

2023 EMERGING MARKET DIVIDEND INDEX REBALANCES

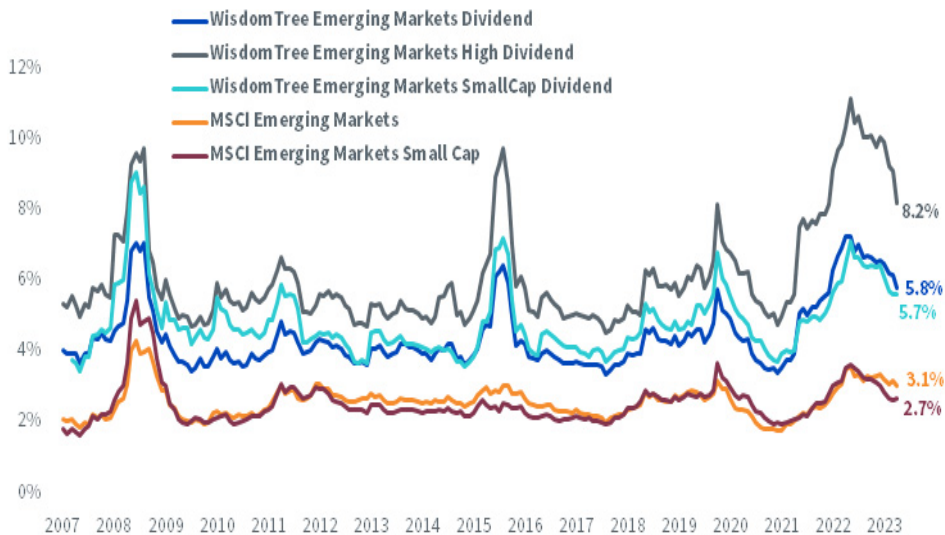
Matt Wagner – Associate Director, Research
10/25/2023

In 2007, WisdomTree launched a family of [emerging markets \(EM\)](#) Indexes and ETFs designed to track the performance of dividend-paying companies.

The universe of eligible companies is screened once per year, with Index constituents weighted based on cash dividends. This fundamentals-based rebalancing process gives greater weight to companies with higher [dividend yields](#) than comparable [market cap-weighted](#) indexes.¹

- [WisdomTree Emerging Markets Dividend Index \(WTEMI\)](#) – broad market Index of EM dividend payers (1,641 companies)
- [WisdomTree Emerging Markets High Dividend Index \(WTEMHY\)](#) – top 30% of the EM Dividend Index by dividend yield (563 companies)
- [WisdomTree Emerging Markets SmallCap Dividend Index \(WTEMSC\)](#) – the bottom 10% of the EM Dividend Index by market capitalization (1,060 companies)

Index Dividend Yield

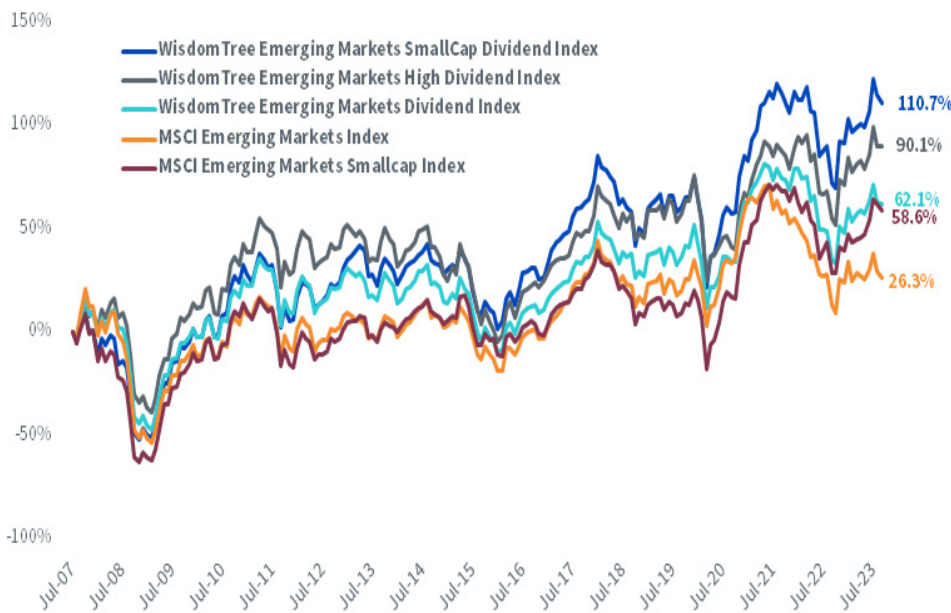


Sources: WisdomTree, FactSet, MSCI, 7/31/07-9/29/23. You cannot invest directly in an Index. Past performance is not a guarantee of future results.

