

In the current fast-paced environment, large technology companies can often lead the way, creating the products and services we desire today—and will rely on tomorrow. In recent years, these large companies have also been leading the way in dividend growth, introducing dividends or increasing them faster than other sectors.¹ But if your dividend fund uses a backward-looking growth screen, chances are you won't be able to take advantage of these dividend growth trends for 5, 10 or even 20 years.

Now, for the first time, WisdomTree brings you a forward-looking dividend growth exchange-traded Fund (ETF) that seeks to help you capture these dividend growth trends. DGRW, the WisdomTree U.S. Quality Dividend Growth Fund, looks at certain fundamental metrics that we believe to be associated with a greater potential for future dividend growth, thereby raising the probability of generating exposure to some of the strongest potential dividend growers.

CAPTURING DIVIDEND GROWTH

Dividend-paying equities have increasingly become an attractive option for investors looking to generate income, pursue higher total return potential and more. Consider that:

- + Not only may dividend-paying equities provide current income, but historically, dividend growth has tended to outpace inflation²
- + Dividends have hit new record levels, but the key drivers of dividend growth in the U.S. are changing³
- + The Information Technology sector is leading dividend growth over the longer term, while dividends from financial firms are coming back from their 2009 lows⁴
- + Dividend indexes with backward-looking growth screens may fail to capture growth opportunities.⁵ Dividend indexes that screen for the fundamental metrics we believe to be associated with greater potential for future growth may help investors capitalize on dividend growth trends as they occur

¹ Refers to the universe of the WisdomTree U.S. Dividend Index for the period 11/30/2007 to 11/30/2017. Sources: WisdomTree, Bloomberg.

² Source: Professor Robert Shiller, Yale University, 2014. Universe is the S&P 500 Index from 12/31/1957 to 12/31/2017.

³ Refers to the universe of the WisdomTree U.S. Dividend Index for the period 11/30/2007 to 11/30/2017. Sources: WisdomTree, Bloomberg.

⁴ Refers to the universe of the WisdomTree U.S. Dividend Index for the periods 11/30/2007 to 11/30/2017 and 11/30/2009 to 11/30/2017.

⁵ Sources: WisdomTree, Bloomberg. Universes include the NASDAQ US Dividend Achievers Select Index, Dow Jones U.S. Select Dividend Index and S&P High Yield Dividend Aristocrats Index. Period is from 12/31/2014 to 9/28/2018.

BEING STUCK IN THE PAST MAY COST YOU

Dividends have been growing at an incredible pace in recent years, with the technology industry leading the charge.⁶ But if you are invested in an ETF that utilizes backward-looking growth screens, you will not see these dividend leaders in your portfolio, potentially for many years. Consider that:

- + The indicated *Dividend Stream*⁷ of the United States hit a record high of approximately \$481 billion in November of 2017
- + Technology firms have been the greatest contributors to dividend growth over the past 10 years accounting for more than 27% of the increase in dividends from November 30, 2007, to November 30, 2017⁸

Today, the most widely followed indexes that focus on dividend growth (and, as a result the ETFs tracking their performance) employ backward-looking growth screens that require a company to have paid—and in some cases raised—dividends for 5, 10 or even 20 years before becoming eligible for inclusion. This may seem like a smart idea, but it keeps many investors from capitalizing on the shifting trends in the dividend landscape, specifically when it comes to newer payers and firms recovering from recent dividend contractions.

A NEW WAY TO ACCESS DIVIDEND LEADERS

Consider that Apple is the third largest dividend payer in the United States⁹ and responsible for a large share of growth in dividends over the past several years. But indexes that employ historical dividend screens, such as the NASDAQ US Dividend Achievers Select Index and the S&P High Yield Dividend Aristocrats Index, won't be able to include Apple until 2023 or 2033, respectively. In fact, these indexes currently exclude many of today's twenty largest dividend payers.¹⁰

However, Apple and many other dividend leaders are already eligible for inclusion in DGRW.¹¹

⁶ Universe: WisdomTree U.S. Dividend Index. Sources: WisdomTree, Bloomberg.

⁷ The Dividend Stream refers to the regular dividends per share indicated to be paid in the coming year multiplied by the number of shares outstanding. Then the dividend stream of each firm is added up for the total Dividend Stream for the Index.

