

BUILDING A SMART BETA CORE U.S. EQUITY ALLOCATION IN MID- AND SMALL CAPS

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The Difference Profits Can Make.

There are a number of indexes built to measure the performance of U.S. equities. For core¹ allocations to the market, we believe index strategies must start from the foundation of “owning the market,” as opposed to applying a variety of selection rules that exclude a large percentage of the market. Yet even the most conventional index providers—whether it’s the Center for Research in Security Prices (CRSP), Russell or Standard and Poor’s—have vastly different definitions of what constitutes various markets segments, especially in mid- and small-cap stocks. The different selection rules can contribute to dramatic differences in long-term performance.

This paper will discuss what WisdomTree believes is one key factor to building smart beta² indexes for U.S. equities: profitability. Incorporating profitability into the selection and weighting of its components is one element that sets WisdomTree apart in its earnings family of Indexes. WisdomTree’s earnings-driven approach has delivered:

- + **Broad exposure to a market with a quality bias—by excluding more speculative and unprofitable companies**
- + **Appropriate size-based exposure of each market segment when focusing on the mid- and small-cap segment³**
- + **Compelling returns compared to both indexes and active managers⁴ over the life of the Indexes, as will be discussed below**

We start by looking at some of the differences in stock selection between the various index providers and how the inclusion of a profitability screen has impacted performance, even among the market cap-weighted⁵ peers.

In comparing CRSP, Russell and Standard & Poor’s—because all three index families are market capitalization weighted—their performance differentials are largely driven by different selection criteria.

- + **Mid-Cap Selection Differentials:** The Russell Midcap Index includes 800 companies ranked 201st to 1,000th by market cap in the Russell 1000 Index. The S&P MidCap 400 Index includes half as many companies—a fixed number of 400 companies subjectively selected by the S&P Index Committee as representative of this segment of the market. The CRSP U.S. Mid Cap Index does not include a set number of firms but rather focuses on measuring the performance of the companies that fall between the top 70th and 85th percentiles⁶ of the investable market capitalization of U.S. equities. As of September 30, 2016, it included 341 companies.⁷

¹ Core: Characterized by exposure across stocks exhibiting both value and growth attributes.

² Smart beta: A term for rules-based investment strategies that don’t use conventional market cap weightings.

³ Size capitalization: A measure by which a company’s size is classified. Large caps are usually classified as companies that have a market cap over \$10 billion. Mid-caps range from \$2 billion to \$10 billion. Small caps are typically new or relatively young companies and have a market cap between \$200 million and \$2 billion.

⁴ Active managers: Portfolio managers who run funds that attempt to outperform the market by selecting those securities they believe to be the best.

⁵ Market capitalization weighted: Market cap = share price x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

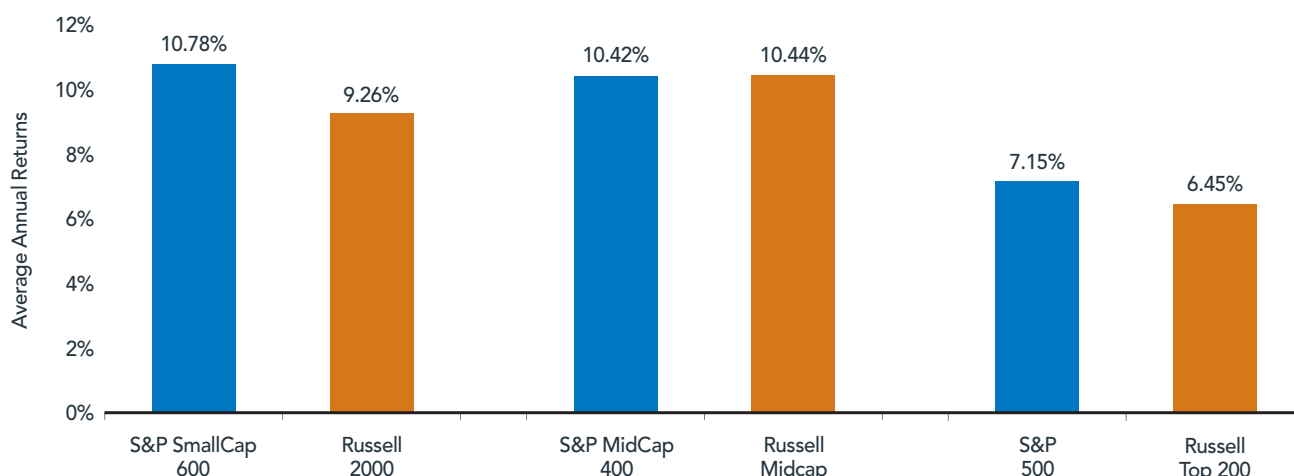
⁶ Percentile: Statistical measure of rank, with 99th being the highest and 1st being the lowest.

⁷ Source: Bloomberg.

+ Small-Cap Selection Differentials: The Russell 2000 includes 2,000 companies from the Russell 3000 Index ranked 1,001st to 3,000th by market cap. The S&P SmallCap 600 only includes 600 companies selected by the S&P Index Committee. The CRSP U.S. Small Cap Index does not include a set number of firms but rather focuses on measuring the performance of the companies that fall between the bottom 2nd and 15th percentiles of the investable market capitalization of U.S. equities. As of September 30, 2016, it included 1,427 companies.⁸

The historical record shows the difference in stock selection has led to Standard & Poor’s indexes delivering higher returns than the Russell family across both large-, mid- and small-cap segments of the markets, but the difference was greatest in the small-cap category.⁹

FIGURE 1: AVERAGE ANNUAL RETURNS OVER 15 YEARS



Sources: Bloomberg, Zephyr StyleADVISOR; 9/30/2001-9/30/2016.
 You cannot invest directly in an index. Past performance is not indicative of future results.

