



WisdomTree Emerging Markets SmallCap Dividend UCITS ETF



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Emerging markets (EMs) today stand at the intersection of cyclical recovery and structural reinvention. While global growth is moderating, EMs continue to outpace developed market (DM) peers. The International Monetary Fund (IMF) forecasted EM and developing economies to expand by 3.7% in 2025 while advanced economies are projected to grow by 1.4%¹. But this growth is not just statistical, it's underpinned by a demographic dividend, rising income levels and accelerated digital adoption across key economies.

EMs are no longer defined solely by commodities and low-cost manufacturing. Today, they are home to the world-leading semiconductor producers, digital banking disruptors and renewable energy infrastructure scale ups. From India's rapidly growing fintech ecosystem to Brazil's surging agritech exports and South Korea's global leadership in memory semiconductors, EMs are evolving into multi-sector innovation hubs.

¹ World Economic Outlook April 2025, International Monetary Fund (IMF).

While the investment case for EMs over the long term paints a compelling narrative, WisdomTree takes a targeted approach, focusing on a high conviction segment of the market: small cap dividend-paying companies. These firms represent the dynamic essence of EM economies, often with stronger domestic orientation, agile cost structures and higher return on equity than their larger cap peers. We believe EM small cap dividend payers offer three key advantages:

- 1. Idiosyncratic return potential** – Their revenue is often domestically driven, reducing sensitivity to global shocks, and enabling differentiated performance from export-heavy EM large caps.
- 2. Resilience to global trade volatility** – As supply chains rewire and tariff regimes evolve, small caps with local customer bases are less exposed to cross-border disruption.
- 3. Fundamental quality through dividend discipline** – Companies paying sustainable dividends signal underlying profitability, governance focus, and cash flow health.

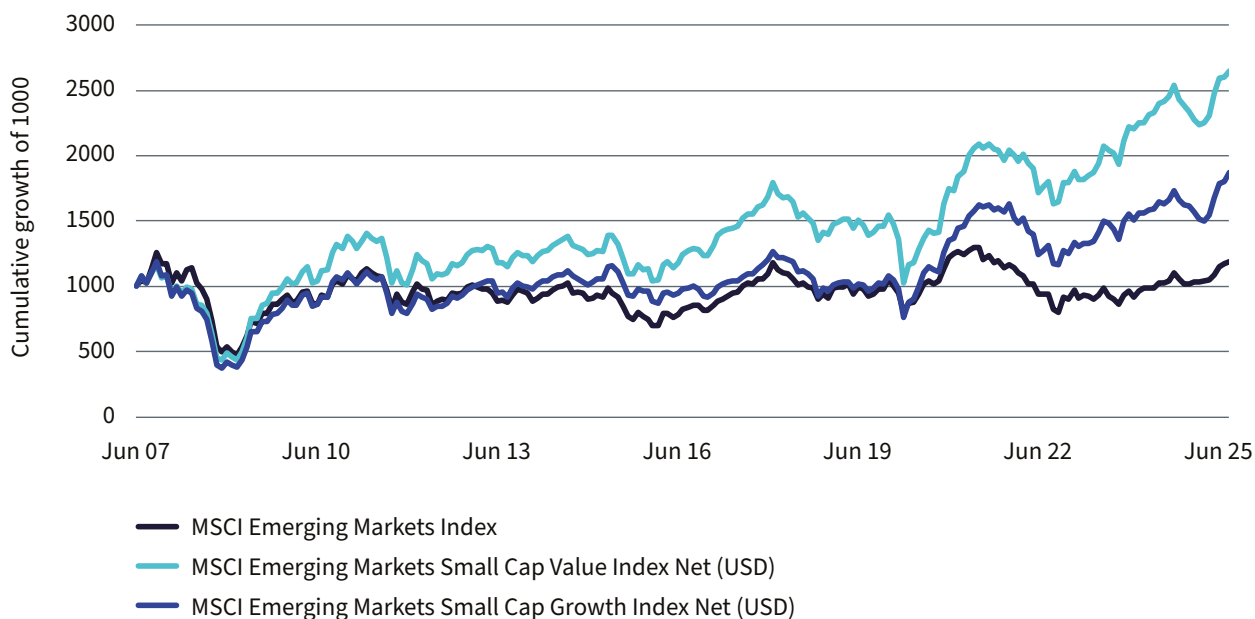
The WisdomTree Emerging Markets SmallCap Dividend UCITS Index (WTEMSUHT) was purpose-built to access this sweet spot of the market, balancing income, value, and domestic cyclicality.

