



The Case for SMALL-CAP EARNINGS

In the small-cap segment of the U.S. stock market, the vast majority of ETF assets historically have been linked to capitalization-weighted benchmarks that derive from the Russell 2000 Index or the S&P SmallCap 600 Index.

However, the 2009 performance of WisdomTree's fundamentally weighted small-cap ETF could cause some investors to re-evaluate how to gain small-cap exposure.

As the chart below illustrates, for the trailing one-year period through December 31, 2009, the WisdomTree SmallCap Earnings Index, which the WisdomTree SmallCap Earnings ETF is designed to track, outperformed comparable cap-weighted benchmarks by approximately 22 percentage points.

Average Annual Total Returns (through December 31, 2009)

	1 year	3 years	5 years	10 years	Since WT Index Inception (02/01/07)
WisdomTree SmallCap Earnings Index	49.57%	N/A	N/A	N/A	-4.31%
S&P SmallCap 600 Index	25.57%	-4.79%	1.36%	6.35%	-5.59%
Russell 2000 Index	27.17%	-6.07%	0.51%	3.51%	-6.77%

Source: WisdomTree, S&P, Zephyr StyleADVISOR. Return data for less than one year is cumulative.

Index returns are for illustrative purposes and do not represent actual performance of WisdomTree ETFs. WisdomTree Index performance assumes the reinvestment of dividends but does not include management fees, transaction costs, taxes or expenses. Such fees and expenses would reduce returns. Past performance does not guarantee future results. You cannot invest in an index.

WisdomTree's Fundamental Difference

Like the Russell 2000 Index, the WisdomTree SmallCap Earnings Index is a broad measure of the small-cap segment of the U.S. stock market, covering approximately 800 small-cap companies. And like the S&P Small Cap 600 Index, one requirement of Index selection is corporate profitability.

However, unlike these indexes, the WisdomTree SmallCap Earnings Index does not weight components based on market value. Instead, initial Index weights are set annually, based on the cumulative earnings each company in the Index has generated in the prior four fiscal quarters. By re-weighting the Index to a measure of relative value, WisdomTree believes it can avoid the central flaw of capitalization-weighted indexes: their tendency to overweight the overvalued stocks and underweight the undervalued stocks.

As the matrix below demonstrates, the WisdomTree SmallCap Earnings Index has been highly correlated to other cap-weighted small-cap indexes. However, since inception, the WisdomTree SmallCap Earnings Index has exhibited a lower correlation to the S&P 500 Index than either the Russell 2000 Index or the S&P SmallCap 600 Index. Combining lower correlated assets can help to diversify broad-based portfolios.

Correlation Matrix (February 1, 2007–December 31, 2009)

	WisdomTree SmallCap Earnings Index	S&P SmallCap 600 Index	Russell 2000 Index	S&P 500 Index
WisdomTree SmallCap Earnings Index	1.00	0.96	0.96	0.89
S&P SmallCap 600 Index	0.96	1.00	0.99	0.92
Russell 2000 Index	0.96	0.99	1.00	0.94
S&P 500 Index	0.89	0.92	0.94	1.00

Source: WisdomTree, S&P, Zephyr StyleADVISOR.

Correlation is a statistical measure of how an index moves in relation to another index or model portfolio. A correlation ranges from -1 to 1. A correlation of 1 means the two indexes have moved in lockstep with each other. A correlation of -1 means the two indexes have moved in exactly the opposite direction.

The S&P SmallCap 600 Index is a capitalization-weighted index which measures the performance of the small-cap range of the U.S. stock market, with stocks selected by the Standard & Poor's Index Committee. The Russell 2000 Index measures performance of the smallest 2,000 securities in the Russell 3000 Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks selected by the Standard & Poor's Index Committee, designed to represent the performance of the leading industries in the United States economy.