THE PROFITS DIFFERENCE: A KEY TO SMART BETA EXPOSURES

We believe a key difference between Russell and S&P is that the S&P indexes require positive earnings cumulatively over the four quarters prior to initial inclusion, while the Russell indexes have no such requirement. We believe this initial earnings/profit requirement creates the potential for a quality bias in the S&P index family and was also a determinant of the outperformance and thus an important factor for the S&P index family to base its stock selection on.

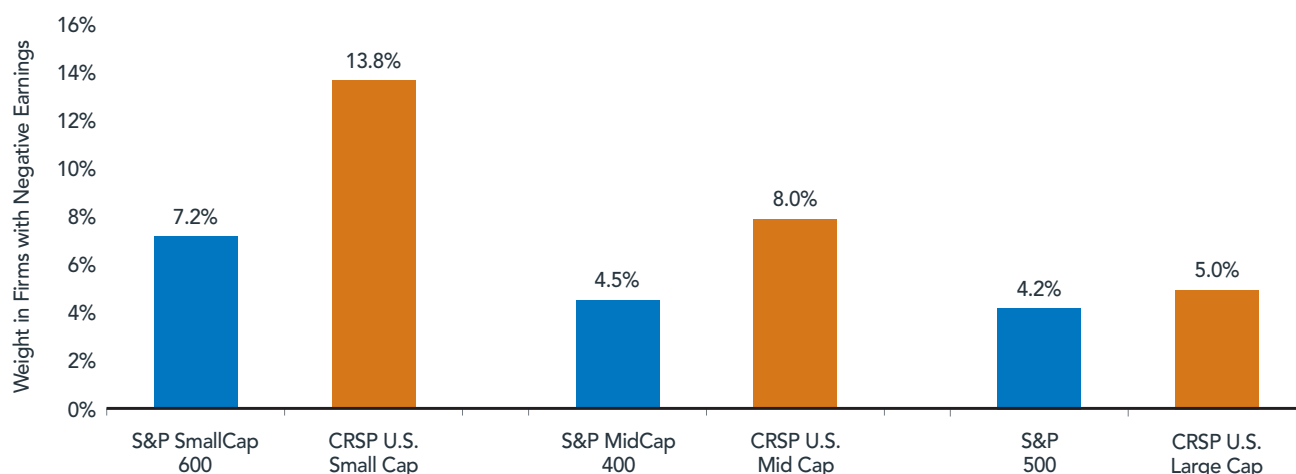
⁸ Source: Bloomberg.

⁹ CRSP indexes began live performance on March 31, 2011, and did not have enough history for this analysis.

A QUALITY BIAS BY EXCLUDING UNPROFITABLE FIRMS

One reason for the greater difference in small-cap index performance, we believe, is that many small-capitalization stocks in the CRSP Indexes are unprofitable and more speculative.

FIGURE 2: WEIGHT IN FIRMS WITH NEGATIVE EARNINGS



Source: Bloomberg, as of 11/30/2015 WisdomTree Indexes Screening Date. “Negative earnings” refers to the 12-month period prior to 11/30/2015. You cannot invest directly in an index. Past performance is not indicative of future results. Subject to change.

Clearly, the small-cap segment jumps off the page with approximately 13.8% weight of the CRSP U.S. Small Cap Index in firms that did not generate profitability over the period. This doesn’t necessarily guarantee that these firms will perform poorly in the future, but it is an important feature of the stocks in the index. Also, it is worth noting that firms in the S&P index family that become unprofitable after their initial inclusion in the index will still remain in the index, as there is no annual check to ensure companies still maintain their profitability. The S&P index family only requires companies to be profitable on initial inclusion.

We believe that the historical evidence therefore suggests that even among the market capitalization-weighted indexes, there could be a smart beta approach that includes profitability as a selection criterion, as S&P’s does. Next we discuss why WisdomTree takes this a step further in the weighting of securities in its smart beta approach to indexing.

A FOCUS ON EARNINGS

At WisdomTree, we incorporate an approach to indexing U.S. equities that focuses on profits. Specifically, to be eligible for inclusion in the WisdomTree Earnings Index (WTEI), companies must be profitable, demonstrating four quarters of cumulative positive core earnings as of the annual screening date of the Index. At WisdomTree, this test is applied on an annual basis—not just for constituents to gain initial inclusion. The WisdomTree Earnings 500 Index (WTEPS), MidCap Earnings Index (WTMEI) and SmallCap Earnings Index (WTSEI) are all selected from WTEI.

Some might question whether we are introducing a significant measure of selectivity into our methodology by including only profitable firms. From the perspective of WTEI's total market capitalization, even if we have introduced some selection risk, we note the following:

- + **As of September 30, 2016, WTEI's total market capitalization was approximately \$20 trillion. This compares to approximately \$24 trillion for the Russell 3000 (which includes the unprofitable, more speculative firms that WTEI does not).¹⁰ WTEI is therefore very broad in its own right.**

FINDING THE SIZE SEGMENTS

When people consider the different market capitalization size segments of large, mid- or small caps, the boundaries are far from an exact science. Additionally, since companies are coming into and going out of existence, and share price performance is constantly changing as markets evolve, there can be a range of opinions about what constitutes the various size buckets.

With the exception of the large-cap universe—i.e., WTEPS, which by design has 500 constituents—the mid-cap (WTMEI) and small-cap (WTSEI) universes adjust to fit the universe of profitable companies. WTEPS is built to directly compare with the S&P 500 Index, which is how it came to be the only Index in WisdomTree's earnings family to target a set number of firms.