Small companies and the value premium

Eugene Fama and Kenneth French put forth the concept that stock returns are often a function of a stock's exposure to various 'risk premiums.' In theory, these risk premiums provide additional returns for small caps over large caps and for value over growth. In fact, the historical returns in emerging markets over the past decade are evidence of this theory, illustrating that the value premium exists in emerging markets, as small cap value outperforms small cap growth.

- + **Small cap outperforms large cap:** Since June 2007, a \$1,000 investment in EM small cap value investment outperformed the same investment in EM large caps by 123%. EM small cap growth also outperformed EM large caps by 57% over the same period.
- + **Value outperforms Growth:** Since June 2007, a \$1,000 investment in EM small cap value investment outperformed the same investment in EM small cap growth by 42%.

Figure 1: Benefit of valuation sensitivity in emerging market small caps versus EM large caps



Source: Bloomberg, WisdomTree as of 29 September 2025. You cannot invest directly in an index. Historical performance is not an indication of future performance, and any investments may go down in value. EM small cap growth refers to the MSCI Emerging Markets Small Cap Growth Index. EM small cap value refers to the MSCI Emerging Markets Small Cap Value Index. EM Large Caps refers to the MSCI Emerging Markets Index.

The WisdomTree Emerging Markets SmallCap Dividend UCITS Index (Bloomberg Ticker: WTEMSUHT Index) was built to capture the small cap value segment of the emerging markets. It does so by maintaining sensitivity to valuation through its annual rebalance.

The proof is in the performance

The WisdomTree Emerging Markets SmallCap Dividend UCITS Index has provided higher returns with less risk over the long term, as illustrated by Figure 2 on an average annual return basis for the one-year, three-year, five-year and 10-year periods:

- + **Long-term outperformance** — WisdomTree Emerging Markets SmallCap Dividend UCITS Index outperformed both the MSCI Emerging Markets Index and the MSCI Emerging Markets Small Cap Index — and with relatively low risk over the past 10 years.
- + **Higher Sharpe ratio** – WTEMSUHT’s Sharpe ratio (return per unit of risk) was higher relative to the MSCI Emerging Markets Index and the MSCI Emerging Markets Small Cap Index, illustrating the Index provides attractive risk-adjusted returns over the 3-year, 5-year and 10-year periods.
- + **Lower risk** – The higher sharpe ratio was driven in large part by lower risk. WTEMSUHT had lower risk than the MSCI Emerging Markets Index over the 1-year, 3-year, 5-year and 10-year periods.

Figure 2: Risk and return measures: WisdomTree Emerging Markets SmallCap Dividend UCITS Index

Period	Index	Annualised Return	Standard Deviation	Sharpe Ratio	Beta ²
YTD	WisdomTree Emerging Markets SmallCap Dividend UCITS Index	22.19%	14.28%	1.23	0.82
	MSCI Emerging Markets Small Cap Index	19.12%	11.87%	1.22	0.87
	MSCI Emerging Markets Index	34.29%	13.12%	2.26	1.00
1-Year	WisdomTree Emerging Markets SmallCap Dividend UCITS Index	6.72%	12.98%	0.16	0.76
	MSCI Emerging Markets Small Cap Index	5.67%	11.75%	0.09	0.81
	MSCI Emerging Markets Index	14.06%	13.25%	0.71	1.00
3-Year	WisdomTree Emerging Markets SmallCap Dividend UCITS Index	18.26%	11.90%	1.12	0.75
	MSCI Emerging Markets Small Cap Index	15.65%	13.27%	0.80	0.74
	MSCI Emerging Markets Index	-13.29%	15.73%	-1.16	1.00
5-Year	WisdomTree Emerging Markets SmallCap Dividend UCITS Index	12.26%	12.31%	0.74	0.73
	MSCI Emerging Markets Small Cap Index	10.14%	15.94%	0.44	0.77
	MSCI Emerging Markets Index	4.62%	17.37%	0.09	1.00
10-Year	WisdomTree Emerging Markets SmallCap Dividend UCITS Index	10.02%	13.70%	0.57	0.85
	MSCI Emerging Markets Small Cap Index	6.22%	14.27%	0.28	0.84
	MSCI Emerging Markets Index	5.61%	15.88%	0.21	1.00

