REVISITING THE OPPORTUNITY IN INDIA

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10/13/2015

Over the past year, broad emerging markets have continued to lag developed equity markets. China's continued slowdown and the uncertain impact of the Federal Reserve's first rate hike in almost a decade are two main drivers of the relative underperformance. Another significant development and performance driver over the past year has been the collapse in oil prices. This has resulted in large divergences between various countries within emerging markets, mostly benefiting countries that are importers and harming the countries that rely on oil exports for growth. The table below compares the market performance of the 10 largest emerging market countries.

Emerging Market Performance

Country	Equity Return in Local Currency	Currency Return against U.S. Dollar	Equity Return in U.S. Dollars
India	1.16%	-8.72%	-7.65%
China	-9.35%	0.00%	-9.34%
Taiwan	-7.77%	-8.13%	-15.27%
South Africa	4.11%	-19.82%	-16.52%
MSCI Emerging Markets	-9.53%	-14.83%	-22.95%
Mexico	-3.28%	-22.08%	-24.64%
Indonesia	-10.12%	-16.74%	-25.17%
South Korea	-14.17%	-14.27%	-26.42%
Russia	15.09%	-37.60%	-28.18%
Malaysia	-12.71%	-24.95%	-34.49%
Brazil	-22.99%	-38.57%	-52.69%

Sources: WisdomTree, Bloomberg, 8/31/14–8/31/15. The performance above is represented by the respective MSCI country-specific Indexes. Currency return is computed as the difference between the respective countries' Indexes calculated in local terms and dollar terms. The currency return for China was 0% over the period because the above returns measure only the performance of Chinese H-shares, or securities that trade on a Hong Kong exchange in Hong Kong dollars, which were flat against the U.S. dollar over the period. Past performance is not indicative of future results. You cannot invest directly in an index.

For definitions of indexes in the chart, visit our glossary.

• **India a Top-Performing Country:** Over the past year, India was the top-performing country listed above in U.S. dollar terms and a top-three performing country in local terms. India outperformed broad emerging markets, represented by the MSCI Emerging Markets Index, by 10.69% in local terms and 15.29% in U.S. dollar terms. India's currency was relatively resilient over the year compared to the U.S. dollar as a result of improvements in its current account and falling inflation.

Opportunities Remain in India At WisdomTree, we believe in the long-term potential of India's equity markets, especially given the tag team of prime minister Narendra Modi and Raghuram Rajan, governor of the Reserve Bank of India. These two have brought and can continue to bring investor-friendly pro-growth reforms and credible monetary policy, respectively. These initiatives, coupled with lower oil prices and improving profitability, provide an opportunity for India within emerging markets.

The WisdomTree India Earnings Index (WTIND) is the broadest and most representative Indian index and the only index that focuses exclusively on profitable companies. Every year, at the end of August, WisdomTree screens the investable Indian equity market for the rebalance of its Index, which provides a plethora of information on the health and profitability of the market. **India's *Earnings Stream* Grew 8.66%** In rupee terms, despite the relatively flat performance of Indian stock prices, the WTIND *Earnings Stream* grew by 8.66%[1]. The decline of the rupee against the U.S. dollar translated to a fall in earnings of 1.09% in dollar terms. It is interesting that over the period we saw earnings outpace prices, so each dollar of earnings became less expensive, improving the market fundamentals. While broad-based profit growth is typically supportive for equity markets, we think it is important to have a rules-based process that can identify and capitalize on the companies increasing their profits. WTIND seeks to provide exposure to the profitable core market of India's equities while maintaining sensitivity to valuation. To help achieve this, WisdomTree weights companies in the Index by the profits they generate, rather than their market cap, and rebalances back to profitability on an annual basis. **WisdomTree's India Earnings Index rebalance process typically is driven by the following: • Earnings Growth:** Companies that grow their profits typically see their weight increased. At the most recent rebalance, the companies that saw their weight raised had a median earnings growth of 30.3%, which was greater than the 16.2% median earnings growth of all companies and the 7.3% growth for companies that saw their weight lowered. **• Relative Performance:**

- Underperformers typically see their weight increased.
- Outperformers often see their weight decreased.

Both in rupee and dollar terms, profits are still below their 2013 and 2011 peaks, respectively. We are optimistic that Modi's pro-growth reforms will continue to drive profitability. The recent WTIND rebalance has refreshed its constituents and reweighted securities to emphasize weights for those companies that have grown their earnings compared to their prices over the prior 12 months. Despite the volatility of emerging market equities, for investors who share our belief in India's long-term growth prospects, we think this recent rebalance could bring interesting insight.

[1]Source: WisdomTree, 8/31/14-8/31/15.

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Investments focused in India are impacted by events and developments associated with the region, which can adversely affect performance.

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 and intervention or political developments.

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You cannot invest directly in an index.

DEFINITIONS

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

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.

Inflation : Characterized by rising price levels.

Monetary policy : Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Rebalance : An index is created by applying a certain set of selection and weighting rules at a certain frequency. WisdomTree rebalances, or re-applies its rules based selection and weighting process on an annual basis.

Fundamentals : Attributes related to a company’s actual operations and production as opposed to changes in share price.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Market Capitalization : 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.

Median : The median is the value within a dataset at which 50% of all observations occur above and 50% occur below.

Volatility : A measure of the dispersion of actual returns around a particular average level. .