THREE WISDOMTREE ETFS THAT MORNINGSTAR RATES AMONG THE BEST IN THEIR CATEGORIES

Pierre Debru – Head of Quantitative Research and Multi Asset Solutions, WisdomTree Europe.
20 May 2024

Selecting the right strategy is the second most important decision when it comes to investing. Asset allocation is considered to be the most impactful decision, but how the allocation is implemented in the portfolio can also make a huge difference in the overall results.

Considering the very large number of funds and ETFs available for each investment category, it is impossible even for the biggest organisation to run detailed due diligence on every strategy. Investors need an initial filter to restrict the number of strategies that they will then review in detail using their own process. Morningstar can provide this filter.

Morningstar's comprehensive coverage extends to approximately 294,000 open-end funds, 12800 closed-end funds, and 23,400 exchange-traded funds (ETFs) on a global scale[1]. They have been rating funds since 1985. They offer two ratings for strategies:

The Morningstar Rating

This rating, often called the star rating, is based on historical risk-adjusted performance over the last three years. It helps inform investment decision-making and illuminates the performance NET of fees of the different strategies. Only the top 10% of funds in a category receive the best rating, i.e. five stars.

The Morningstar Medalist Rating

This rating offers a forward-looking assessment of the strategy for the next five years. It reflects Morningstar’s conviction that a fund will outperform peers on a risk-adjusted basis over a market cycle. It is based on three pillars: People, Process, and Parent. The objective is to assess the team that manages the fund, the investment philosophy and strength of the research and processes, and finally, the quality of the asset management firm itself. Gold-rated funds are the ones that rank in the top 15% of their category with expected positive net of fee alpha.

WisdomTree stands out from other ETF providers by focusing on proprietary and research-driven strategies that combine the best elements of active and passive investing. We aim to provide equity ETFs with the potential to outperform the market or generate better risk-adjusted returns, not just track it.

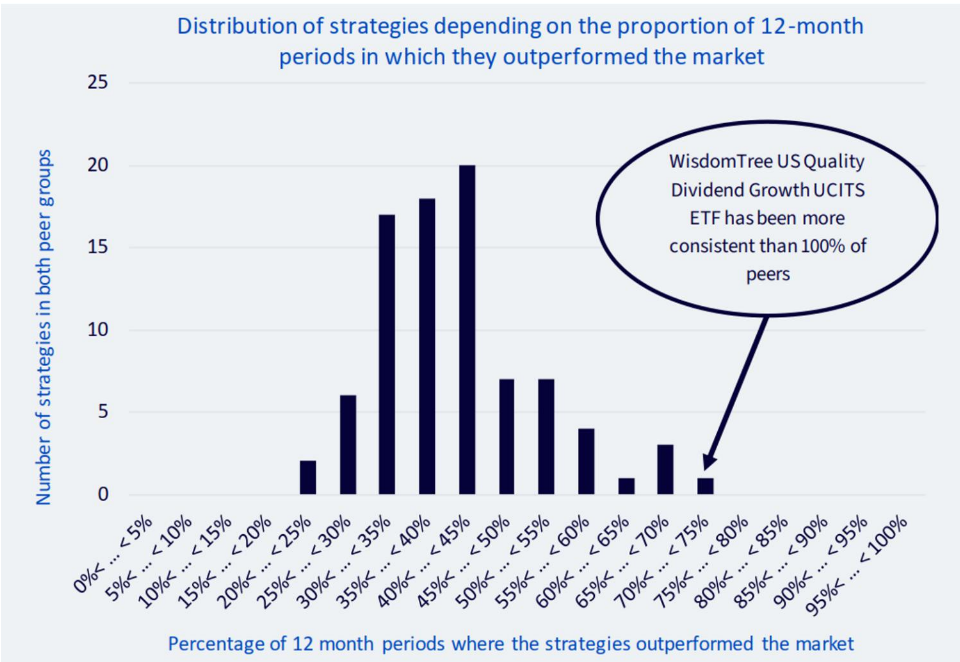
The three ETFs below exhibit a five-star rating as well as a gold medalist rating from Morningstar making them a leading strategy among active funds and ETF in their category.

