

# WISDOMTREE JAPAN DIVIDEND UCITS INDEX

## INDEX METHODOLOGY CHANGES

### OLD METHODOLOGY

### NEW METHODOLOGY


START

**INITIAL SELECTION UNIVERSE**



There is no application of any risk-based screening of the initial universe

**QUANTITATIVE RISK-BASED RANKING OF INITIAL UNIVERSE**



NEW!

Two factors are equal-weighted to comprise a composite risk score for ranking purposes.

- 1) **Quality:** Fundamentals that include both trend and point-in-time data and include such metrics as return on equity, return on assets, cash flow over assets, and gross profits over assets.
- 2) **Momentum:** Average of risk-adjusted total return for the last 6 and 12 months.

01

There are no risk based removal criteria applied to the initial selection universe

**RISK-BASED REMOVAL CRITERIA**



NEW!

There are two primary removal criteria based on the ranking of the Composite Risk Score:

- 1) The bottom 10% of companies from the Developed ex-US Small Cap universe are excluded from inclusion.
- 2) Companies within the Developed ex-US Small Cap universe that rank in the top 5% based on dividend yield but still ranked in the bottom 50% on the basis of the Composite Risk Score are excluded from inclusion.

02

There is no application of any ESG criteria to the universe of eligible companies.

**ESG CRITERIA**



NEW!

The following core principles define an exclusion list that is applied to the possible selection universe. The data source for ESG screening purposes is Sustainalytics:

- 1) **Controversial Weapons:** All companies classified in this category are excluded.
- 2) **Tobacco:** All companies, except companies in the Retail category deriving less than 10% of their revenues from tobacco products, are excluded.
- 3) **Thermal Coal:** Companies generating more than 25% for Thermal Coal extraction or having more than 25% of their generating capacity coming from Thermal Coal are excluded.
- 4) **United Nations Global Compact (UNGC):** Companies non-compliant with these standards are excluded.

03

Dividend-paying companies listed on the Tokyo Stock Exchange and incorporated in Japan, trading in yen.

**ELIGIBILITY**



NEW!

Dividend-paying companies listed on the Tokyo Stock Exchange and incorporated in Japan, trading in yen. These stocks would have passed BOTH the **Composite Risk Score Screening Process** and the **ESG Screening Process**.


04

**MARKET CAPITALISATION & LIQUIDITY**



05

**GEOGRAPHIC REVENUE SCREEN**



06

There is no adjustment to the Dividend Stream of any company as a result of any screening process.

**DIVIDEND STREAM ADJUSTMENT**



NEW!

Companies ranking within the top 20% of the Developed ex-US universe based on the **Composite Risk Score Screening** (From Step 1 in the Sequence) would see their respective Dividend Streams multiplied by 1.5x. These increased Dividend Streams would be used for Index weighting purposes later in the process.


07

**INDEX WEIGHTING**



08

**CAPPING RULES**



- New Methodology
- Unchanged Methodology

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