⁸ Sources: WisdomTree, Bloomberg.

⁹ Based on Apple's indicated dividend per share multiplied by its shares outstanding as of 11/30/2017. Source: Bloomberg.

¹⁰ Twenty largest dividend payers' is based on the cash Dividend Streams of companies in the WisdomTree U.S. Dividend Index as of 11/30/2017.

¹¹ As of 11/30/2017, Apple's weight in the WisdomTree U.S. Quality Dividend Growth Index was 3.98%.

DGRW INCLUDES TODAY'S DIVIDEND LEADERS

The NASDAQ US Dividend Achievers Select Index has as its primary criterion for constituent selection 10 consecutive years of dividend growth. We focus upon it here because it is the market capitalization-weighted¹² benchmark for DGRW. A primary motivation for the creation of the methodology underlying the WisdomTree U.S. Quality Dividend Growth Index, the Index which DGRW is designed to track, was an attempt to provide an alternative approach focusing on dividend growth—an approach that didn't necessarily rely solely on a backward-looking screen. Below, we illustrate how this difference in index methodology impacts the top 20 WisdomTree U.S. Quality Dividend Growth Index constituents.

Rank	Ticker	Company Name	Sector	Index Weight	Long-Term Earnings Growth Expectations	Return on Equity (ROE)	Trailing 12-Month Dividend Yield	Included in NASDAQ U.S. Dividend Achievers Select Index "DVG"
1	XOM	EXXON MOBIL CORP	Energy	5.68%	16.27%	10.89%	3.65%	No
2	JNJ	JOHNSON&JOHNSON	Health Care	4.93%	6.50%	22.65%	2.35%	Yes
3	WFC	WELLS FARGO & CO	Financials	4.19%	22.22%	12.75%	2.71%	No
4	AAPL	APPLE INC	Information Technology	3.98%	11.00%	40.01%	1.40%	No
5	MSFT	MICROSOFT CORP	Information Technology	3.98%	10.80%	21.94%	1.85%	Yes
6	MO	ALTRIA GROUP INC	Consumer Staples	2.75%	8.06%	93.02%	3.67%	No
7	PEP	PEPSICO INC	Consumer Staples	2.50%	6.40%	41.19%	2.67%	Yes
8	ABBV	ABBVIE INC	Health Care	2.47%	9.90%	124.98%	2.64%	No
9	HD	HOME DEPOT INC	Consumer Discretionary	2.27%	13.62%	99.06%	1.87%	No
10	IBM	IBM	Information Technology	2.13%	2.05%	81.12%	3.77%	No
11	INTC	INTEL CORP	Information Technology	1.95%	10.00%	18.63%	2.38%	No
12	BA	BOEING CO/THE	Industrials	1.85%	15.10%	84.06%	1.93%	No
13	UNH	UNITEDHEALTH GRP	Health Care	1.59%	13.20%	18.13%	1.21%	No
14	MMM	3M CO	Industrials	1.53%	9.10%	39.42%	1.91%	Yes
15	GILD	GILEAD SCIENCES	Health Care	1.48%	-6.10%	89.71%	2.71%	No
16	BMJ	BRISTOL-MYER SQB	Health Care	1.39%	10.20%	17.80%	2.47%	No
17	DIS	WALT DISNEY CO	Consumer Discretionary	1.38%	8.90%	20.45%	1.49%	No
18	QCOM	QUALCOMM INC	Information Technology	1.29%	12.00%	13.63%	3.32%	No
19	LMT	LOCKHEED MARTIN	Industrials	1.25%	9.75%	142.66%	2.28%	Yes
20	LLY	ELI LILLY & CO	Health Care	1.25%	11.11%	16.58%	2.45%	No
			Sum/Average of WTDGI Top 20	49.84%	10.00%	50.43%	2.44%	
			Sum/Average of DVG Current Members	14.19%	12.11%	35.13%	2.65%	
			Sum/Average of DVG Exclusions	35.66%	9.17%	58.32%	2.36%	

- + Of the top 20 constituents of the WisdomTree U.S. Quality Dividend Growth Index, five are current constituents of the NASDAQ US Dividend Achievers Select Index (DVG).
- + Many of the 15 excluded firms would not be eligible for DVG for years to come, even if they continue to increase their dividends each year. These excluded firms tended to have higher average long-term earnings growth expectations.