- + **WTMEI:** After the 500 largest companies by market capitalization are removed from the WisdomTree Earnings Index, the top 75% of the remaining market capitalization becomes WTMEI. This means that the number of constituents in WTMEI will ebb and flow depending on the market picture at each annual Index screening.
- + **WTSEI:** After those same 500 largest companies are removed from the WisdomTree Earnings Index, the bottom 25% of the remaining market capitalization becomes WTSEI.

While the large-cap segment (WTEPS) will always and by design include the largest profitable companies listed in U.S. equity markets, it's important for WTMEI and WTSEI to adjust at regular intervals to make sure not to drift upward into the large-cap or mid-cap segments, respectively, of the market by holding top-performing stocks for too long.

Even though our Indexes are built to be flexible and have no market capitalization restrictions regarding size included in their methodologies,¹¹ there are certain ranges we find useful as logical reference points to group size segments for the purpose of comparing exposures in various indexes. Typically one can describe large caps to be above \$10 billion, mid-caps to be between \$2 billion and \$10 billion, and small caps to be below \$2 billion in market capitalization.

¹⁰ Sources: WisdomTree, Bloomberg.

¹¹ The smallest stocks in WTEI (and therefore WTEPS, WTMEI and WTSEI, which all select from WTEI) must have at least \$100 million in market capitalization in order to be included, as of the annual Index screening date.

FIGURE 3A: SIZE DISPERSION SURPRISE ACROSS MID-CAP INDEXES

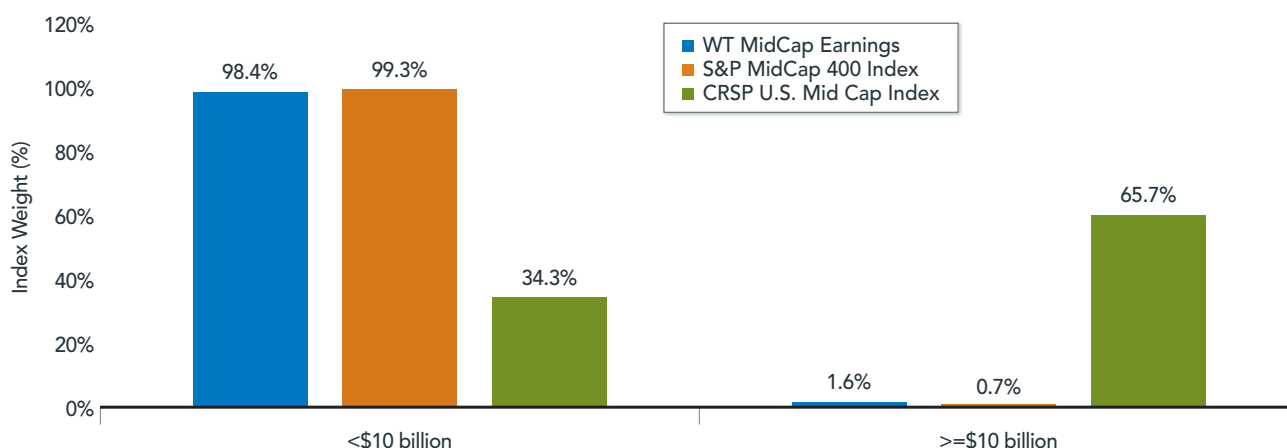
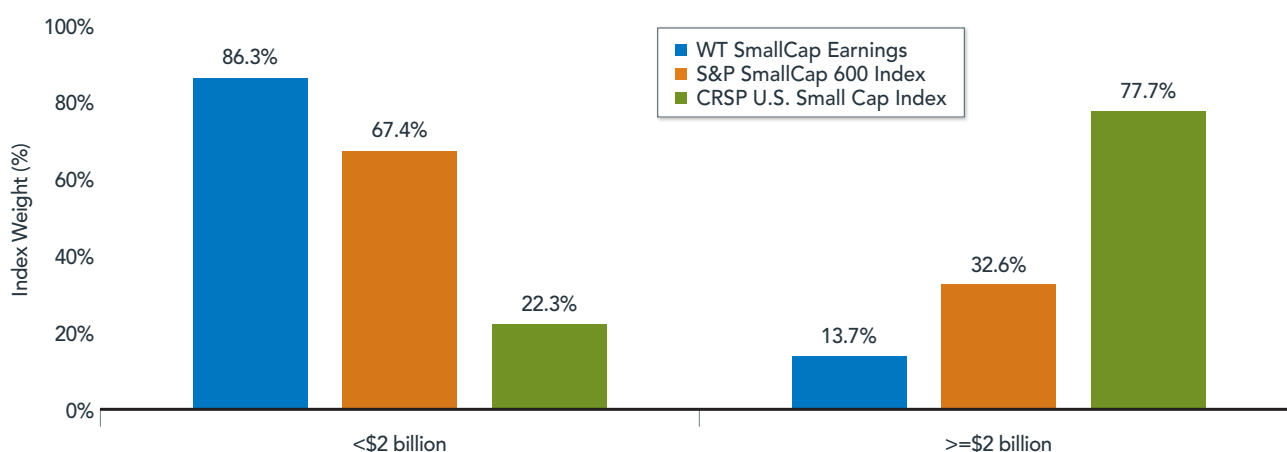


FIGURE 3B: SIZE DISPERSION SURPRISE ACROSS SMALL-CAP INDEXES



Source: Bloomberg, as of 9/30/2016. You cannot invest directly in an index. Holdings are subject to change.