EES: WisdomTree SmallCap Earnings Fund

Key Attributes

- + **Broad exposure to U.S. small-cap stocks:** EES is designed to track the WisdomTree SmallCap Earnings Index, which measures the performance of approximately 700 small-cap stocks in the U.S.
- + **Fundamentally weighted:** Component weights are set annually to reflect the proportionate share of the aggregate earnings each component company generated in the prior four fiscal quarters.
- + **Investment capacity:** Even some of the best small-cap managers can experience capacity issues and close funds to new investors. However, EES's underlying index covers approximately \$300 billion of market capitalization, enabling ample investment capacity.
- + **Low-cost ETF: With an expense ratio of 0.38%,** EES is a relatively inexpensive way to get broad exposure to U.S. small-cap stocks. Note: Ordinary brokerage commissions apply.
- + **Smaller size exposure:** The average weighted market cap of the WisdomTree SmallCap Earnings Index was \$497 million, as of December 31, 2009. As of the same date, the average weighted market caps of the Russell 2000 and S&P SmallCap 600 Indexes were both approximately \$1 billion.* For investors looking to play a potential recovery in U.S. stocks led by small-cap stocks, EES, the Fund that tracks the WisdomTree SmallCap Earnings Index, may represent a purer small-cap portfolio than comparable cap-weighted index funds.

* Source: Bloomberg, Morningstar Direct

Average Annual Total Returns (Returns through December 31, 2009)

	1 year	3 years	5 years	10 years	Since Fund Inception (02/23/07)
EES NAV Returns	48.90%	N/A	N/A	N/A	-5.28%
EES Market Price Returns	48.05%	N/A	N/A	N/A	-5.31%
WisdomTree SmallCap Earnings Index	49.57%	N/A	N/A	N/A	-5.40%
S&P SmallCap 600 Index	25.57%	-4.79%	1.36%	6.35%	-6.79%
Russell 2000 Index	27.17%	-6.07%	0.51%	3.51%	-7.98%

Source: WisdomTree, S&P, Zephyr StyleADVISOR

Return data for less than one year is cumulative.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at www.wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 p.m. net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

Investors should consider the investment objective, risks, charges and expenses of the Funds carefully before investing. To obtain a prospectus containing this and other important information, please call 866.909.WISE (9473) or visit wisdomtree.com. Investors should read the prospectus carefully before investing.

There are risks associated with investing, including the possible loss of principal. Past performance does not guarantee future results. Funds that emphasize investments in smaller companies generally experience greater price volatility.

Diversification does not eliminate the risk of experiencing investment losses.

WisdomTree Funds are distributed by ALPS Distributors, Inc.



Please call **866.909.WISE(9473)** or visit **www.wisdomtree.com** for more information.

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Strategies for Using EES

Asset Allocation: EES gives investors broad access to the small-cap segment of the U.S. stock market. Research conducted by Roger Ibbotson, Kenneth French and Eugene Fama and others has shown that over long holding periods, small-cap stocks have outperformed large capitalization companies in the U.S.¹ Past performance is no guarantee of future results.

Portfolio Diversification: Small-cap stocks represent less than 1% of the S&P 500 Index. EES can be used to complement existing U.S. equity exposure to ensure investors are not omitting small-cap stocks from the allocations.

Active Manager Replacement: Because EES is compiling a strong real-time track record, investors could use EES as a tax-efficient replacement for actively managed small-cap funds. EES distributed zero capital gains in 2007, 2008 and 2009.

Pair Trades: Investors who believe that EES will continue to outperform the Russell 2000 Index could short sell an index fund tracking the major cap-weighted small-cap indexes and go long EES in an attempt to capture the difference in returns.

The strategies above are to illustrate various uses of the Fund, when suitable. Please consult with your financial professional to determine which strategy may apply to your particular financial plan.

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¹Sources: Roger Ibbotson, "Stocks, Bonds, Bills and Inflation," 2007 Yearbook; <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french>

Fama and French created small- and large-cap indexes for their academic research that have over 80 years of history.