

GETTING EXPOSURE TO QUALITY COMPANIES IN DEVELOPED MARKETS?

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The [quality](#) factor has [outperformed the broad market this year across the globe](#), and we expect that to continue through the expansion phase of the economic cycle.

The [WisdomTree International Quality Dividend Growth Index \(WTIDG\)](#) selects companies with strong measures of profitability and earnings growth prospects in the developed markets. The thesis is that these companies will be able to grow their dividends at a faster and more stable pace, translating into strategic outperformance.

Having exposure to these companies when COVID-19 hit was important. WTIDG's median annual dividend growth over the last three years has been 10.5% compared to 2.8% by the [MSCI EAFE Index](#). During this same period, WTIDG has outperformed MSCI EAFE by more than 400 [basis points \(bps\)](#) while its [hedged](#) version, the [WisdomTree International Hedged Quality Dividend Growth Index \(WTIDGH\)](#), has outperformed by a wider 600 bps¹.

WTIDG and WTIDGH share a common equity basket and are tracked by the [WisdomTree International Quality Dividend Growth Fund \(IODG\)](#) and the [WisdomTree International Hedged Quality Dividend Growth Fund \(IHDG\)](#), respectively. This equity basket underwent its annual reconstitution at the beginning of November.

Rebalance Summary

Fundamentals

Fundamentals after our rebalance show an increase in quality metrics, as well as higher implied growth as measured by the earnings retention times the [return on equity \(ROE\)](#). [Return on assets \(ROA\)](#) improves from 9.94% to 10.87% and implied growth rate from 12.58% to 14.07%.

Portfolio	Div. Yield (%)	P/E Ratio	Fwd. P/E Ratio	ROE	ROA	Imp. Growth	PE to LTG	Dividend Payout Ratio
WTIDG Post Rebal	2.53	18.01	16.03	25.84	10.87	14.07	1.02	45.56%
WTIDG Pre Rebal	2.99	17.22	14.66	25.95	9.94	12.58	1.58	51.52%
MSCI EAFE Index	2.35	18.13	15.22	10.56	1.46	6.07	1.06	42.57%

Sources: WisdomTree, FactSet, as of 9/30/21. Past performance is not indicative of future results. You cannot invest directly in an index. Dividend Payout Ratio: The percentage of earnings paid to shareholders in dividends, calculated as yearly dividends per share over earnings per share. Implied Growth Rate: Calculated as a company's return on equity (ROE) multiplied by their earnings retention rate. LTG: Compilation of analyst estimates of the growth in operating earnings expected to occur over the next full business cycle, sourced from FactSet.

Within its objectives, [WTIDG's](#) fundamentals show a portfolio with more attractive quality and growth metrics than the MSCI EAFE Index, along with a lower growth-adjusted valuation.

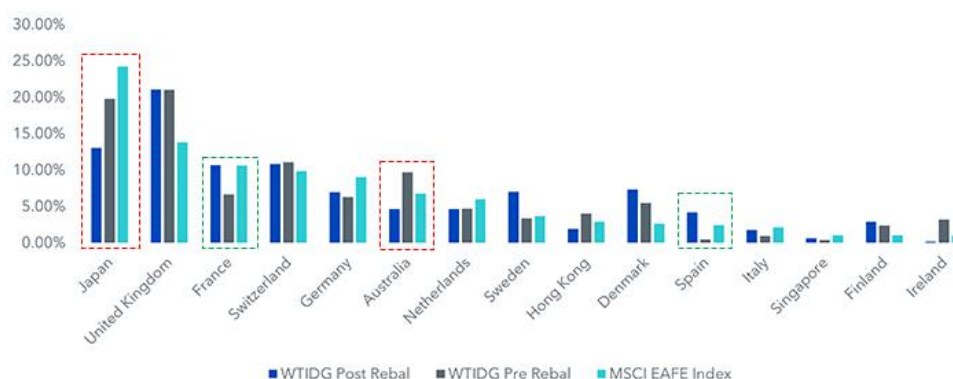
Country and Sector Changes

During this latest reconstitution, Japan and Australia saw notable reductions in weights relative to the MSCI EAFE Index. Exposures to France, Sweden and Spain were significantly increased.

The largest change from a country perspective was France, whose weight increased 4.04%. This increase was driven by the addition of Consumer Discretionary conglomerates Kering SA and Michelin. Both companies showed a solid rebound in earnings and dividend growth post COVID-19 slowdown. Increases for Sweden and Spain can be largely attributed to the addition of companies in the Industrials and Consumer Discretionary sectors,

respectively.