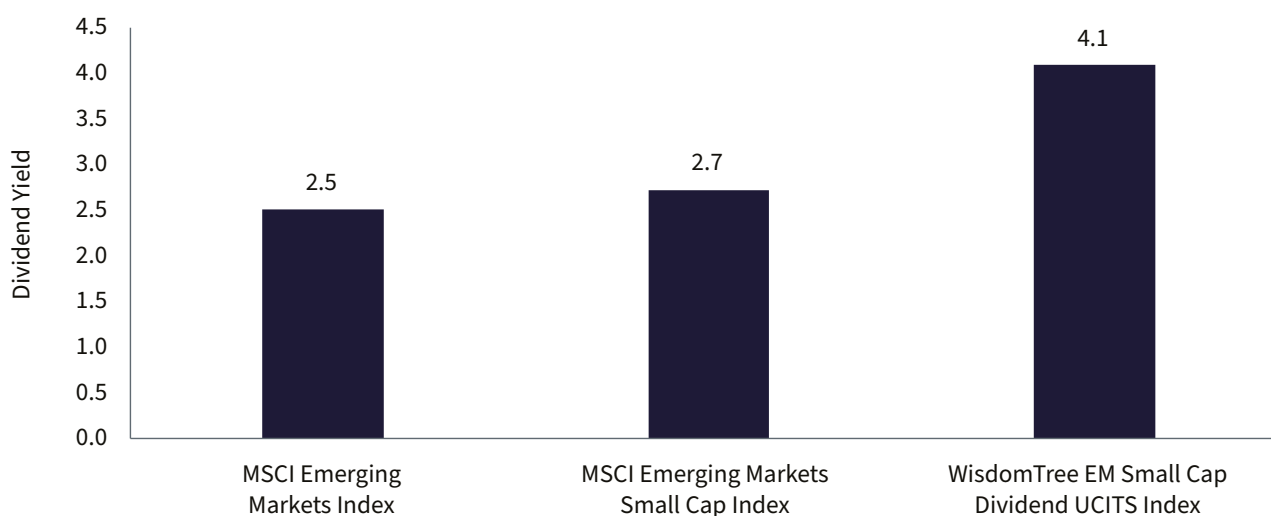
Sources: Bloomberg, as of 29 September 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.** You cannot invest directly in an index. Beta: Measured relative to the MSCI Emerging Markets Index.

2 Beta measures the volatility of the Index relative to the overall market, indicating how much a specific asset's return are expected to move in line with the broader market.

Small companies, large dividends

Although many investors may believe large companies pay the highest dividend yield, this is not necessarily the case. As Figure 3 illustrates, the WisdomTree Emerging Markets SmallCap Dividend UCITS Index currently provides a far higher dividend yield than other emerging market equity indices, thus providing investors with much greater income potential.

Figure 3: Dividend yields in EM small caps can be attractive compared to benchmark indices



Source: Bloomberg, as of 29 September 2025. You cannot invest directly in an index. Historical performance is not an indication of future performance, and any investments may go down in value.

We believe that focusing on small cap dividend payers is a quantitative, disciplined way to access the value premium, avoid speculative companies and locate yield opportunities. So, how do we do it?

