



Investment Case

January 2024

WisdomTree Emerging Markets ex-State-Owned Enterprises UCITS ETF



WisdomTree.eu
+44 (0) 207 448 4330

WisdomTree Emerging Markets ex-State-Owned Enterprises UCITS ETF

WisdomTree Emerging Markets ex-State-Owned Enterprises UCITS ETF provides investors with a distinct growth-tilted core strategy in Emerging Markets (EM) by harnessing the structural governance advantage of ex-State-Owned Enterprises (non-SOEs) over State-Owned Enterprises (SOEs).

A solution to managing State-Ownership risk inherent in Emerging Markets

SOEs are defined as government ownership of more than 20% of a company's outstanding shares. WisdomTree believes the risk that SOEs have on a portfolio is often overlooked. SOEs have a higher concentration within EMs. They tend to promote the incumbent governments' objectives at the cost of generating the maximum possible shareholder return which leads to inherent inefficiencies in the company. WisdomTree is enabling investors to tap into EMs' long-term growth opportunity with greater efficiency by reducing their exposure to SOEs.

The structural governance advantage of non-SOEs over SOEs

To illustrate the structural advantage, WisdomTree built broad-based market capitalisation-weighted portfolios of SOEs and non-SOEs. SOEs, as defined by WisdomTree, applies to firms that have more than 20% ownership by a government entity. Over the 13 years period, non-SOEs displayed:

Higher Performance – The predominant industries among non-SOEs are those associated with strong earnings and revenue growth potential owing to which non-SOEs outperformed SOEs by 93.85%¹.

Higher Quality – On analysing fundamental measures of quality such as Return on Assets (ROA) and Return on Equity (ROE)². Non-SOEs have had a distinct advantage over SOEs. Non-SOEs also demonstrated better aggregate profitability owing to their exposure to more efficient companies.

Lower Leverage³ – SOEs tend to have a higher concentration in highly leveraged sectors such as financials, energy, and utilities. This characteristic helped non-SOEs exhibit lower leverage versus SOEs.

ESG⁴ Tilt – Non-SOEs offer an explicit tilt away from companies with poor corporate governance that tend to prevail in SOEs. Owing to the high degree of state-ownership in sectors such as energy and materials, non-SOEs implicitly tilt away from companies that score poorly on environmental considerations.

WisdomTree Emerging Markets ex-State-Owned Enterprises ESG Screened Index

The Index is designed to capitalise on the long-term growth opportunity of EMs by limiting the exposure to companies with significant government exposure while taking ESG considerations into account. The Index has three main characteristics compared to traditional EM benchmark indices:

1. The index employs a **modified float-adjusted market-capitalisation weighting process** to target the weights of countries in the original EM universe prior to the removal of state-owned enterprises while also limiting sector deviations to 3% of the starting EM universe.
2. **ESG Filter** – These companies are then subjected to the ESG screening criteria defined within the WisdomTree ESG framework. For information on the WisdomTree approach to ESG, visit our [responsible investing page](#).

¹ From 31 December 2007 to 30 June 2021. This period reflects the duration in which we have seen the non-SOEs have more favourable characteristics compared to SOEs.