Investors often think of EM equities as a more inefficient asset class than U.S. equities, with less analyst coverage. For this reason, people often say they prefer utilizing an active manager for their EM exposure.

Over the live track record, WisdomTree’s passive, rules-based Indexes delivered strong relative performance compared to market cap-weighted EM benchmarks.

Index Cumulative Net Total Returns



Sources: WisdomTree, FactSet, MSCI, 7/31/07–9/29/23. July 31, 2007, chosen as the start date to coincide with the inception date of the WisdomTree Emerging Markets SmallCap Dividend Index. You cannot invest directly in an Index. Past performance is not indicative of future returns.

Deconstructing the Sources of Emerging Market Equity Returns

Below, we examine the source of outperformance in emerging markets through the following lens:

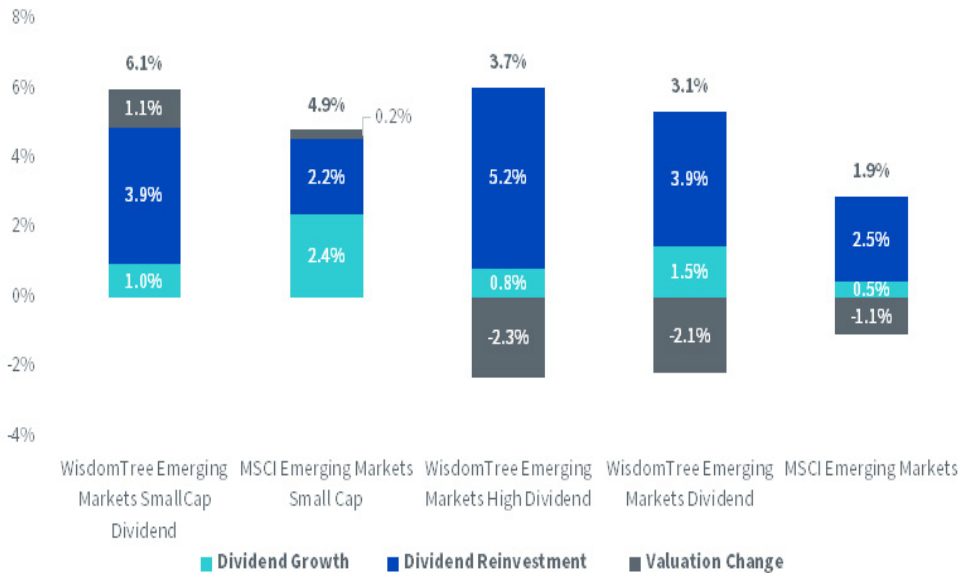
- **Dividend Reinvestment:** This factor can be thought of as the average dividend yield over this period.
- **Dividend Growth:** This is the rate of average annual dividend growth over the period.
- **Valuation Change:** This is the rate of average annual change in the price-to-dividend multiple (reciprocal of the dividend yield), and it tells us the return from multiple expansions/contractions over this period.

A few notable points:

- Due to the focus on both selecting only dividend payers and further weighting by dividends instead of market cap, it is not surprising that WisdomTree’s Indexes consistently exhibit a higher return from dividend reinvestment. But what does one give up when focusing on higher yields?
- Usually, there is a trade-off between growth and yield. Selecting higher-yielding stocks usually would imply sacrificing an offsetting amount of dividend growth for the same return in a perfectly efficient market.
 - An especially intriguing result—for the high-dividend subset of the market, which had almost a three-point higher average dividend yield over the period, the dividend growth was still higher than that of the [MSCI EM Index](#).
 - For small caps, while the average dividend reinvestment rate was about 1.7% higher for the WisdomTree approach, the dividend growth was only 1.4% lower—meaning the higher yields did not translate one-for-one to slower dividend growth.