What we see in figures 3A and 3B is important. In figure 3A, each index is in fact a “mid-cap” index by virtue of its name, yet the CRSP U.S. Mid Cap Index had more than 65% of its respective weight in firms with over \$10 billion in market cap. The small-cap picture in figure 3B is made even starker by the fact that the CRSP U.S. Small Cap Index has more than 77% of its weight in firms above \$2 billion in market capitalization. Ultimately, this leads to the following picture:

- + For Mid-Caps:** The CRSP U.S. Mid Cap Index had a weighted average market capitalization of about \$12.9 billion. Interestingly, the S&P MidCap 400 and WTMEI exhibited significantly lower weighted average market capitalizations, measuring approximately \$4.8 billion and \$4.2 billion, respectively.

+ For Small Caps: The CRSP U.S. Small Cap Index had a weighted average market capitalization of about \$3.7 billion, which was significantly higher than that of the S&P SmallCap 600 Index, measuring about \$1.7 billion. WTSEI measured approximately \$1.2 billion.

To us, this is an illustration of the potential for indexes to drift upward in their market capitalization exposure—especially if they weight by market cap. While none of this indicates that one index is necessarily better or worse, if one is focused on identifying a small-cap basket of stocks, WTSEI was the only Index in figure 3B to have over 86% of its exposure in stocks with less than \$2 billion in market cap.

WEIGHTING BY EARNINGS

Thus far, our focus has been on one aspect of Index construction—stock selection. Profitability, however, also impacts the process by which we accomplish our weighting. According to Professor Jeremy Siegel’s¹² research, over long periods of time stocks with lower price-to-earnings (P/E) ratios¹³ tend to outperform those with higher ones. The WisdomTree Earnings Indexes seek to provide exposure to the core, profitable market but do so while maintaining sensitivity to valuation¹⁴. To help achieve this, WisdomTree weights companies in the Index by the *Earnings Stream*¹⁵ they generate rather than by their market cap.

How does this work? Using WisdomTree’s approach on the hypothetical portfolio of three stocks shown below in figure 4, the portfolio P/E ratio was reduced from 11.5x (market cap-weighted result) to 8.16x (earnings-weighted result)—a reduction of almost 30%.

FIGURE 4: AN ILLUSTRATION OF WEIGHTING BY EARNINGS

Company	Market Cap (Millions)	Earnings Stream (Millions)	P/E Ratio	Market Cap-Weighted Approach			Earnings-Weighted Approach		
				Weight	Investment	P/E Ratio	Weight	Investment	P/E Ratio
A	200	40	5	17.39%	\$17,391		40.00%	\$40,000	
B	250	25	10	21.74%	\$21,739		25.00%	\$25,000	
C	700	35	20	60.87%	\$60,870		35.00%	\$35,000	
Totals	1150	100			\$100,000	11.50		\$100,000	8.16

Source: WisdomTree (hypothetical example).

A CORE OF THE APPROACH: ANNUAL REBALANCING

Ultimately, the rebalancing process refreshes constituent weights based on the concept of relative value¹⁶. Weights change at the rebalance based on each stock’s relative price appreciation compared to its relative earnings growth:

¹² Jeremy J. Siegel, WisdomTree’s Senior Investment Strategy Advisor, is the Russell E. Palmer Professor of Finance at The Wharton School of the University of Pennsylvania.

¹³ Price to earnings (P/E) ratio: Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

¹⁴ Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

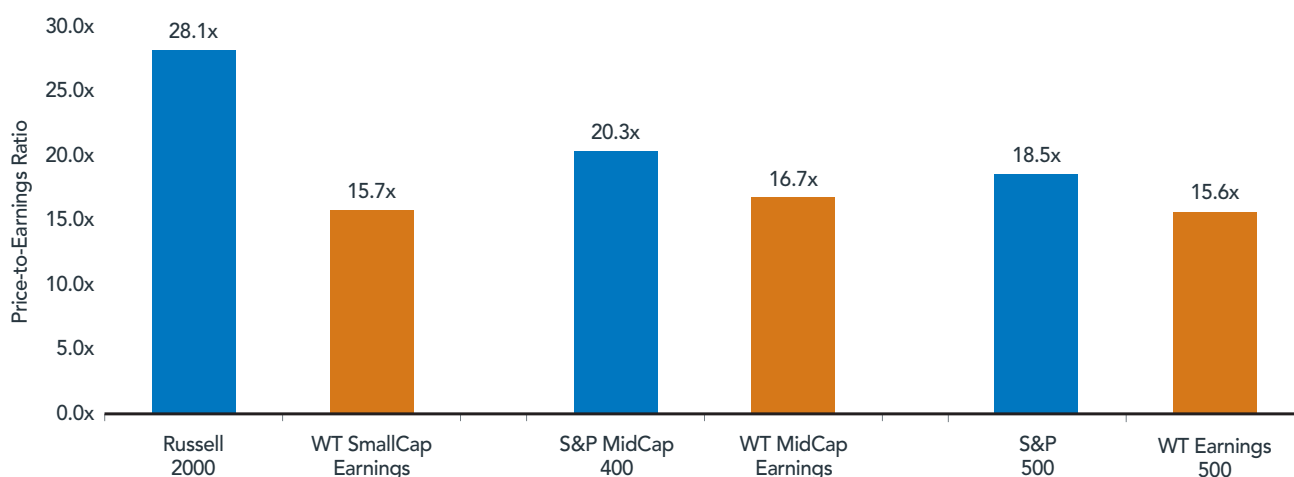
¹⁵ Earnings stream: Earnings per share x the number of shares outstanding. For an index, these totals are added for all constituents.

¹⁶ Relative value: The relationship between a particular attribute, e.g., a dividend, and the firm’s share price compared to that of another firm.

