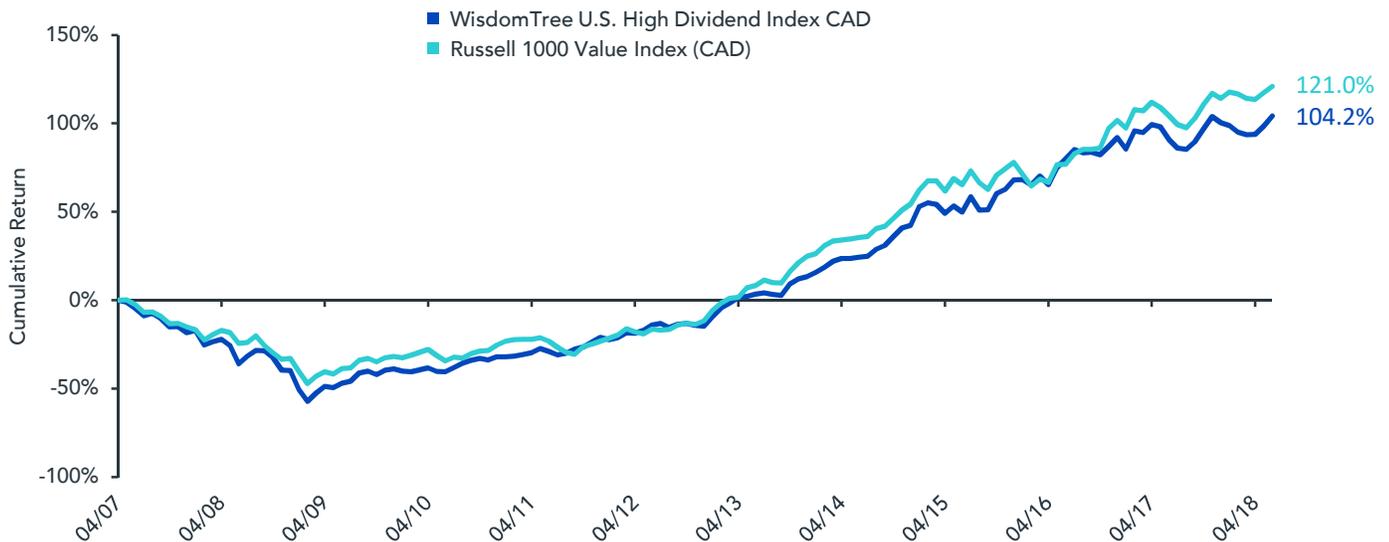


In the past few decades, index-based investment strategies have gained traction for obtaining exposure to broad asset classes. Numerous benefits—including easy diversification, generally low fees, tax efficiency and daily transparency of holdings—have helped these types of strategies flourish. While the first set of indexes were traditional market cap-weighted offerings, there is a growing body of evidence suggesting that a rules-based approach to indexing can add significant value.

In his 2005 book, *The Future for Investors*, Wharton Professor Jeremy Siegel broke down the performance of the S&P 500 dividend-paying stocks into quintiles, illustrating that a focus on dividend-paying stocks had a dramatic impact on performance—and risk. WisdomTree was among the first to provide this early concept of dividend weighting to investors with the launch of the first WisdomTree dividend Indexes in 2006 along with the firm's first 20 exchange-traded funds (ETFs) in the U.S.

## Cumulative Return (04/30/2007 - 6/30/2018)



Index	Avg. Ann. Return	Avg. Ann. St. Dev.	Sharpe Ratio	Beta Vs. Russell 1000 Value (CAD)	Correlation Vs. Russell 1000 Value (CAD)
WisdomTree US High Dividend Index CAD*	6.60%	14.05%	0.39	1.00	0.85
Russell 1000 Value Index (CAD)	7.36%	11.94%	0.53	1.00	1.00

Sources: WisdomTree, FactSet, Bloomberg, 04/30/07–6/30/2018. \* WisdomTree U.S. High Dividend Index CAD was launched on 6/7/16. Performance of the Index prior to the launch date represents hypothetical back-tested data. This hypothetical back-tested data has been calculated by an independent calculation agent and WisdomTree and has been included for illustrative purposes only. Index performance does not represent actual fund performance. Index returns assume reinvestment of distributions received but do not reflect fees, transaction costs or expenses. You cannot invest directly in an index. The chart shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future performance of the Index.