¹² Market cap-weighted: Share price x number of shares outstanding. Firms with the highest values receive the highest weights.

DGRW LOOKS TO THE FUTURE

Methodology	
Selection Criteria and Rationale	<p>The universe of eligible companies begins with the WisdomTree U.S. Dividend Index of 1,462 investable dividend payers as of November 30, 2017, the date of annual screening. Then we add the following screening criteria:</p> <ul style="list-style-type: none"> + Minimum market capitalization of \$2.0 billion + Must have dividend coverage ratio greater than 1.0x, as companies that do not have enough earnings to support their dividends are less likely, we believe, to be dividend growth leaders <p>The Index comprises the 300 companies with the best combined rank of Growth and Quality factors from this universe:</p> <ul style="list-style-type: none"> + Growth Ranking 50%: Derived from long-term earnings growth expectations. + Quality Ranking 50%: Split evenly between three-year average return on assets (ROA) and three-year average return on equity (ROE)¹³
Weighting	<p>The Index is <i>Dividend Stream</i>[®] weighted to reflect the proportionate share of the aggregate cash dividends of each constituent. This gives bigger weight to companies growing their dividends.</p>
Single Holding and Sector Caps	<p>At the annual rebalance, the following caps apply:</p> <ul style="list-style-type: none"> + No single stock can represent more than 5% of the Index + No sector can represent more than 20% of the Index + Between annual rebalances, single stock weights and sector weights may fluctuate above the 5% and 20% marks, respectively, due to market movement

WHY DGRW FOCUSES ON THESE FACTORS

The Index that DGRW is designed to track applies a few selection criteria in order to potentially raise the probability of generating exposure to future dividend growers. While no index methodology would ever be able to look into the future with certainty, we believe there is both logical and economic backing to the set of factors we have selected:

- + **Earnings Growth Expectations:** We believe this metric to be pretty simple: Firms expected to grow their earnings faster, all other things being equal, should have greater potential to increase their future dividends faster. We understand that these are only estimates, but we believe the relative direction of the forecasts (i.e. positive growth or negative contractions) tends to be in the right direction. Additionally, while there may be a lot of noise around any single company's precise earnings growth, in aggregate the companies with higher growth expectations—we believe—tend to grow their earnings faster than those with lower expectations.
- + **Quality Factor Rankings:** Our quality factor ranking is based on three-year historical averages for return on equity (ROE) and return on assets (ROA). What these figures really do is relate a firm's earnings to a particular input (equity or assets) used to generate those earnings, with higher numbers implying more efficient profitability. However, as is the case with many elements of accounting, there are always ways to overemphasize one figure at the potential expense of another. If a firm exhibits very strong ROE but much lower ROA, this indicates to us that ROE is being enhanced through the use of borrowed money, or leverage¹⁴. Therefore, by using both ROE and ROA, we tilt the portfolio more toward firms with strong measures of each and away from firms that may be utilizing leverage to generate strong ROE.

¹³ Return on assets (ROA): Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them. Return on equity (ROE): Firm profits (after accounting for all expenses) divided by the firm's equity. Higher numbers indicate greater profits relative to the level of equity.

¹⁴ Leverage: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.

DGRW COMPONENTS SHARE POSITIVE ATTRIBUTES

Looking at the current dividend payers in DGRW, we found that they share many characteristics, including:

- + **The ROE/Dividend Connection:** The ROE for the NASDAQ US Dividend Achievers Select Index was higher than the ROE of the S&P 500 index.¹⁵ To us, this indicates that ROE is a key attribute of companies that are consistently raising their dividends (as a 10-year consecutive annual dividend growth is required for inclusion into this index). This is another reason we have included ROE as a selection criterion for the WisdomTree U.S. Quality Dividend Growth Index.