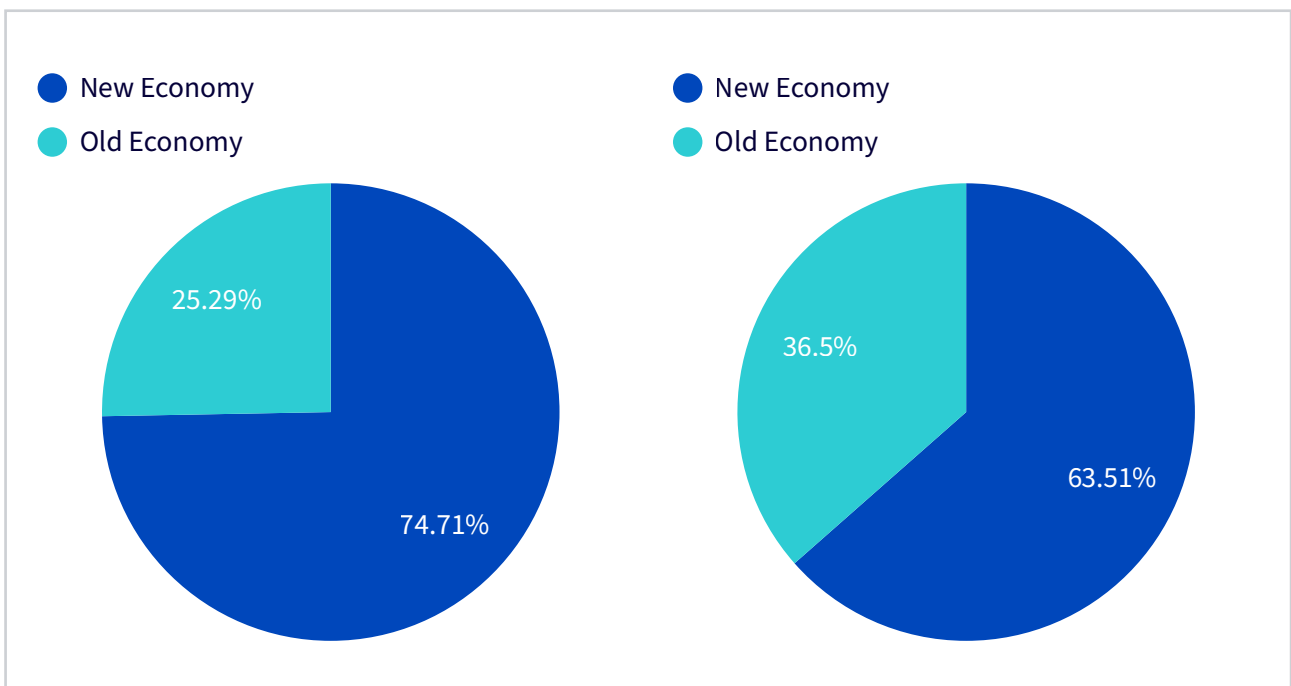
² **ROA:** Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them. **ROE:** Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

³ Leverage: Ratio between the total assets of the company to the amount on which equity holders have a claim

⁴ Environmental, Social and Governance.

- By limiting SOE exposure, which tends to be concentrated in “old economy” sectors such as financials, energy and materials, the index has a **structural tilt towards “new economy” sectors** such as information technology, consumer discretionary and communication services. New economy sectors tend to be better positioned to take advantage of a burgeoning middle class and increased domestic consumption – trends we believe are likely to persist into the future.

WisdomTree Emerging Markets ex-State Owned Enterprise Index (left) and MSCI Emerging Markets Index (right)



Source: MSCI, WisdomTree as of 30 June 2021. Exposures expected to change.

EMs warrant an allocation in an investor’s portfolio owing to their higher growth and diversification benefits. By adopting a strategy that reduces exposure to SOEs, the fund seeks to achieve a balance between higher growth whilst reducing downside risk in comparison to the broad market. The WisdomTree Emerging Markets ex-State-Owned Enterprises UCITS ETF seeks to track the price and yield performance of the Index before fees and expenses.

Fund Information: WisdomTree Emerging Markets ex-State-Owned Enterprises UCITS ETF

Ticker	Exchange	ISIN	BBG Code	Reuters Code	Listing Currency	Base Currency	TER%
XSOE	LSE	IE00BM9TSP27	XSOE LN	XSOE.L	USD	USD	0.32%
XSOP	LSE	IE00BM9TSP27	XSOP LN	XSOP.L	GBx	USD	0.32%
XSOE	Borsa Italiana	IE00BM9TSP27	XSOE IM	XSOE.MI	EUR	USD	0.32%
XSOE	XETRA	IE00BM9TSP27	XSOE GY	XSOE.DE	EUR	USD	0.32%
XSOE	SIX	IE00BM9TSP27	XSOE SW	XSOE.S	USD	USD	0.32%

TER: Total Expense Ratio.

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares (“Shares”) representing each fund. Investors should read the prospectus of WT Issuer (“WT Prospectus”) before investing and should refer to the section of the WT Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the Shares.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree’s website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France: The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the

prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.

For Investors in Israel: Offering materials for the offering of the Shares and securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law”), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.



WisdomTree.eu
+44 (0) 207 448 4330