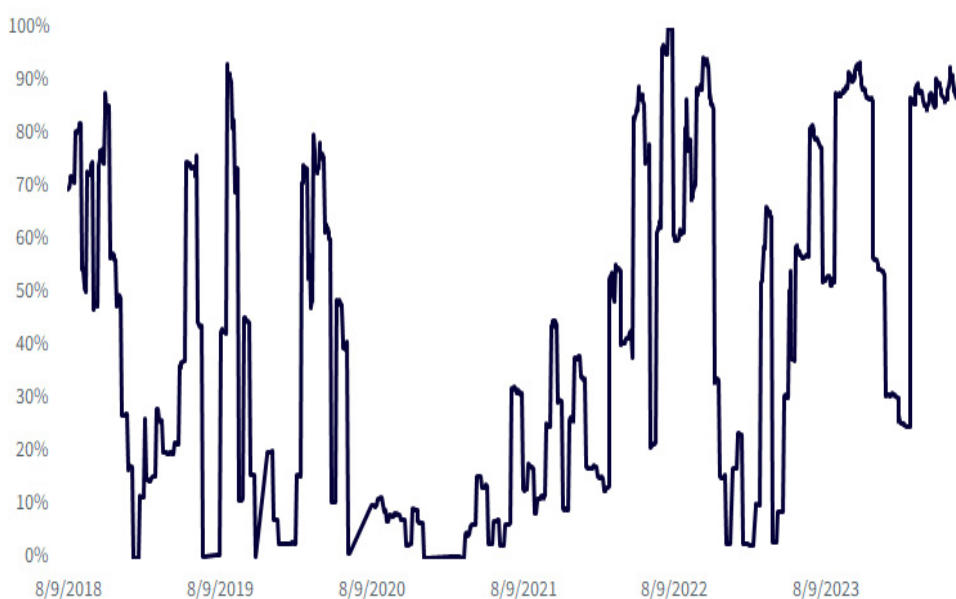
Figure 2: Historical Dynamic Hedge Ratio in Developed Market



Sources: WisdomTree, FactSet, Refinitiv 1/06/16-7/10/24. Past performance is not indicative of future results.

In July, the currency strategy for the [WisdomTree Emerging Markets Multifactor Fund \(EMM E\)](#) remains similar to June. We are closely monitoring whether the strategy’s signal regarding the potential weakening of the dollar is limited to developed markets.

Figure 3: Historical Dynamic Hedge Ratio in Emerging Markets



Sources: WisdomTree, FactSet, Refinitiv 8/9/18-7/10/24. Past performance is not indicative of future results.

In summary, we maintain our belief that a factor-based dynamic currency strategy can mitigate volatility in international portfolios while potentially enhancing long-term performance.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal.

Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Funds focusing their investments on certain sectors and/or smaller companies increase their vulnerability to any single economic or regulatory development, which may result in greater share price volatility. Investments in derivatives to obtain a dynamic currency hedge exposure can be volatile, less liquid

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

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