WisdomTree U.S. Quality Dividend Growth Index Key Characteristics (9/30/2018)						
Index	ROE	ROA	Leverage	Earnings Retention*	ROExEarnings Retention	PE
WisdomTree U.S. Quality Dividend Growth Index	19.5%	4.6%	4.2x	46.2%	9.0%	23.0x
S&P 500 Index	15.6%	3.6%	4.3x	58.4%	9.1%	21.6x
WisdomTree U.S. Dividend Index	14.6%	3.2%	4.6x	42.3%	6.2%	18.8x
NASDAQ U.S. Dividend Achievers Select Index	19.7%	5.5%	3.6x	57.7%	11.4%	22.2x

*Earnings retention: The percentage of a firm's earnings that are not paid out to shareholders in the form of a dividend. Higher numbers indicate greater reinvestment in the firm as a percentage of the firm's total earnings.

Sources: WisdomTree, Bloomberg. Past performance is not indicative of future results. You cannot invest directly in an index.

WE BELIEVE DGRW IS TRULY UNIQUE

Dividends have become well known for coming from "defensive sectors" (Consumer Staples, Health Care, Utilities and Telecommunications Services). Utilities in particular are known for historically having high trailing 12-month dividend yields, while Technology tends to be under-weight in many dividend-focused strategies¹⁶. As discussed earlier, the Information Technology sector is driving the bulk of today's dividend growth. While this may not always be the case, we believe that DGRW's forward-looking strategy may provide investors with the potential to capitalize on the industries and companies growing their dividends the fastest today—and tomorrow.

Index	Information Technology	Utilities	Defensives*
WT U.S. Quality Dividend Growth Index	22.4%	0.4%	28.3%
WT U.S. Dividend Index	16.6%	5.1%	32.2%
S&P High Yield Dividend Aristocrats Index	2.9%	10.7%	36.9%
Dow Jones U.S. Select Dividend Index	5.7%	29.3%	47.2%

Sources: WisdomTree, Bloomberg, as of 9/28/2018.

*Defensives: Consumer Staples, Health Care, Utilities, Telecommunication Services.

¹⁵ Source: Bloomberg, as of 9/28/2018.

¹⁶ Refers to the NASDAQ US Dividend Achievers Select Index, the S&P High Yield Dividend Aristocrats Index and the Dow Jones U.S. Select Dividend Index. Source: Bloomberg, as of 9/28/2018.

A NEW WAY TO ACCESS DIVIDEND GROWTH LEADERS

WisdomTree U.S. Quality Dividend Growth Fund	
Ticker	DGRW
Exchange	NASDAQ
Expense Ratio	28 bps
Structure	Open-end ETF registered under the Investment Company Act of 1940
Exposure	Domestic, dividend-paying large-cap stocks
Rebalancing	The portfolio is rebalanced on an annual basis

At WisdomTree, we do things differently. We build our ETFs with proprietary methodologies, smart structures and uncommon access to provide investors with the potential for income, performance, diversification and more.

For more information about DGRW, contact your WisdomTree representative or visit WisdomTree.com.

Unless otherwise stated, data source is WisdomTree.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information call 866.909.9473 or visit WisdomTree.com. Read the prospectus carefully before you invest.

There are risks associated with investing, including possible loss of principal. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

Diversification does not eliminate the risk of experiencing investment losses. Dividends are not guaranteed, and a company's future ability to pay dividends may be limited. A company paying dividends may cease paying dividends at any time.

WisdomTree U.S. Dividend Index: Measures the performance of dividend-paying companies incorporated in the United States that pay regular cash dividends and meet WisdomTree's eligibility requirements. Weighted by indicated cash dividends. WisdomTree U.S. Dividend Quality Growth Index: Designed to track the performance of dividend-paying companies in the U.S. that WisdomTree believes have the potential to increase their dividends due to certain factors, which include estimated earnings growth, return on equity and return on assets. Weighting is by indicated cash dividends. S&P High Yield Dividend Aristocrats Index: Designed to track the performance of dividend-paying companies in the U.S. that have increased their annual dividend payments for the last 20 or more consecutive years. Dow Jones U.S. Select Dividend Index: Measures the performance of 100 dividend-paying U.S. companies. NASDAQ US Dividend Achievers Select Index: Designed to track the performance of dividend-paying companies in the U.S. that have increased their annual dividend payments for the last 10 or more consecutive years. Morningstar Dividend Yield Focus Index: Designed to track the performance of dividend-paying companies in the United States with relatively high dividend yields and that meet Morningstar's eligibility rules and criteria. S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee, designed to represent the performance of the leading industries in the United States economy.

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