**A METHODOLOGY THAT TILTS TOTAL RETURNS TOWARD DIVIDENDS**

Most equity indexes have two components driving total returns—price return and dividend return. The price return reflects changes in the share prices of the underlying constituents, and the dividend return is a result of dividend payments. Dividend-focused methodologies tilt the profile of total returns toward dividends. The risk-adjusted outperformance demonstrated by Professor Siegel's research is the foundation upon which the WisdomTree U.S. High Dividend Index CAD was built. At its core, the methodology focuses on:

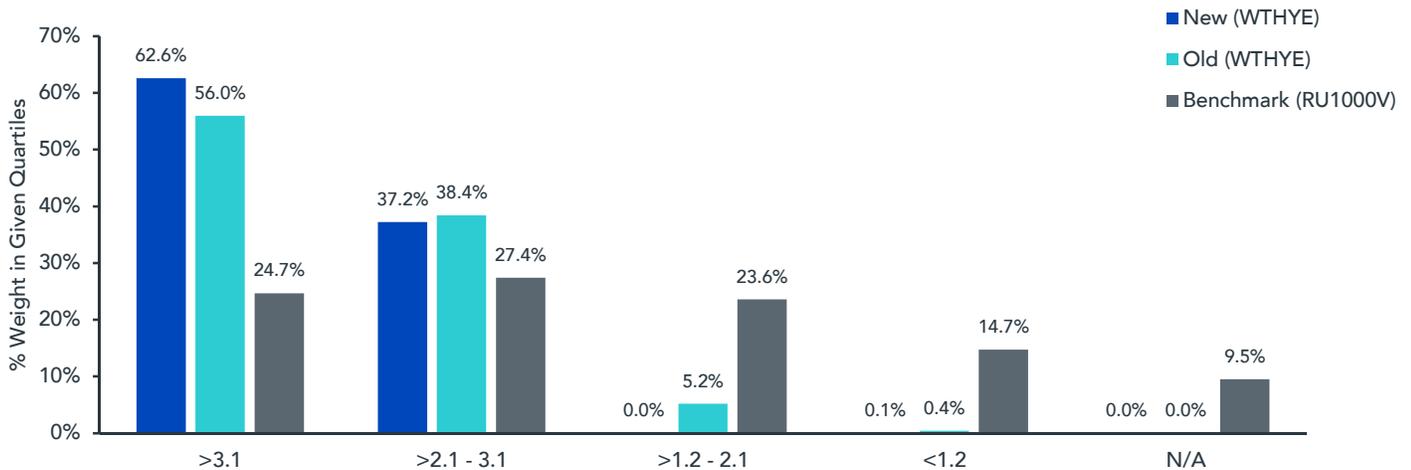
**Stock Selection**

+ Our High Dividend strategy starts with a universe of all U.S. dividend-paying companies meeting WisdomTree's market capitalization and liquidity requirements. From there, the methodology selects the top 30% of constituents ranked based on dividend yield.

**Weighting**

+ To attain the High Dividend tilt for the portfolio, the weighting methodology ranks the top 30% of dividend payers in order of cash dividends paid and assigns weight from greatest to least.

**Relative Weight Distribution in Dividend Yield**



Sources: WisdomTree, FactSet, as of 11/30/17. RU1000V refers to the Russell 1000 Value Index CAD, and WTHYE refers to the WisdomTree U.S. High Dividend Index CAD. Note that the "Old" and "New" designations refer to WTHYE's constituents right before and right at the index reconstitution.