- + Companies whose stock prices increased compared to their peers' while their earnings decreased compared to their peers' would typically see reduced weight in the WisdomTree Earnings Indexes. In a market cap-weighted index, the only driver of weight is the relative change in market capitalization, which is usually driven by the stock price.
- + Companies whose stock prices fell while their earnings were flat or grew would typically see increased weight in the WisdomTree Earnings Indexes. In a market cap-weighted index, the only driver of weight in this case would be the lower market value, typically driven by lower stock prices.
- + Companies that have not been profitable on a cumulative basis over the previous four quarters are removed to ensure the continued focus on earnings-generating stocks. As we saw in figure 2, this was of particular importance in the small capitalization size segment.

One way to measure the potential effectiveness of the process is to look at the P/E ratio, essentially the price of the Index divided by its earnings per share¹⁷.

FIGURE 5: P/E RATIOS ACROSS THE CAPITALIZATION SIZE SEGMENTS



Source: Bloomberg, as of 9/30/2016. Past performance is not indicative of future results. You cannot invest directly in an index. Subject to change.

In each size segment, the WisdomTree Earnings Index exhibited a lower P/E ratio than its market capitalization-weighted benchmark. One way to describe this tendency of an earnings-weighted approach to show a lower P/E ratio than a market capitalization-weighted approach is that an earnings-weighted approach can help gain exposure to the market at a more reasonable price or valuation multiple. We refer to this earnings-weighted index concept as an investment strategy called "MAR[®]P" – one that provides exposure to the market at a reasonable price.¹⁸

¹⁷ Earnings per share: Total earnings divided by the number of shares outstanding.

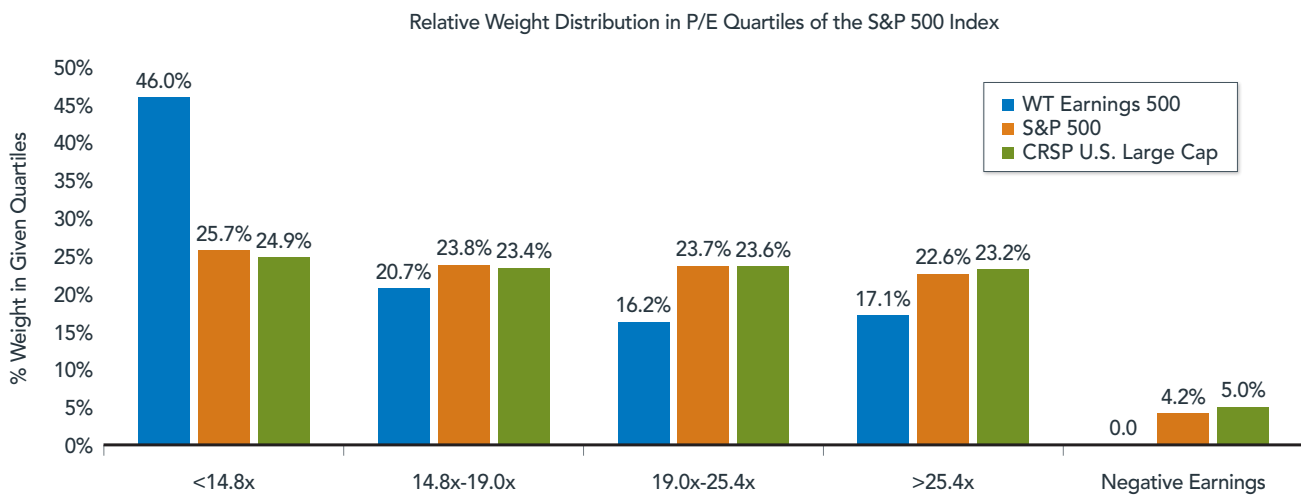
¹⁸ A related investment strategy is called "GAR[®]P" – or growth at a reasonable price, which looks for fast-growing stocks that are selling at low prices. "MAR[®]P" is simply another adaptation—market at a reasonable price, which looks for stocks with broad market characteristics and representation, but with an awareness of price levels.

HOW OUR EARNINGS REBALANCE IMPACTS THE P/E RATIO

So, how can we connect the mechanics of our annual rebalancing of profitable companies back to the results that we have observed in Figure 5? One way is to break each of the market capitalization-weighted benchmark indexes—specifically the S&P 500, S&P MidCap 400 and S&P SmallCap 600—into P/E quartiles. We can then see the weighting within these respective groupings of each WisdomTree Earnings Indexes relative to its benchmark as of the most recent annual Index Screening, in this case November 30, 2015.