Country Exposures

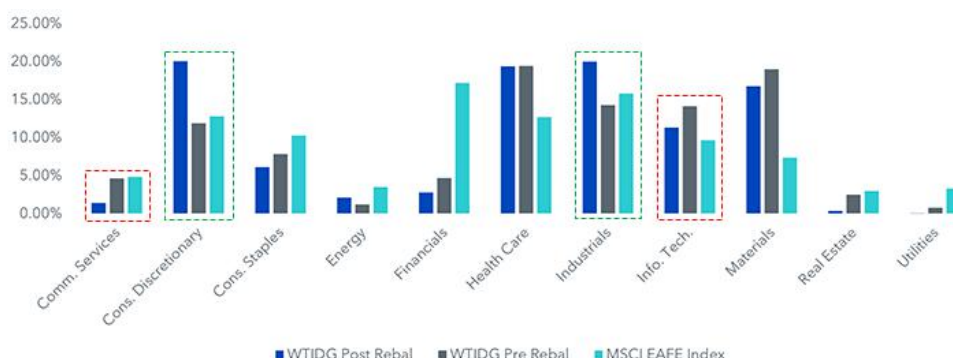


Sources: WisdomTree, FactSet, as of 9/30/21. Subject to change. You cannot invest directly in an index.

When looking at sector changes, Consumer Discretionary had the biggest percentage weight increase, driven by the previously mentioned French companies along with Spanish Industria de Diseno Textil, S.A. The Industrials sector also saw a significant weight increase driven by Deutsche Post AG, Hapag-Lloyd AS and Sandvik AB.

Noteworthy weight reductions came from the Communication and Information Technology sectors. Companies with large weight reductions were SoftBank Corp. and SAP SE.

Sector Exposures

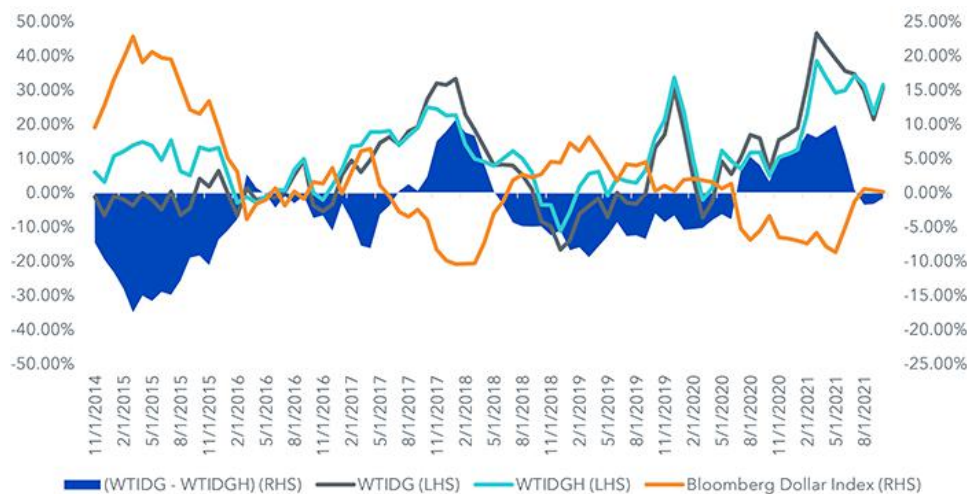


Sources: WisdomTree, FactSet, as of 9/30/21. Subject to change. You cannot invest directly in an index.

Possibility of Implementing Currency View

Going back to their common inception in November 2013, we can see how the excess in the rolling 12-month performance between [WTIDG](#) and [WTIDGH](#) is highly correlated to the performance of the [Bloomberg Dollar Spot Index](#). In periods of U.S. dollar (USD) strength, WTIDGH will seek to outperform WTIDG, with the opposite happening in periods of USD weakness. The idea behind [IQDG](#) and [IHDG](#) sharing a stock basket is to allow investors to implement their views on the USD on top of a portfolio of companies with strong profitability and growth outlook metrics.

Trailing 12-Month Return



Sources: WisdomTree, FactSet, as of 9/30/21. Past performance is not indicative of future results. You cannot invest directly in an Index.

¹ Sources: WisdomTree, FactSet. Data from 9/30/18–9/30/21. Past performance is not indicative of future results. You cannot invest directly in an index.

Important Risks Related to this Article

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

IHDG: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. To the extent the Fund invests a significant portion of its assets in the securities of companies of a single country or region, it is likely to be impacted by the events or conditions affecting that country or region. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. Derivative investments can be volatile, and these investments may be less liquid than other securities and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs.

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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

- + [WisdomTree International Hedged Quality Dividend Growth Fund](#)
- + [WisdomTree International Quality Dividend Growth Fund](#)

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

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DEFINITIONS

Quality: Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over time.

MSCI EAFE Index: is a market cap-weighted index composed of companies representative of the developed market structure of developed countries in Europe, Australasia and Japan.

Basis point: 1/100th of 1 percent.

Hedge currency exposure: Engage in transactions that mitigate the impact of currency fluctuations on the total returns of foreign investments. Hedging can help returns when a foreign currency depreciates against the U.S. dollar, but it can hurt when the foreign currency appreciates against the U.S. dollar.

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

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.

Bloomberg Dollar Spot Index (BBDXY): Tracks the performance of a basket of ten leading global currencies versus the U.S. dollar. Each currency in the basket and their weight is determined annually based on their share of international trade and FX liquidity.