

ETF Ownership Explained: Why AUM Doesn't Matter

1

LOOK AT OVERALL OWNERSHIP, NOT FUND OWNERSHIP

Exchange-traded funds (ETFs) are a wrapper, and although an investor may hold a large percentage of an ETF, one must look at the percentage owned of the underlying asset class. As an example: using DLN (WisdomTree U.S. LargeCap Dividend Fund), an investor owning \$10 billion of DLN would own only .06% of the total market cap of the companies that comprise the Index underlying the Fund.¹

2

NOT IMPACTED BY OTHER INVESTORS

The ETF structure is unique in that all investors transact independently on an exchange. Being a large or small owner in a fund does not mean you're more or less impacted by the actions of other investors. In a mutual fund, all investors are impacted by the trading activity of other holders in the fund.

3

NO PRINCIPAL RISK IN CLOSURE

If a fund were to close, neither large nor small investors would have a principal risk. The fund would be liquidated by the portfolio manager, and the investors would receive back NAV of the fund, minus costs, at the time of liquidation.

4

NO ISSUES TRADING IN & OUT

Investors can trade in and out of a fund regardless of the fund's AUM. ETF liquidity providers (market makers) can easily transfer the liquidity of the underlying basket in to ETF shares. Implied liquidity quantifies a conservative baseline for how many ETF shares can be traded through the underlying basket in a single day, without impacting any of the stocks in the basket. For DLN, the implied liquidity currently stands at 42 million ETF shares or \$4 billion notional.² This liquidity works the same on the way in and the way out as market makers are providing liquidity on both sides of the bid and offer.

¹ Source: WisdomTree, as of 7/17/18.

² Source: Bloomberg, as of 8/6/18

Liquidity: The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets

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