THOUGHTFUL INDEX CONSTRUCTION BRINGS SCALE TO EMERGING MARKETS INVESTING

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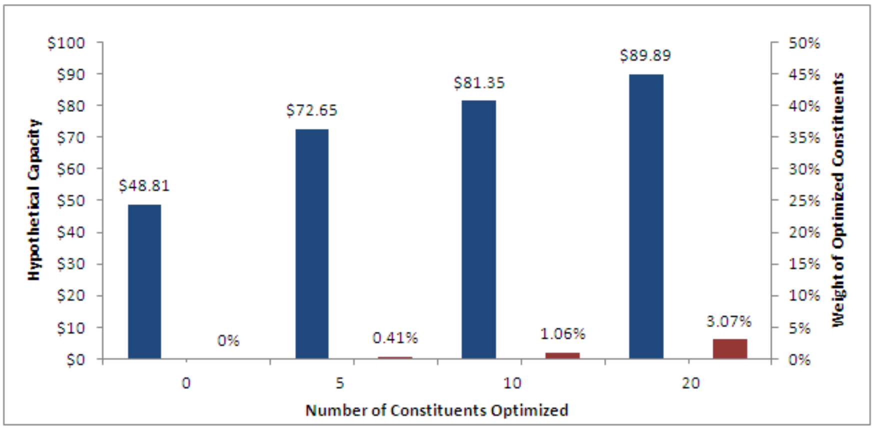
Until fairly recently, investors relied on actively managed mutual funds to gain exposure to the markets—especially for the emerging markets, where many believe that opportunities are ripe for active managers to add value. Some of these active strategies have delivered exceptional performances and, as a result, have attracted large pools of assets. However, many active managers admit that with greater asset levels comes greater difficulty in continuing to deliver superior performance. So far in 2013, we have seen a number of actively managed funds focused on emerging market equity investments announce that they are shutting their doors to new investors. **Index-Based Strategies Offer a New Option** During the last decade a plethora of index-based emerging market investments have gained traction—from traditional index-based mutual funds to exchange-traded funds (ETFs), each designed to track the performance of a particular index after accounting for requisite fees and expenses. Some of these indexes are quite broad and feature greater numbers of constituents than typical actively managed mutual funds. Active managers add value through selecting only stocks that look favorable according to their own metrics, whereas indexes typically generate exposure to a large universe of equities in accordance with a defined set of rules. Index methodology and design is crucial to determining both capacity and representation, as not every index tracking the performance of emerging market equities is designed with scale in mind. For example, indexes focused on weighting by dividend yield or dividend per share—which work more like modified equal-weighted indexes—have a bias toward small-cap stocks and have a greater probability of placing larger weights on smaller companies. This may boost the index's dividend yield, but by the same token, as assets grow within any strategies tracking these indexes, it may also increase the percentage ownership in these underlying companies and reduce the strategy's capacity. **Building Scalable Indexes** WisdomTree built its Indexes with scalability in mind. To accomplish more capacity in its Index tracking strategies, WisdomTree designed its Indexes to emphasize the cash dividends that each company pays—but to do so in a way that gives greater weight to bigger companies. In most cases, WisdomTree weights and rebalances its Indexes annually according to their *dividend stream*. ***Dividend Stream® = Dividends per share x shares outstanding*** By including shares outstanding in the weighting, we believe we introduce greater capacity to our Index tracking strategies. It is important to set a baseline when discussing the concept of capacity, as it can mean a number of different things. We define one measure of capacity as: "At what asset level would an index-tracking strategy hold more than 10% of a particular underlying holding?" **The WisdomTree Emerging Markets Equity Income Index Incorporates Significant Scalability**



Sources: WisdomTree, Standard & Poor's. Data as of 3/22/2013.

(For definitions in this chart, please refer to our glossary: [Hypothetical capacity](), [Number of constituents optimized](), [Weight of optimized constituents.]()) • **Scalable Methodology:** On March 22, 2013, the [WisdomTree Emerging Markets Equity Income Index (WTEMHY)]() had 331 constituents. Almost $49 billion of hypothetical assets could track WTEMHY prior to that strategy holding 10% of an underlying firm. • **Optimization Helps Further:** Were any hypothetical strategy tracking WTEMHY to optimize around the 5, 10 or even 20 most constraining firms, the level of hypothetical assets prior to reaching a 10% position in any underlying firm could become significantly larger. To be fair, optimization such as this could lead to greater potential for tracking error, but we believe it is important to note that even with taking the 20 most constraining firms out of the mix, this would represent only about 3% of WTEMHY's total weight. **Innovative Methodology Drives This Result** WTEMHY is designed to weight relatively high-yielding equities within emerging markets on the basis of their cash dividend streams. In contrast to different yield-focused weighting methodologies, weighting by cash dividend stream lends a degree of scalability to the Index in that it accounts for the number of shares outstanding—something that weighting solely by dividend yield does not do. The closing of a number of high-profile active strategies re-emphasizes a benefit of index-based strategies, both in terms of their potential scalability and larger capacity. For current holdings in the WisdomTree Emerging Markets Equity Income Index (WTEMHY), [click here]().

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DEFINITIONS

Actively managed mutual funds : Investment strategies that are not designed to track the performance of an underlying index.

Index-based mutual funds : Investment strategies designed to track the performance of an underlying index.

Trailing 12-month dividend yield : Dividends over the prior 12-months are added together and divided by the current share price. Higher values indicate more dividends are being generated per unit of share price.

Modified equal-weighted indexes : Equal-weighted indexes place an equal weight on each constituent, the major result being that index weight has no connection to company size. Modified equal-weighted methodologies similarly disconnect index weight from company size but do not prescribe exactly equal weights for each constituent.

Dividend Stream : Refers to the regular dividends per share multiplied by the number of shares outstanding.

Hypothetical capacity : Refers to a hypothetical capacity level for assets tracking the performance of the WisdomTree Emerging Markets Equity Income Index, which denotes the level of assets where the Index would prescribe taking its first 10% position in an underlying constituent.

Number of constituents optimized : These numbers refer to hypothetical optimizations in which every security in the Index is held ("0") to omitting the 20 most constraining positions ("20"). Weight of optimized constituents: The weight of the constituents excluded as a result of any optimization. A lower number indicates that the assets tracking the Index are closer to holding every security within the Index in its prescribed weight.

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WisdomTree Emerging Markets Equity Income Index : A subset of the WisdomTree Emerging Markets Dividend Index measuring the performance of the higher-yielding stocks as measured by trailing 12-month dividend yields, weighted by cash dividends.