

WisdomTree ICBCCS S&P China 500 Equity Index ETF

CHNA.B

ENHANCING ACCESS TO CHINESE EQUITIES

As China continues down the path of capital market liberalization, many investors are confronted with a dizzying array of options: H-shares, B-shares, A-shares, P-chips. Then there are all of the exchange listings, in Hong Kong, Shanghai, Shenzhen, Singapore and New York. While the economic rationale for investing in China may be straightforward, the means by which investors should gain access is not. In our view, given the broad diversity of opportunities in the market, any investor seeking “beta”¹ exposure to Chinese equities should do so via all means available. This was the primary motivation behind WisdomTree’s decision to partner with Standard & Poor’s (S&P) to provide exposure to one of the broadest representations in the ETF market, the S&P China 500 Index.

The WisdomTree ICBCCS S&P China 500 Equity Index ETF (CHNA.B) seeks investment results that, before fees and expenses, generally correspond to the performance of the S&P China 500 Index CAD.

CHINA BY THE NUMBERS

The Chinese economy accounts for over 15% of global GDP and 11% of global trade.² When measured purely by market cap, the country has the second-largest equity market in the world.³ However, as a result of restrictions imposed by the Chinese government, these massive markets have generally been off limits for most investors. Over the last decade, policy makers, led by president Xi Jinping, have sought to gradually open Chinese markets to outside capital. As a result, it offers an attractive mix of high growth rates, a burgeoning middle class and an economy poised to climb the value chain from export-oriented growth. In our view, China’s importance in global markets will only grow as the government integrates global investors.

Historically, exposure to Chinese equities for non-Chinese nationals was limited to companies that listed on international exchanges. After a variety of pilot programs and special institutional frameworks, China has made dramatic steps forward over the last several years to make mainland-listed companies more accessible. As a result, we believe investors should not necessarily limit themselves to certain listing venues when constructing exposure to China. As illustrated in Figure 1 below, the S&P China 500 Index CAD is one of the few ways to capture broad Chinese equities.

¹ Beta: Measure of the volatility of an index or investment relative to a benchmark. A reading of 1.00 indicates that the investment has moved in lockstep with the benchmark; -1.00 indicates that the investment has moved in the exact opposite direction of the benchmark.

² Source: IMF, as of 12/31/17.

³ Source: World Federation of Exchanges, as of 12/31/17.

FIGURE 1: Share Class Exposures

Exchange Location	Share Class	Description	Trading Currency	Largest Sector	Companies	S&P China 500 Index	MSCI China Index	FTSE China 50 Index
Mainland China	A-Shares	Chinese securities incorporated in mainland China, listed on the Shanghai or Shenzhen Stock Exchange and traded in yuan (CNY)	CNY	Financials	Kweichow Moutai, Ping An Insurance, China Merchants Bank	●	●	
	B-Shares	Chinese securities incorporated in mainland China, listed on the Shanghai Stock Exchange (USD) and the Shenzhen Stock Exchange (HKD)	USD / HKD	Industrials	Shanghai Lujiazui Fin & Trade Dev, Inner Mongolia Yitai Coal, Chongqing Changan Automobile	●	●	
International	H-Shares	Chinese securities incorporated in mainland China, listed on the Hong Kong Stock Exchange (HKD)	HKD	Financials	China Construction Bank, ICBC, Ping An Insurance	●	●	●
	Red-Chips	Chinese securities of state-owned companies incorporated outside mainland China, listed on the Hong Kong Stock Exchange (HKD)	HKD	Telecom. Services	China Mobile, CNOOC, BOC Hong Kong	●	●	●
	P-Chips	Chinese securities of non-government-owned companies incorporated outside mainland China, listed on the Hong Kong Stock Exchange (HKD)	HKD	Consumer Discretionary	Tencent, Geely Automobile, China Evergrande	●	●	●
	N-Shares	Chinese securities (including ADRs) incorporated outside Greater China (mainland China, Hong Kong, Macao and Taiwan), listed on the NYSE Euronext-New York, NASDAQ, NYSE AMEX (N-Shares), traded in USD, and Singapore Exchanges (S-Shares), traded in Singapore dollars (SGD)	USD	Information Technology	Alibaba, Baidu, JD.com	●	●	
	S-Shares		SGD	Industrials	Yangzijiang Shipbuilding Holdings, Yanlord Land Group, SII Environmental	●	●	

Sources: WisdomTree, S&P, MSCI, FTSE, as of 6/30/18.

Additionally, the S&P approach also targets a much broader number of securities (500+) than other indexes, some of which cover 50 securities. The S&P Index is also diversified on the sector level (Figure 2).

FIGURE 2: Index Sector Exposures (as of 6/30/18)

Sector	S&P China 500	MSCI China
Information Technology	21.2%	40.4%
Financials	24.2%	23.2%
Consumer Discretionary	11.5%	9.5%
Consumer Staples	5.5%	2.0%
Health Care	4.6%	2.0%
Industrials	12.5%	4.6%
Materials	8.1%	1.3%
Energy	2.8%	4.7%
Telecom. Services	1.8%	5.1%
Utilities	2.7%	2.4%
Real Estate	5.1%	4.8%

Sources: S&P, MSCI, FTSE, as of 6/30/18. You cannot invest directly in an index. Subject to change.

INVESTMENT STRATEGY

The S&P China 500 Index CAD follows the below methodology and is rebalanced on a semi-annual basis:

- + **Index Universe:** Constituents must be included in the S&P Total China BMI, which represents the entire investable universe of Chinese companies including A-Shares and offshore listings, and meet minimum eligibility criteria.
- + **Constituent Selection:** 500 of the largest, most liquid Chinese companies by total market capitalization, with a methodology that has the goal of maintaining sector weights comparable to the S&P Total China BMI.
- + **Weighting:** The index is weighted by float-adjusted market capitalization.

WHY INVEST IN CHNA.B?

- + Compelling opportunity to gain broad-based exposure to a fast-growing economy that's in the early stages of liberalizing its capital markets.
- + Gain comprehensive exposure to the S&P 500 of China.
- + Can be used for entire Chinese equity allocations.

WisdomTree ICBCCS S&P China 500 Equity Index ETF Quick Facts

Ticker: CHNA.B

Class: Non-Hedged Units

Exchange: TSX

Management Fee: 0.55%

Exposure: Large-Cap Broad Market China

For more information about CHNA.B contact your WisdomTree representative or visit WisdomTree.com.

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