**THE IMPACT OF DIVIDEND WEIGHTING ON THE PORTFOLIO**

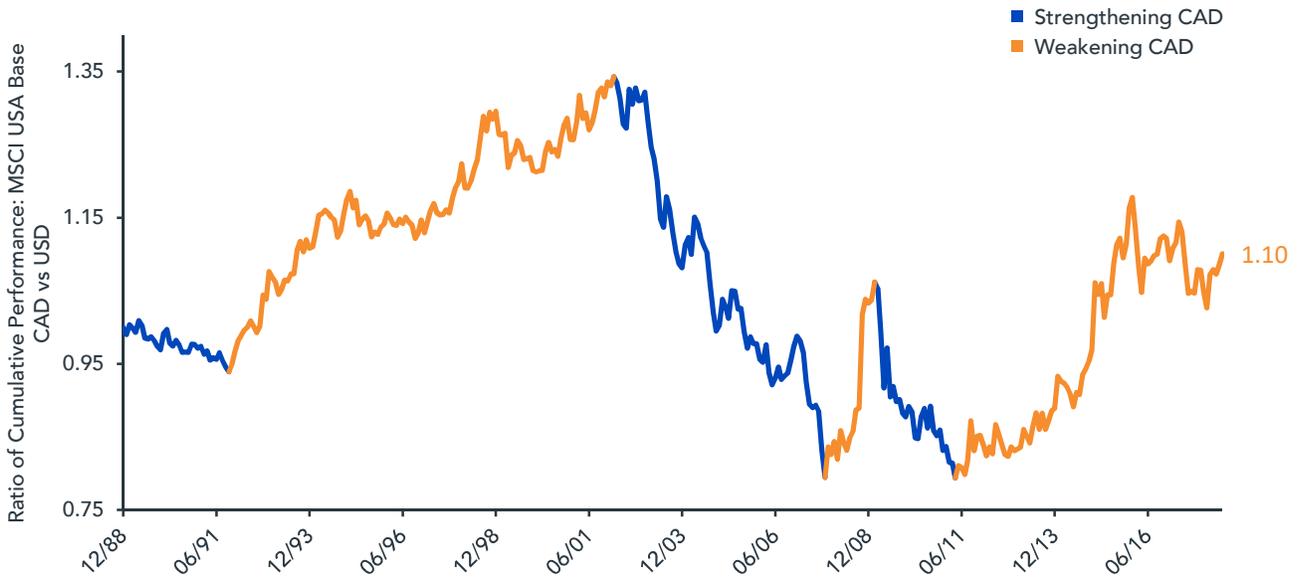
In the figure above, we see a profile of the weight of WisdomTree's U.S. High Dividend strategy's weight broken down by the quartile segments of the Russell 1000 Value Index's dividend payers. It is important to note that beyond the quartiles, the Russell 1000 Value Index Index had a significant portion of its weight in non-dividend-paying companies while WisdomTree's U.S. High Dividend Index CAD held much of its weight in the highest dividend-paying quartile.

**WHAT ABOUT CURRENCY EXPOSURE?**

When it comes to international equity exposure, Canadian investors are no stranger to the considerations associated with international currency risks. WisdomTree has pioneered three important categories of indexes and ETFs—dividend-weighted and factor-based investment strategies covering global markets, currency-hedged equities and, most recently, applying a Variably Hedged™ approach to currency hedging (Variably Hedged™ is a trademark of WisdomTree Investments, Inc. and refers to its variably currency-hedged ETFs, units thereof and/or its proprietary method of hedging based on technical and economic signals).

**THE TRICKY THING ABOUT CURRENCY EXPOSURE**

WisdomTree believes a strong case can be made that currency-hedged solutions provide a more-attractive strategic baseline exposure for investors focused on longer-term horizons. Currency risk can have positive or negative effects on international equity performance depending on the depreciation or appreciation of the Canadian dollar against the base currency of the equity exposure. While some investors fear missing out on the periods of outperformance, WisdomTree firmly believes that timing these moves can be extremely difficult without a systematic approach.



Sources: WisdomTree, Bloomberg, 12/31/1988–6/30/2018.