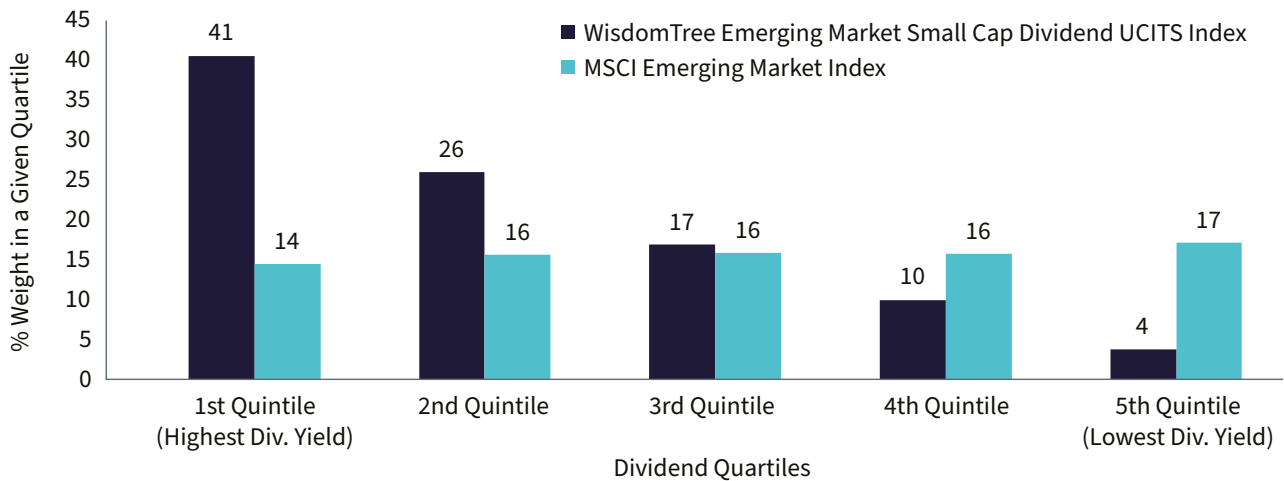
WisdomTree Emerging Markets SmallCap Dividend UCITS Index weights by dividends. We’ve discovered during our firm’s history that our dividend-weighted approach tends to make the greatest difference in less efficient markets.

Most exchange-traded funds (ETFs) are market cap-weighted, meaning they give more weight to companies selling at higher prices rather than those potentially offering stronger fundamentals. But at WisdomTree, we believe fundamentals such as dividends offer more objective measures of a company’s health, value and profitability than stock price alone. Consider that:

- + Dividends have theoretical and empirical importance in determining stock values
- + The payment of dividends indicates that management is focused on increasing shareholder value

- + Dividend stocks offer potential for income, income growth and capital appreciation
- + Dividends can provide benefits regardless of the market direction

Figure 4: The WisdomTree Emerging Market Small Cap Dividend UCITS Index tilts its weight towards companies with higher dividend yield



Source: WisdomTree, Factset as of 29 September 2025. You cannot invest directly in an index. Historical performance is not an indication of future performance, and any investments may go down in value.

A rules-based methodology focused on dividends

The WisdomTree Emerging Markets SmallCap Dividend UCITS Index seeks to include a broad array of dividend-paying small cap stocks. Our methodology is designed to work on an ongoing basis, annually rebalancing to maintain its focus on small companies that pay dividends. It's important to note that focusing on small cap EM dividend payers doesn't lead to a narrow index.

Figure 5: Methodology matters — how the WisdomTree Emerging Markets SmallCap Dividend UCITS Index maintains its focus