WisdomTree US Quality Dividend Growth UCITS ETF - ? ? ? ? ? and Gold Medalist

WisdomTree US Quality Dividend Growth UCITS ETF has outperformed the S&P 500 net TR Index by 1.4% per annum over the last three years. Since its launch in June 2016, it has delivered a better Sharpe ratio, lower volatility, and lower drawdowns than the market and most of its peers. This ETF leverages high-quality, dividend-growing companies in the most efficient way. It is constructed around dividend-paying companies with the best-combined rank of earnings growth, return on equity and return on assets within an environmental, social and governance (ESG) filtered universe of companies with sustainable dividend policies. Stocks are also risk-tested using a proprietary risk screen (Composite Risk Score), which uses Quality and Momentum metrics to rank companies and screen out the riskiest companies and potential value traps. Each company is then weighted based on its cash dividend paid (market capitalisation x dividend yield), which introduces valuation discipline in this high-quality portfolio. Those steps, in combination, deliver a core, all-weather strategy that can be used as a strategic holding to withstand market volatility. It can limit the impact of downturns while capturing the upside. This is particularly obvious in Figure 1.

Figure 1 shows that the ETF outperformed the market in 73% of all 12-month rolling periods since its launch in June 2016. No other fund or ETF in its category has been as consistent. All the other strategies outperformed in less than 73% of those periods.

Figure 1: Outperformance consistency



Source: WisdomTree, Morningstar. From 07 June 2016 to 31 March 2024. Calculations are based on monthly NAV in USD. 2 Morningstar peer groups are used: US Equity Income and US Large Cap Value. Only strategies with a tracking error higher than 0.75% versus the S&P 500 are considered. **You cannot invest directly in an index. Historical performance is not an indication of future performance, and any investments may go down in value.**

The developed equity version of this strategy, the WisdomTree Global Quality Dividend Growth UCITS ETF, has also consistently outperformed the market, delivering higher performance, a higher Sharpe ratio, lower volatility, and lower drawdown than the markets and most peers. Morningstar also rates this strategy very positively with a five-star rating and a silver medalist rating.

WisdomTree Japan Equity UCITS ETF - ? ? ? ? ? and Gold Medalist

WisdomTree Japan Equity UCITS ETF had a strong 2023 when it returned 34.75% compared to 30.40% for the Nikkei 225[2]. It has also had a good start to 2024 where it has outperformed by 7.4% (as of 30 April 2024). The WisdomTree Japan Equity UCITS ETF is well-positioned and enables investors to gain broad-based exposure to dividend-paying, export-oriented companies that meet WisdomTree's ESG criteria. Export-oriented companies are defined as those companies that derive at least 20% of their revenue from countries outside Japan. By using one of the many currency-hedged share classes of the ETF, investors can look to reap the potential opportunities of not only a weaker Yen but also corporate governance reforms.

WisdomTree Emerging Markets Equity Income UCITS ETF - ? ? ? ? ? and Gold Medalist

In a very challenging market, WisdomTree Emerging Markets Equity Income UCITS ETF has continued to deliver. In 2023 it outperformed by 13%. The Equity Income strategy was launched in 2007 and provides exposure to the highest dividend-yielding companies in emerging markets. The strategy reconstitutes annually and holds the highest (top 30%) dividend-yielding companies in EM, screening out those with the highest risk – according to our Composite Risk Screen measure.

Sources

[1] https://www.morningstar.com/views/research/ratings

[2] Source: WisdomTree, Bloomberg. Data from 31st December 2022 to 31st December 2023.

Related Products

+ WisdomTree US Quality Dividend Growth UCITS ETF - USD Acc (DGRA/DGRG)
+ WisdomTree Global Quality Dividend Growth UCITS ETF - USD Acc (GGRA/GGRG)
+ WisdomTree Japan Equity UCITS ETF - JPY Acc (DXJZ/DXJG)
+ WisdomTree Emerging Markets Equity Income UCITS ETF (DEM/DEMD)

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