

# Variably Hedged™ Foreign Equities with WisdomTree: The Long View

## Variably Hedged™ Foreign Equities with WisdomTree:

- + Every Foreign Currency Assessed Individually
- + Currencies Hedged 0%–100% Depending on Predefined Metrics

## Modern Alpha Currency Factors:

- + 33.3% Currency Valuation
- + 33.3% Interest Rate Differentials
- + 33.3% Momentum

## Hedged Amount Always Metrics Based

## Example:

- A) Japan rates < CAD rates: Rates signal says hedge yen ✓
- B) Yen trending higher vs. CAD: Momentum signal says don't hedge yen ✗
- C) Yen expensive vs. CAD: Valuation signal says hedge yen ✓

## Combined signal: Hedge two-thirds of yen exposure

- + Then repeat for each currency

## See [WisdomTree.com](https://www.wisdomtree.com) to learn about:

DQD – WisdomTree U.S. Quality Dividend Growth Variably Hedged Index ETF™

DQI – WisdomTree International Quality Dividend Growth Variably Hedged Index ETF™



## The Overlay Through History: MSCI EAFE, 1988–2017

Returns Greater than Hedged and Unhedged for 29 Years ✓

Annualized Return			
	100% Unhedged	100% Hedged	With Variably Hedged™ Overlay
1 Year	16.82%	16.18%	16.06%
3 Years	10.66%	8.89%	9.29%
5 Years	12.97%	11.80%	12.63%
10 Years	4.40%	3.06%	3.67%
15 Years	6.45%	7.35%	7.23%
20 Years	4.55%	4.78%	5.10%
29 Years	5.05%	5.12%	5.83%

Volatility Lower than Hedged and Unhedged for 29 Years ✓

Annualized Volatility			
	100% Unhedged	100% Hedged	With Variably Hedged™ Overlay
1 Year	9.22%	4.54%	5.75%
3 Years	12.69%	11.42%	10.90%
5 Years	10.92%	10.34%	9.89%
10 Years	13.74%	14.96%	14.07%
15 Years	12.80%	13.49%	12.82%
20 Years	13.40%	14.57%	13.71%
29 Years	14.79%	14.84%	14.33%

Avoiding Whipsaw for 29 Years ✓

Rolling Periods: Variably Hedged™ "Hit Rate" vs. 100% Hedged and 100% Unhedged					
	# Observations	% Time Higher than Both	% Time Lower than Both	% Time In Between	Higher than Both OR In Between
Rolling 1 Year	29	17.2%	6.9%	75.9%	93.1%
Rolling 2 Years	28	32.1%	3.6%	64.3%	96.4%
Rolling 3 Years	27	29.6%	0.0%	70.4%	100.0%
Rolling 4 Years	26	34.6%	3.8%	61.5%	96.2%
Rolling 5 Years	25	48.0%	4.0%	48.0%	96.0%
Rolling 6 Years	24	33.3%	8.3%	58.3%	91.7%
Rolling 7 Years	23	43.5%	0.0%	56.5%	100.0%
Rolling 8 Years	22	54.5%	0.0%	45.5%	100.0%
Rolling 9 Years	21	52.4%	0.0%	47.6%	100.0%
Rolling 10 Years	20	75.0%	0.0%	25.0%	100.0%

Source: Record Currency Mgmt. Signal overlay for MSCI EAFE (Net) Index, using USD, EUR, JPY, GBP, CHF, AUD, SEK, NOK and NZD plus 50% passive hedges on ILS and SGD, with MYR unhedged due to emerging status. DKK and HKD proxied to EUR and USD, respectively. Passive hedges run at hedge ratio for all currencies. Unhedged currency returns assumed to be reverse of 100% passive hedge. CAD returns gross of overlay fees. "Hit Rate" is percentage of time currency overlay added return. Data: 12/30/1988–12/31/2017.

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