FIGURE 6A: WT EARNINGS 500 INDEX PUSHES WEIGHT INTO THE LOWEST P/E QUARTILE

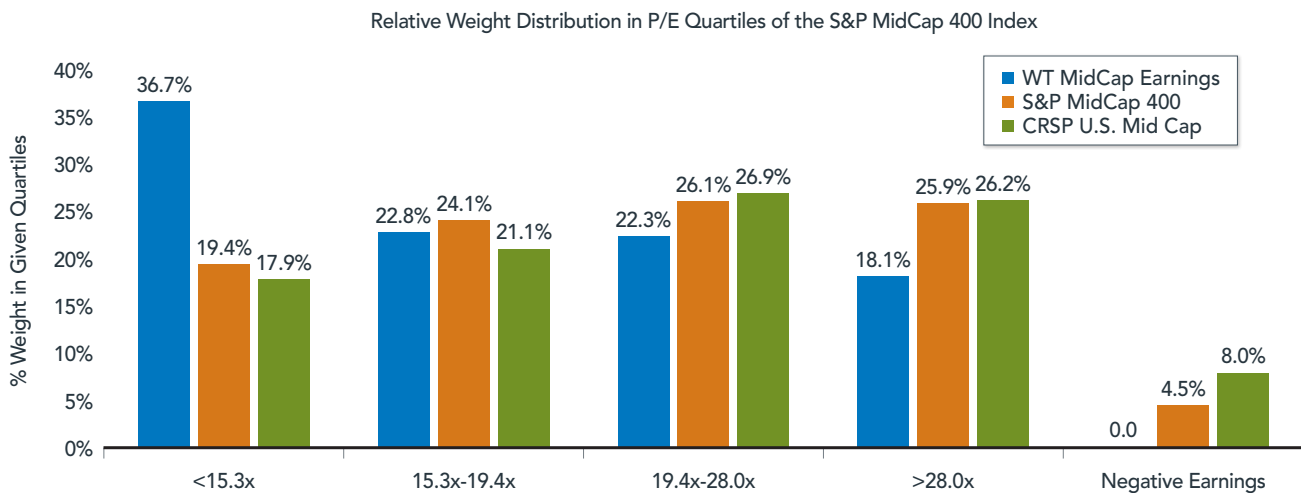
[As of 11/30/2015 Index Screening]



You cannot invest directly in an index. Subject to change.

FIGURE 6B: WT MIDCAP EARNINGS INDEX PUSHES WEIGHT INTO THE LOWEST P/E QUARTILE

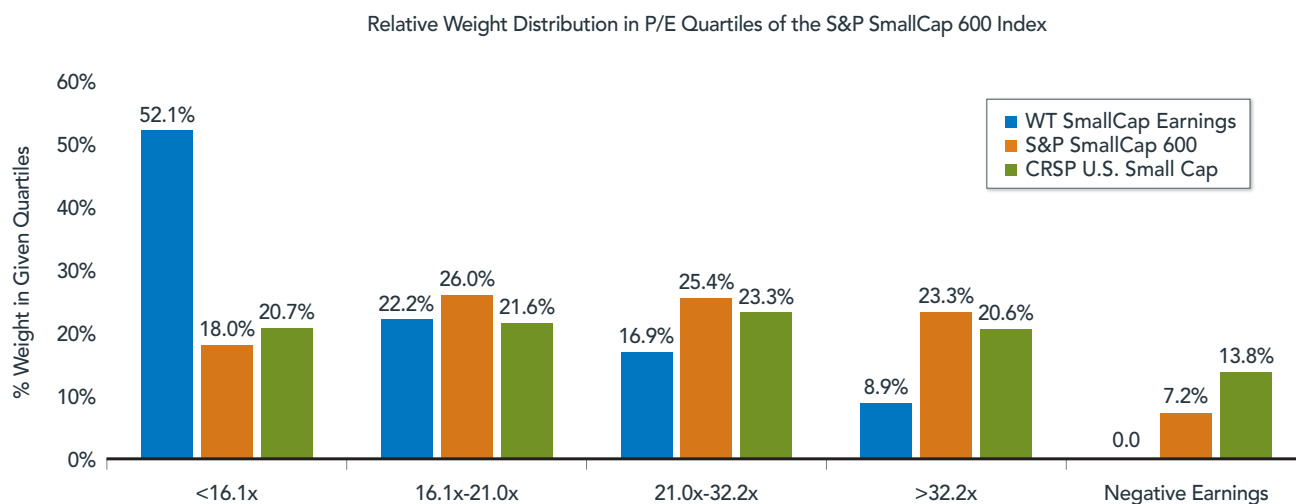
[As of 11/30/2015 Index Screening]



You cannot invest directly in an index. Subject to change.

FIGURE 6C: WT SMALLCAP EARNINGS INDEX PUSHES WEIGHT INTO THE LOWEST P/E QUARTILE

[As of 11/30/2015 Index Screening]



You cannot invest directly in an index. Subject to change.

Sources (for figures 6A, 6B and 6C): WisdomTree, Standard & Poor's, Bloomberg.

A critical point we want to emphasize through Figures 6A, 6B and 6C is that this is an impact coming from how the WT Earnings Indexes are weighted. From a stock selection standpoint, these indexes include broad universes of profitable companies, and we'll see in the figures that follow why we think that they constitute core exposures to different size segments of U.S. equities. Ultimately, we believe that the valuation sensitivity illustrated in the aforementioned three figures does not necessarily mean that these Indexes belong on the "value" side of the spectrum.

DOES VALUATION SENSITIVITY MEAN "VALUE STYLE"?

While the earnings-weighted approach does tilt weight to lower P/E ratio stocks—which certainly overlaps with other value¹⁹ investment strategies—we believe the earnings approach most closely resembles a core, broad exposure to the market because of the deep representation of stocks included. We illustrate this core representation of the market in a few ways, first by looking at the underlying constituents.

