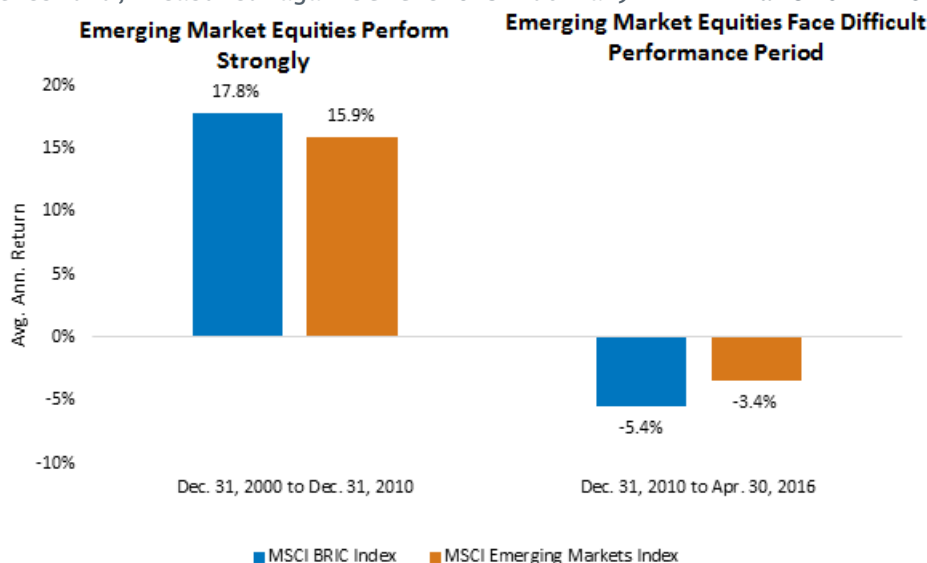


“THE BRICS ARE DEAD; LONG LIVE THE TICKS,” SAYS FINANCIAL TIMES

Christopher Gannatti – Global Head of Research
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We saw this phenomenal title in an online article from the *Financial Times* in January.¹ The term "**BRIC**" (Brazil, Russia, India and China), coined by Jim O’Neill during his time at Goldman Sachs, didn’t come about because of these markets’ ongoing underperformance—quite the opposite. As illustrated below, from December 31, 2000, to December 31, 2010—a 10-year period that includes the global financial crisis—the [MSCI BRIC Index](#) outperformed the [MSCI Emerging Markets Index](#) (which was enjoying mid-double-digit returns for a decade) by almost 2% per year.² During that period, the currency impact on both the MSCI BRIC Index and the MSCI Emerging Markets Index was negligible—appreciation of approximately 1% per year. But shifting the period to December 31, 2010 - April 29, 2016, provides a completely different picture. The MSCI BRIC Index underperformed the MSCI Emerging Markets Index by 2% per year, and the currency decline on these indexes against the U.S. dollar was roughly the full magnitude of the negative returns (i.e., the stocks did not contribute to the negative performance anywhere near as much as their currencies did, measured against the U.S. dollar).³ A Tale of Two Periods for the



Source: Bloomberg, with data measured for specified periods. Past performance is not indicative of future results. You cannot invest directly in an index.

BRICS

[Strong Dollar Emerging Markets Equity Index \(WTEMSD\)](#)

Finds the TICKS (Taiwan, India, China & [South] Korea), not the BRICS As we describe the process below, our strategy syncs up with the *Financial Times*’ conclusion: WTEMSD has country exposure focused on the TICKS, not the BRICS, with the following top three most heavily weighted countries⁴: • Taiwan: 37% • South Korea: 34% • India: 10% China is the one TICKS country not getting significant exposure currently. **WTEMSD Sector Exposure** The process for inclusion in WTEMSD starts by more restrictive exposure to various sectors.

The [WisdomTree](#)

WisdomTree’s approach places emphasis on the following sectors⁵: • Information Technology: 36% • Consumer Discretionary: 25% • Industrials: 17% • Health Care: 13% • Consumer Staples: 9% By design, WTEMSD avoids the more [leveraged](#) sectors (Financials, Telecommunication Services and Utilities)—which are at risk of a stronger U.S. dollar if they have debt denominated in U.S. dollars that is becoming harder to pay back with weakening currencies—as well as commodity sectors (Energy and Materials), which also tend to be most impacted by a rising dollar. **Proof in the Performance** Since its inception, the WisdomTree Strong Dollar Emerging Markets Equity Index has delivered a performance experience distinctly different from that of either the MSCI BRIC or MSCI Emerging Markets indexes. **WisdomTree Strong Dollar Emerging Markets Strategy**



Source: Bloomberg, for period 6/1/2006 (inception date for WTEMSD) to 4/29/2016. You cannot invest directly in an index.

Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

Performance

¹Published on 1/28/16. ²Source: Bloomberg, with data from 12/31/00 to 12/31/10. ³Source: Bloomberg, with data from 12/31/10 to 4/29/16. ⁴Source: Bloomberg, with data measured as of 4/29/16. ⁵Source: Bloomberg, with data measured as of 4/29/16.

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For more investing insights, check out our [Economic & Market Outlook](#)

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

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DEFINITIONS

BRICS: An acronym for Brazil, Russia, India, China and South Africa.

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.

Leverage: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.