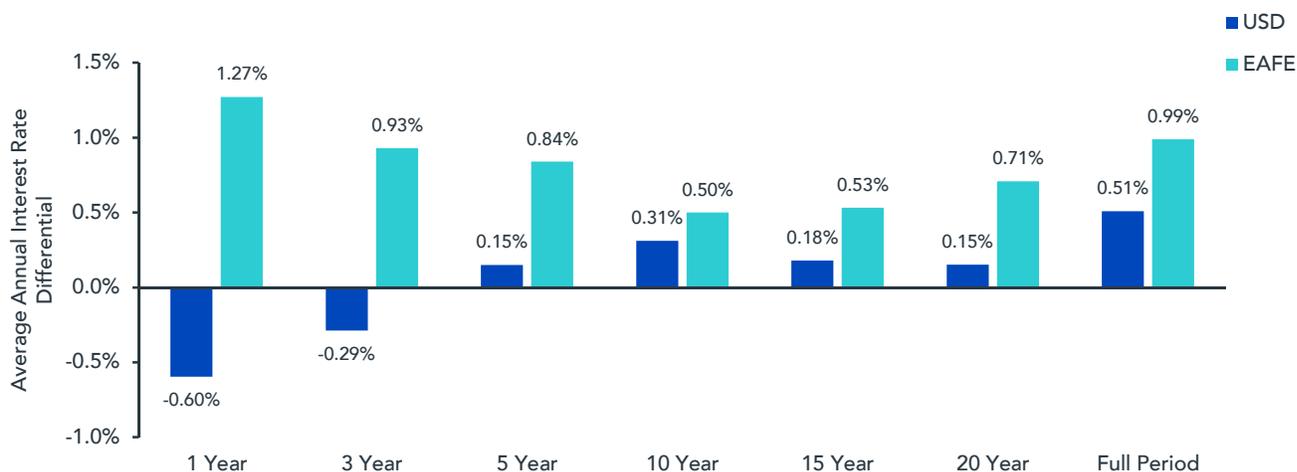
### DEBUNKING A CURRENCY-HEDGING MYTH

One common misconception that investors have about currency hedging is that it is "expensive" to hedge foreign currency risk. As we show here, this is not true, as many currencies not only have low hedging costs but, in many cases, Canadian investors may actually receive a net benefit from implementing a currency hedge.

### IT CAN PAY TO HEDGE

Historically, Canadian interest rates have been higher than interest rates in foreign markets. Based on how the forward currency contracts are priced, if the Canadian dollar short-term interest rate is higher than that of the targeted currencies, hedging those currencies against the Canadian dollar resulted in being paid positive interest rate differentials.

### INTEREST RATE DIFFERENTIALS - CAD vs. USD/EAFE



Positive values indicate a "Net Benefit" while negative values indicate a "Net Cost" via interest rate differentials. Sources: WisdomTree, Bloomberg, 12/31/1988–6/30/2018.

The **WisdomTree U.S. High Dividend Index ETF** seeks to track, to the extent possible, the price and yield performance of the **WisdomTree U.S. High Dividend Index CAD**, before fees and expenses. The fund has issued non-hedged units (**TSX: HID.B**) and 100% passively hedged units (**TSX: HID**) so that investors can take control of their international currency exposure.

Methodology	
<b>Selection Criteria and Rationale</b>	The universe of eligible companies begins with the WisdomTree Dividend Index of around 1500 investable dividend payers as of the most recent November 30th annual screening date. We then add the following criteria. <ul style="list-style-type: none"> <li>• Minimum market capitalization of \$200 million.</li> </ul> The Index comprises the top 30% by indicated dividend yield from the WisdomTree Dividend Index.
<b>Weighting</b>	The Index is Dividend Stream (dividend per share times shares outstanding) weighted to reflect the proportionate share of the previously selected top 30% dividend-yielding securities.
<b>Single Holding and Sector Caps</b>	At the annual rebalance, the following caps apply: <ul style="list-style-type: none"> <li>• No single stock can represent more than 5% of the index.</li> <li>• No sector can represent more than 25% of the index</li> </ul> Between the annual rebalances, single stock weights and sector weights may fluctuate above the 5% and 25% marks, respectively, due to market movement.

**Quick Facts: HID**

<b>Ticker:</b> HID
<b>Class:</b> Hedged Units
<b>Exchange:</b> TSX
<b>Management Fee:</b> 0.38%
<b>Management Expense Ratio:</b> 0.40%
<b>Exposure:</b> United States, dividend-paying large-cap stocks

**Quick Facts: HID.B**

<b>Ticker:</b> HID.B
<b>Class:</b> Non-Hedged Units
<b>Exchange:</b> TSX
<b>Management Fee:</b> 0.35%
<b>Management Expense Ratio:</b> 0.35%
<b>Exposure:</b> United States, dividend-paying large-cap stocks

Management Expense Ratio (MER) - As reported on the Fund's most recent Management Report of Fund Performance. MER is the total of the Fund's management fee and operating expenses, including all waivers and absorptions, and is expressed as an annualized percentage of the average daily net asset value.

The WisdomTree ETFs listed on the Toronto Stock Exchange are managed by WisdomTree Asset Management Canada, Inc. Commissions, management fees and expenses all may be associated with investing in WisdomTree ETFs. Please read the relevant prospectus before investing, which is available at [www.wisdomtree.com](http://www.wisdomtree.com). WisdomTree ETFs are not guaranteed, their values change frequently and past performance may not be repeated. Nothing in any commentary should be considered a recommendation to buy or sell a particular security. Tax, investment and all other decisions should be made, as appropriate, only with guidance from a qualified professional.

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