We use WTEPS, WTMEI and WTSEI to illustrate that there are significant weights in stocks classified as purely "growth"²⁰ stocks, as the strategy is not exclusively value-stock based. In accomplishing this part of the analysis, we compare each of these three WisdomTree earnings Indexes to the value and growth cuts of their market capitalization-weighted benchmarks. Specifically:

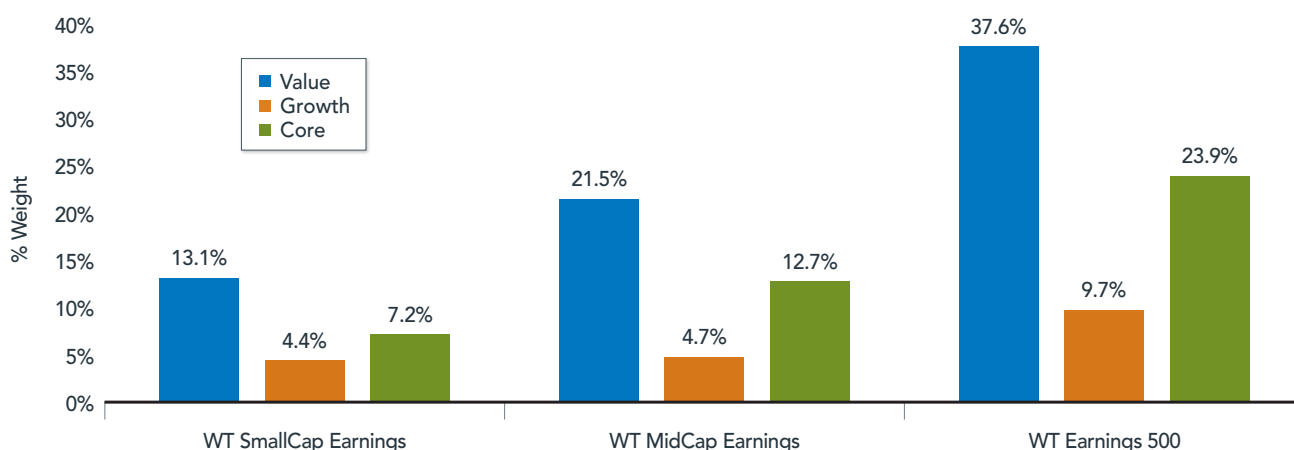
- + **WTEPS:** Measuring the weight in constituents common to the S&P 500 Value and Growth indexes.
- + **WTMEI:** Measuring the weight in constituents common to the S&P MidCap 400 Value and Growth indexes.
- + **WTSEI:** Measuring the weight in constituents common to the S&P SmallCap 600 Value and Growth indexes.

¹⁹ Value: Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future and representation, but with an awareness of price levels.

²⁰ Growth: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

If stocks are only part of either the value or the growth indexes, they are considered value or growth stocks, respectively. Some stocks are included in both the value and growth cuts of each index, and we consider these to be “core” in nature, because they exhibit both value and growth characteristics.

FIGURE 7: WISDOMTREE EARNINGS INDEXES DO NOT HOLD ONLY VALUE STOCKS



Source: Bloomberg, as of 9/30/2016. You cannot invest directly in an Index. Subject to change.

While WTSEI and WTMEI certainly have more weight in the so-called “value” stocks, it is difficult—given their significant allocations to “growth” stocks—to classify them as purely value in nature. Each also has significant weight in the “core” segment, meaning stocks that exhibit both value and growth characteristics.

For those concerned that the above percentages do not add up to 100% in each case, rest assured that this is acceptable. None of the WisdomTree Earnings Indexes are meant to fully represent their market capitalization-weighted benchmarks or to only select stocks included therein. WTSEI is the furthest away in this respect, having 855 constituents as of September 30, 2016—a larger number of securities compared to the S&P SmallCap 600 Index.

OUTPERFORMANCE AGAINST ACTIVE MANAGERS

A common misconception among many investors is that active management is critical to successful investing, especially in more inefficient markets such as mid- and small caps. First, an observation: the S&P MidCap 400 Index has been one of the toughest indexes to beat, as it outperformed 97% of active managers over 10 years, and 95% over 15 years—a period that includes the bursting of the so called “tech bubble” of the late 1990s:

- + Yet as illustrated in figure 8A, the WisdomTree MidCap Earnings Index accomplished a similar feat, at least over its live history: over five years it beat 94% of the managers (vs. 83% for the S&P MidCap 400), and since its inception it beat 100% of the managers (vs. 96% for the S&P MidCap 400).
- + In this figure, the WisdomTree MidCap Earnings Index is up against the active managers and exchange-traded funds that Morningstar classifies in the Mid-Cap Blend category.

FIGURE 8A: MID-CAP PERFORMANCE BEING CAPTURED IS SOMETHING MORE THAN “VALUE” ALONE

CATEGORY: MORNINGSTAR MID-CAP BLEND							
Percentage of Managers with Performance Lagging Index Performance as of September 30, 2016							
	YTD	1-Year	3-Year	5-Year	2/1/2007 - 9/30/2016	10-Year	15-Year
WisdomTree MidCap Earnings Index	80.0%	65.0%	64.0%	94.0%	100.0%	N/A	N/A
S&P MidCap 400 Growth Index	58.0%	59.0%	86.0%	59.0%	100.0%	100.0%	85.0%
S&P MidCap 400 Index	94.0%	92.0%	87.0%	83.0%	96.0%	97.0%	95.0%
S&P MidCap 400 Value Index	98.0%	97.0%	86.0%	95.0%	74.0%	76.0%	95.0%
Number of Managers	473	455	405	357	247	238	146

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

+ Similarity to the “Growth” Benchmark: Since WTMEI’s February 1, 2007, inception, its performance outpaced 100% of the 247 active managers and exchange traded funds (ETFs) in the Morningstar Mid-Cap Blend category. The S&P MidCap 400 Growth Index outperformed 100% of this same category—a same performance. The S&P MidCap 400 Value Index outperformed only 74% of this category. So, in an environment where growth outperformed value in mid-cap stocks, WTMEI actually outperformed both, indicating performance characteristics more similar to growth than to value during this period.