Selection rules	
Eligible universes	The WisdomTree Emerging Markets SmallCap Dividend UCITS Index ("WTEMSUHT") is derived from the WisdomTree Emerging Markets Dividend Index. The WisdomTree Emerging Markets Dividend Index ("EMDI") measures the stock performance of companies that pay regular cash dividends on shares of common stock, have positive earnings over the past year and that conduct their primary business activities in the following 18 emerging market nations: Brazil, Chile, China, Czech Republic, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Philippines, Poland, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey ('Emerging Market Countries'). Constituents must also have paid at least \$5 million in gross cash dividends during the annual cycle prior to the annual reconstitution in October.
Market cap requirement	At least \$200 million as of the annual screening date.
Liquidity requirements	Median daily dollar volume of at least \$200,000 for each of the six months preceding the screening date. The annual screening date is 30 September each year.
Selection methodology	The WisdomTree Emerging Markets SmallCap Dividend UCITS Index is derived from the WisdomTree Emerging Markets Dividend Index. New additions to the index are those companies that rank in the bottom 10% of total market capitalisation of the WisdomTree Emerging Markets Dividend Index as of the screening date. Additionally, up to 100 of the largest Chinese domestic listed companies that meet 'EMDI' index criteria based on the bottom 10% market capitalisation cut-off of the 'EMDI' index (without A shares that are part of the connect program and meet index requirements), may be included. Constituents are removed if they rank above the bottom 13% of total market capitalisation of the 'EMDI' index at the screening date.
Weighting rules	
Weighting	Each company's weight is proportional to its annual cash dividends paid over the annual cycle prior to the annual screening date, or Dividend Stream®, compared to that of all other Index constituents. Each company therefore must pay regular cash dividends. Special dividends are excluded.
Capping rules	Exposure to any country or sector is capped at 25%. Chinese domestic stock market exposure will be treated separately and capped at 5%. Real Estate sector will be capped at 15%. These are soft caps, because between annual Index screening dates, sector weights may shift above these caps due to market movement. This capping rule exists because dividend-paying small cap stocks in emerging markets may concentrate within particular countries or sectors. The methodology is meant to maintain its broadness of exposure.
Liquidity adjustment factor	If a security has a calculated volume factor of less than \$400 million, its weight will be reduced proportionally by a liquidity factor that equals the original calculated volume factor divided by \$400 million. The implementation of the volume factor may cause an increase in the holdings, sector and country weights above the specified caps.

Managing valuation risk through annual rebalancing

The Index is rebalanced annually based on relative value to maintain a focus on the small cap value premium. The constituents and weights can change depending upon:

- + **Share price performance:** Since dividend yield is calculated as dividends paid over the prior 12 months, divided by share price, the behaviour of the share price does have an impact on the dividend yield. If we assume the dividend is constant, a rising share price would mean a lower dividend yield. Conversely, a falling share price can lead to a less expensive stock and a higher dividend yield.
- + **Dividend growth (or reduction):** Rising dividends are another way to see a dividend yield potentially rise, just as falling dividends are another way to see a dividend yield potentially fall.

It is important to note that when the Index is rebalanced, caps are set at 25% to sectors and countries in order to mitigate the risk of overexposure. In our opinion, a rules-based process focused on weighting by dividends can offer potential outperformance, higher yields and lower risk than market capitalisation approaches.

Introducing the WisdomTree Emerging Markets SmallCap Dividend UCITS ETF

The WisdomTree Emerging Markets SmallCap Dividend UCITS ETF (DGSE) tracks the WisdomTree Emerging Markets SmallCap Dividend UCITS Index. The Fund can be a smart way to access emerging market small caps, as it:

1. Provides direct access to local consumer sectors and local economies
2. Enhances the small cap and value premiums through dividend weighting
3. Provides the potential for additional income
4. Offers a unique country mix
5. Can help complete emerging market allocations

Exposure to Emerging Market Small Cap dividend payers offers differentiated growth and income potential alongside higher risk. In addition to typical small cap risks which include greater price swings, lower liquidity and economic sensitivity, emerging markets can face elevated political, regulatory and governance uncertainties, variable accounting standards, capital control and settlement risks, as well as more pronounced currency fluctuations. The strategy's rules-based, dividend-weighted design and country/sector caps seek to maintain valuation discipline and diversify exposures but can still lead to concentrations and higher turnover at rebalances. Dividends may be reduced or suspended, and performance may diverge meaningfully from broad EM benchmarks, in either direction, particularly when local sentiment shifts or exchange rates move sharply. These characteristics should be weighed carefully as part of a diversified, long-term EM allocation.

Fund information: WisdomTree Emerging Markets SmallCap Dividend UCITS ETF						
Base currency	Ticker	Exchange	ISIN	BBG code	Listing currency	TER %
USD	DGSE	LSE	IE00BQZJBM26	DGSE LN	GBx	0.54
USD	DGSD	LSE	IE00BQZJBM26	DGSD LN	USD	0.54
USD	DGSE	SIX	IE00BQZJBM26	DGSE SW	CHF	0.54
USD	DGSE	Borsa Italiana	IE00BQZJBM26	DGSE IM	EUR	0.54
USD	WTED	XETRA	IE00BQZJBM26	WTED GY	EUR	0.54

TER: Total expense ratio

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