- While the WisdomTree Emerging Markets SmallCap Dividend Index had positive returns from valuation change, the WisdomTree Emerging Markets High Dividend Index and the WisdomTree Emerging Markets Dividend Index each had negative returns from valuation change—meaning the dividend yield got higher over this period.

Annualized Net Total Return Deconstruction: 7/31/08–9/29/23



Sources: WisdomTree, FactSet, MSCI. You cannot invest directly in an Index. Past performance is not indicative of future returns.

2023 Rebalance – Characteristics

In the table below, we show some of the key characteristics of the respective Indexes pre-rebalance and post-rebalance.

- **Dividend Yield:** The dividend yield is roughly unchanged for both the broad dividends (WTEMI) and the small-cap dividend (WTEMSC) Indexes. The high dividends (WTEMHY) had an improvement from 8.2% pre-rebalance to an 8.9% dividend yield post-rebalance. With a dividend yield of 1.6% for the S&P 500 and 3.1% for the MSCI EM, each Index offers an attractive income opportunity.
- **World’s Deepest Value Stocks:** Emerging markets remain one of the lowest multiple regions, and one can see WisdomTree’s three emerging market dividend Indexes all have P/E ratios below 10—with the high dividend Index at 6x.
- **% Negative Earners:** Each of these Indexes explicitly screen out companies with negative trailing 12-month earnings at rebalance. Notably, the [MSCI EM Small Cap Index](#) has 11% in unprofitable companies—a key differentiator for WisdomTree’s dividend approach, which excludes unprofitable companies.
- **Going up in Quality:** Each WisdomTree Index saw improvement in [return on assets \(ROA\)](#) and [return on equity \(ROE\)](#) from the rebalance, as exposures were refreshed to higher-quality dividend payers and removal of the unprofitable segments of the market.

Index Characteristics

Characteristics	Related WisdomTree U.S.-Listed ETF Ticker	Dividend Yield	Price-to-Earnings	% Negative Earners	Return-on-Assets	Return-on-Equity
WTEMI (Pre-Rebalance)	N/A	5.8%	8.7	3.4%	1.5%	12.7%
WTEMI (Post-Rebalance)		5.8%	8.3	-	1.8%	14.5%
WTEMSC (Pre-Rebalance)	DGS	5.7%	9.4	2.4%	1.6%	10.1%
WTEMSC (Post-Rebalance)		5.5%	9.0	-	2.6%	12.6%
WTEMHY (Pre-Rebalance)	DEM	8.2%	6.9	4.3%	1.6%	13.2%
WTEMHY (Post-Rebalance)		8.9%	6.0	-	1.9%	15.1%
MSCI EM	N/A	3.1%	12.9	4.6%	1.8%	12.3%
MSCI EM Small Cap		2.7%	18.2	11.3%	2.1%	8.0%

Sources: WisdomTree, FactSet. Pre-rebalance characteristics as of 10/18/23 and post-rebalance characteristics as of 10/19/23. You cannot invest directly in an Index. You cannot invest directly in an Index. The performance data quoted represents past performance and is no guarantee 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 performance, please click the respective ticker: [DGS](#), [DEM](#).

For additional detail on the rebalance of each of the Indexes, please go to their respective Index page on the WisdomTree website:

- [WisdomTree Emerging Markets Dividend Index](#)
- [WisdomTree Emerging Markets High Dividend Index](#) (the [WisdomTree Emerging Markets High Dividend Fund \(DEM\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)
- [WisdomTree Emerging Markets SmallCap Dividend Index](#) (the [WisdomTree Emerging Markets SmallCap Dividend Fund \(DGS\)](#) seeks to track the price and yield performance, before fees and expenses, of this Index)

¹ Number of constituents for each Index based on post-rebalance Index holdings as of 10/19/23.

Important Risks Related to this Article

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. Funds focusing on a single sector generally experience greater price volatility. Investments in emerging, offshore or frontier markets 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, intervention and political developments. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

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.

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

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Emerging market: Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

Dividend yield: A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Market capitalization-weighting: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

MSCI Emerging Market Index: The MSCI Em (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM) countries.

MSCI EM Small Cap Index: Includes small cap representation across 21 Emerging Markets countries. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

Return on assets (ROA): Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.

Return on Equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.