FIGURE 8B: SMALL-CAP PERFORMANCE BEING CAPTURED IS SOMETHING MORE THAN “VALUE” ALONE

CATEGORY: MORNINGSTAR SMALL BLEND							
Percentage of Managers with Performance Lagging Index Performance as of September 30, 2016							
	YTD	1-Year	3-Year	5-Year	2/1/2007 - 9/30/2016	10-Year	15-Year
WisdomTree SmallCap Earnings Index	86.0%	87.0%	49.0%	70.0%	85.0%	N/A	N/A
Russell 2000 Growth Index	20.0%	38.0%	59.0%	71.0%	85.0%	85.0%	49.0%
Russell 2000 Index	66.0%	70.0%	61.0%	66.0%	63.0%	63.0%	57.0%
Russell 2000 Value Index	96.0%	95.0%	63.0%	57.0%	28.0%	28.0%	59.0%
Number of Managers	854	828	682	592	416	399	232

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

+ Similarity to the “Growth” Benchmark: Since WTSEI’s February 1, 2007, inception, its performance outpaced 85% of the 416 active managers and ETFs in the Morningstar Small Blend category. The Russell 2000 Growth Index outperformed 85% of this same category. The Russell 2000 Value Index outperformed only 28% of this category. So, in an environment where growth outperformed value in small-cap stocks, WTSEI kept pace with the growth index, indicating performance characteristics more similar to growth than to value during this period.

CONCLUSION

We believe that a focus on profitable companies is a key ingredient to WisdomTree’s smart beta equity process—especially when building Indexes for mid- and small caps. Additionally, while weighting by earnings does imply a sensitivity to valuation, we believe that selecting by profitability leads to a broader array of companies, some of which deliver growth characteristics. Ultimately:

- + WTEPS, WTMEI and WTSEI do select stocks that are considered value as well as stocks that are considered growth based on the inclusion metrics of other benchmark indexes.**
- + Analysis of performance, since inception, indicates a similarity between the performance of WTMEI and WTSEI to core benchmarks.**

Analysis of peer group performance, since inception, indicates an environment where small-cap growth and mid-cap growth significantly outperformed small-cap value, but WTMEI outperformed its growth benchmark.

At WisdomTree, we do things differently. We build our Indexes and the ETFs designed to track them with proprietary methodologies, smart structures and/or uncommon access to provide investors with the potential for income, performance, diversification and more. Especially in the mid- and small-cap core U.S. equity markets, we believe our approach can help investors more successfully own the market in a way that is focused on profitable firms.

All of the WisdomTree U.S. earnings Indexes are built with rules-based processes that focus on earnings and profitability, weight by earnings, and rebalance on an annual basis back toward a concept of relative value. As of September 30, 2016:

- + WTSEI outperformed the average annual returns of the Russell 2000 and Russell 2000 Value indexes on a since-inception basis. WTSEI also outperformed the Russell 2000 and Russell 2000 Value Indexes on a five-year basis.**
- + WTMEI outperformed the average annual returns of the S&P MidCap 400 and S&P MidCap 400 Growth indexes on a five-year basis. WTMEI also outperformed the S&P MidCap 400 and S&P MidCap 400 Value indexes on a since inception basis.**
- + Both WTMEI and WTSEI outperformed the average annual total returns of more than 85% of their respective Mid-Cap Blend and Small Blend Morningstar peer groups since their inception date.**

For more information on WisdomTree or our earnings-weighted family, please visit www.wisdomtree.com.

S&P 500 Index: A 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. S&P 500 Value Index: A market capitalization-weighted benchmark designed to measure the value segment of the S&P 500 Index. S&P 500 Growth Index: A market capitalization-weighted benchmark designed to measure the growth segment of the S&P 500 Index. S&P MidCap 400 Index: Provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an ongoing basis. S&P MidCap 400 Value Index: Provides investors with a measure of the performance of the value segment of the S&P MidCap 400 Index. S&P MidCap 400 Growth Index: Provides investors with a measure of the performance of the growth segment of the S&P MidCap 400 Index. S&P SmallCap 600 Index: A market capitalization-weighted measure of the performance of small-cap equities within the United States, with constituents required to demonstrate profitability prior to gaining initial inclusion. Russell Top 200 Index: A market capitalization-weighted measure of the performance of the 200 largest companies in the Russell 3000 Index. Russell Midcap Index: Measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Russell 2000 Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index, representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Russell 2000 Value Index: Measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index: Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher growth expectations. Russell 3000 Index: Measures the performance of the 3,000 largest U.S. companies based on total market capitalization. WisdomTree Earnings Index: A fundamentally weighted index that measures the performance of earnings-generating companies within the broad U.S. stock market. WisdomTree Earnings 500 Index: A fundamentally weighted index that measures the performance of earnings-generating companies within the large-capitalization segment of the U.S. stock market. Companies in the index are incorporated and listed in the U.S. and have generated positive cumulative earnings over their most recent four fiscal quarters prior to the Index measurement date. The Index comprises the 500 largest companies ranked by market capitalization in the WisdomTree Earnings Index. WisdomTree MidCap Earnings Index: A fundamentally weighted index that measures the performance of the top 75% of the market capitalization of the WisdomTree Earnings Index after the 500 largest companies have been removed. WisdomTree SmallCap Earnings Index: A fundamentally weighted index that measures the performance of the earnings-generating small-cap segment of the U.S. equity market. The Index comprises the companies in the bottom 25% of the market capitalization of the WisdomTree Earnings Index after the 500 largest companies have been removed. CRSP U.S. Small Cap Index: A market capitalization-weighted measure of the performance of small-cap equities in the United States. CRSP U.S. Mid Cap Index: A market capitalization-weighted measure of the performance of mid-cap equities in the United States. Russell 1000 Index: A measure of the performance of the 1,000 largest companies by market capitalization in the Russell 3000 Index.

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