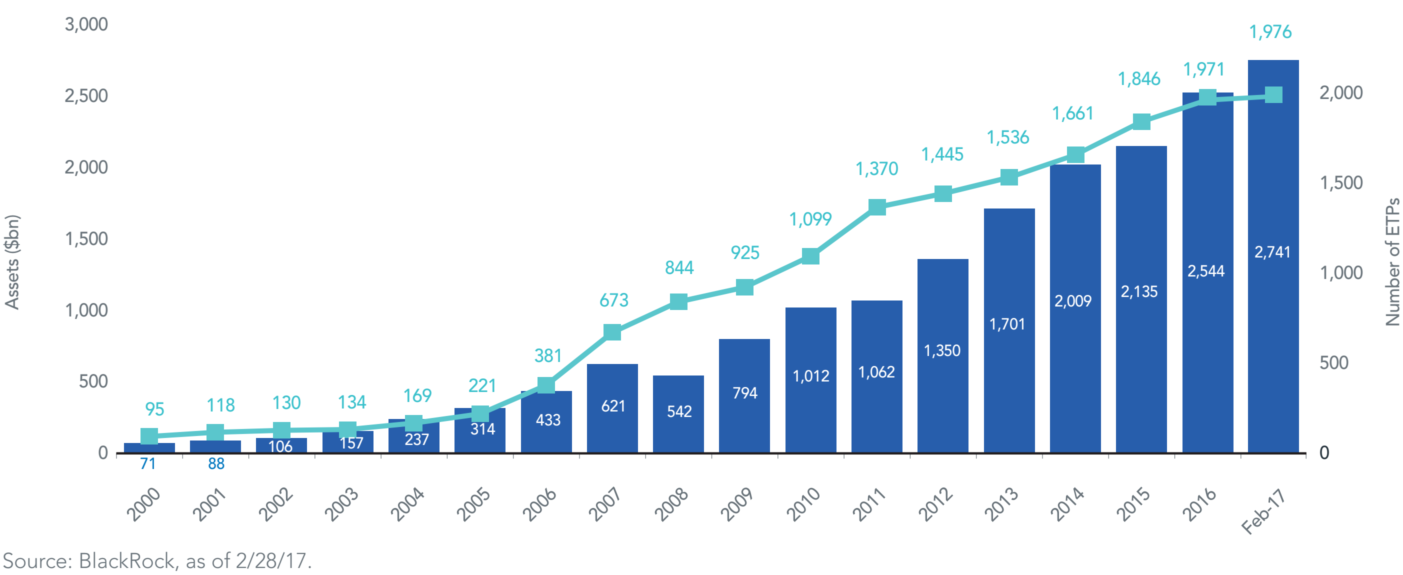
THE FUNDAMENTALS OF ETF

Since the first exchange-traded funds (ETFs) were launched in the U.S. in 1993, ETFs have opened a new realm of investment opportunities. They have become more popular as time has passed, and their assets have increased dramatically since the mutual fund trading scandals of 2002-2003.

What Are ETFs?

ETFs can be effective tools for both active and passive institutional managers as well as retail investors. There are ETFs for major asset classes such as equities, bonds, currencies and commodities. Equity ETFs are baskets of investments that represent a diversified group of companies (just like mutual funds). The ETF, however, trades like ordinary stocks on a stock exchange throughout the day. Some equity ETFs mirror well-known indexes like the S&P 500 or the Dow Jones Industrial Average, and some track securities specific to a particular industry or country.

U.S. ETP Assets and Number of ETPs by Year



Source: BlackRock, as of 2/28/17.

Unique Features of ETFs

Compared to mutual funds, ETF expenses are low; ETFs are relatively easy to buy and sell; ETFs are tax-efficient; and ETFs offer tremendous transparency, liquidity and opportunities for diversification.

- **+ Low cost:** On averag e, ETFs charge minimal internal administrative fees compared to their mutual fund counterparts. There are brokerage commissions charged for every purchase and sale, just as you would pay when you buy or sell individual securities.
- **+ Transparency:** An ETF's holdings are always known to the market and usually only change when the underlying index does, unlike mutual funds. "You know what you own."
- **+ Diversification:** ETFs offer a wide variety of investment possibilities, including the broad U.S. and global markets and specific sectors, regions and countries, as well as the standard asset classes and investment styles. There are also ETFs that track certain specific investments, such as commodities and real estate.
- **+ Tax efficiency:** When shareholders buy or sell, they interact with one another on the exchange, just as they would when buying or selling a stock. This means that one investor's selling of shares does not typically create a tax event for the remaining investors in the fund, as it could for traditional mutual funds.This also means that the transaction costs and tax consequences the investor may incur are confined typically to that transaction, just like when you buy and sell shares of any stock you own. A further reason ETFs are tax-efficient is that there is relatively low turnover in the indexes the funds are designed to track, which contrasts with active managers who typically trade their holdings much more frequently.
- **+ Intraday Trading:** ETFs can be bought or sold at any time during the trading day, just like stocks. In contrast, mutual funds are priced only at the end of each trading day. However, note that trading volume is not the only source of liquidity for ETFs. Liquidity can also be derived from the underlying basket of securities through the creation/redemption process (shares can be created or redeemed by large institutional investors in exchange for the basket of underlying stocks).[1]

ETFs vs. Mutual Funds

ETFs are different from actively managed mutual funds in several respects. For an illustration of the comparison, refer to the table below.

	ETFs	Mutual Funds	ETNs
Fund Expense[2]	Lower	Varies	Varies
Holding Transparency	Yes	No	Not Always
Investment Style[3]	Typically Passive	Typically Active	Typically Passive
Liquidity	Yes	Yes	Yes
Redemption Fees	None	Sometimes	None
Brokerage Fees	Yes	No	Yes

ETFs and mutual funds are subject to the risk associated with the holdings of their underlying portfolios.
Diversification does no eliminate the risk of experiencing investment losses.
[1] Shares of the WisdomTree Funds can be bought and sold throughout the day through any brokerage account. Shares may only be redeemed directly from the Funds by Authorized Participants in large blocks of 50,000 shares or more.
[2] In some circumstances, an index mutual fund may be subject to lower fund expenses than an ETF.
[3] Investment style defines how the fund is managed, with passive management tracking indexes and active management run by an investment manager.
[4] Counterparty risk: The risk to each party of a contract that the counterparty will not live up to its contractual obligations.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Due to the investment strategy of certain Fund's they may make higher capital gain distributions than other ETFs. Please see prospectus for discussion of risks.

Carefully consider the Funds' investment objectives, risks, charges and expenses before investing. A prospectus containing this and other important information is available by calling 866.909.9473 or by visiting wisdomtree.com. Please read the prospectus carefully before you invest.

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