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# WisdomTree Japan Equity UCITS ETF



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The WisdomTree Japan Equity UCITS ETF seeks to provide long-term capital appreciation by investing in dividend paying Japanese exporters that meet WisdomTree's ESG (environmental, social, and governance) criteria. By focusing on dividend-paying, export-oriented companies, this ETF offers investors diversified exposure to Japan's economic resurgence and the potential for stable income generation.

## Investment overview

Japanese equities are at a turning point. The Japanese economy is emerging from nearly three of deflation and economic stagnation. Japan has broken free of the deflationary spiral and is witnessing a broad economic recovery. Japanese companies are benefitting from world leading competitive advantages that support long runways of future earnings growth.

The 5 compelling long-term opportunities underpinning the strength of Japanese equities:



**Improving earnings results:** Japanese companies have reported better than expected earnings driven by costs cutting measures, restructuring efforts and a recovery in global demand.



**Focus on shareholders:** Japan is moving from being a market focused on stakeholders to one which is more focused on shareholders.



**Corporate Governance reforms:** A corporate governance revolution is reinvigorating corporate Japan. Companies are under increasing pressure from regulators to reshape their balance sheets.



**Japan is under-owned:** Japanese equities are broadly under owned by global investors. In the mid -1990s Japan made up more than a fifth of the MSCI All country World Index (ACWI) compared to less than 6% in 2023. Japan provides currency and asset diversification for investors.



**Turning Japan into an asset management nation:** Japan is embarking on reforms to similar to those by the US that sparked a shareholder revolution back in the 1970s via the introduction of the US 401(k) program. Japanese leaders aim to unlock household financial assets tied up in cash deposits via a revised Nippon Individual Savings Account (NISA) program offering tax benefits and portability.

## WisdomTree Japan Equity UCITS ETF offers a value haven

WisdomTree is a global leader in offering Japanese linked equity ETFs for more than 15 years. Given countries like Japan – have an export dependent economy, WisdomTree’s investment philosophy centres around identifying and capitalising on dividend paying Japanese export-oriented companies. This provides WisdomTree Japan Equity UCITS ETF an added advantage:



**Value Tilt** – offers a higher allocation to cyclical sectors owing to the tilt through the quality factor applied in the Composite Risk Score (CRS). The ETF’s exposure is dominated in value-oriented sectors such as industrials, financials, and materials. In addition, the portfolio’s emphasis on dividend paying Japanese exporters is more than just a source of income, it also offers a diversified exposure that captures the value factor with lower volatility.



**Diversification** – offers diversification benefits with lower Japanese correlation to the broad global equity markets.



**Low Valuations** – screens for Japanese exporters and weights by dividends, magnifying the impact of dividend and enhancing its valuations compared to benchmark global indices owing to the consistent value discipline.



**Currency Hedging** – currency hedge mitigates exposure to fluctuations of the Japanese yen. This enables investors to avoid magnifying the effects of the ongoing yen tug-of-war in their Japan allocations. We strive to offer investors access to Japanese equities while neutralising the effect of the currency on the total return.

## Investment process

The WisdomTree Japan Equity UCITS ETF seeks to track the price and yield performance, before fees and expenses of the underlying WisdomTree Japan Dividend UCITS Index.

**Universe – Dividend Screen:** Start with a universe of dividend paying companies domiciled in Japan, deriving no more than 80% of their revenue from Japan.

**Screening for inclusion:**

1. **Liquidity Screen** – Excludes companies that do not satisfy minimum liquidity criteria – securities must have traded at least 250,000 share per month for each of the six months prior to screening date
2. **ESG Considerations** – Index members are screened for the ESG (Environmental, Social, and Corporate Governance) criteria defined within the WisdomTree ESG framework.
3. **Composite Risk Score<sup>1</sup> (CRS)** – Uses Quality and Momentum scores to rank companies and separate the strongest from the riskiest companies. The riskiest companies, as well as potential value traps, are screened out.

**Weighting:**

1. Annual Rebalancing
2. “Dividend Stream” weighting: The component companies are weighted in the index based on dividends paid over the prior annual cycle.
3. This weighting methodology also considers the Quality and Momentum scores of the company via Composite Risk Score (CRS). Companies which pay more dividends are more heavily weighted as well as the companies in the top 20% by composite risk score.

**Why WisdomTree Japan Equities UCITS ETF?**

- + Combines cost efficiency with strong performance potential by adopting a value-based approach.
- + Focuses on dividend-paying Japanese exporters, tapping into significant growth opportunities.
- + Provides diversified exposure to large-cap Japanese exporters across value-driven sectors.
- + Provides the ability to mitigate currency risk through the currency hedged share classes of the WisdomTree Japan Equity UCITS ETF.

1 The WisdomTree Composite Risk Score (“CRS”) uses Quality and Momentum scores to rank companies and separate the strongest from the riskiest companies. The objective is to remove the Companies in the bottom Decile by CRS as well as the companies in the top 5% by Dividend Yield and in the bottom half by CRS

## ETF Information: WisdomTree Japan Equity UCITS ETF

Share Class	Base Currency	Ticker	Exchange	ISIN	BBG Code	Listing Currency	TER%
USD Hedged	USD	DXJ	LSE	IE00BVXC4854	DXJ LN	USD	0.48
		DXJ	Borsa Italiana	IE00BVXC4854	DXJ IM	EUR	0.48
		DXJ	SIX	IE00BVXC4854	DXJ SW	USD	0.48
		WTDX	Xetra	IE00BVXC4854	WTDX GY	EUR	0.48
GBP Hedged	GBP	DXJP	LSE	IE00BYQCZF74	DXJP LN	GBx	0.45
USD Hedged Acc	USD	DXJA	LSE	IE00BYQCZD50	DXJA LN	USD	0.48
		DXJA	SIX	IE00BYQCZD50	DXJA SW		0.48
EUR Hedged Acc	EUR	DXJF	Borsa Italiana	IE00BYQCZJ13	DXJF IM	EUR	0.45
		WTIF	Xetra	IE00BYQCZJ13	WTIF GY		0.45
CHF Hedged Acc	CHF	DXJD	SIX	IE00BYQCZL35	DXJD SW	CHF	0.45
Unhedged Acc	USD	DXJZ	LSE	IE00BYQCZN58	DXJZ LN	USD	0.40
		DXJG	LSE	IE00BYQCZN58	DXJG LN	GBx	0.40
		DXJZ	Borsa Italiana	IE00BYQCZN58	DXJZ IM	EUR	0.40
		DXJZ	SIX	IE00BYQCZN58	DXJZ SW	USD	0.40
		WTIZ	Xetra	IE00BYQCZN58	WTIZ GY	EUR	0.40

TER: Total expense ratio

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