DOLLAR BULL OR BEAR? TWO NEW U.S. EQUITY INDEXES POSITION ACCORDINGLY

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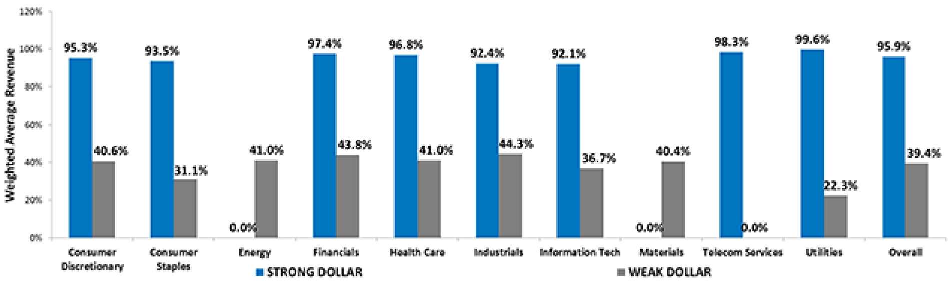
The U.S. dollar has become one of the critical macro drivers of the markets. A weakening Japanese yen started some of this latest macro trade in 2012—as the yen weakened and Japanese stocks[1] soared over the last two-and-a-half years. Currency influences returns of stocks or markets when in the case of large exporters that derive much of their sales from foreign markets. There are a number of ways currency can flow through to company sales or other accounting metrics: • Revenue translation from foreign functional currencies is different than revenue from U.S. dollars. If a U.S. company keeps its prices constant in local currency terms, a declining euro or yen means less revenue translated back into U.S. dollars. If firms raise their local prices to try to keep their U.S. dollar revenue the same, they face the risk of becoming less competitive, of lowered demand and declining revenue. • Cash Held Abroad: If companies keep cash in foreign markets without any hedges in place, they can see a decrease in the cash on their balance sheets. There were 24 companies that saw a 7% loss in the total value of their cash in the first quarter of 2015.[2]

o Some examples: Mondelez saw its total cash balance decrease year-over-year by 27% as of Q1 2015 due to currency moves—the greatest percentage decline of any S&P 500 firm—and Philip Morris International (which derives all its revenue from abroad) saw its cash balance decline by 20%. Also notable is McDonald's, which saw its total cash decline by over 10% due to currency moves.[3]

If the U.S. dollar continues to strengthen, this is likely to provide a continued headwind for the companies with meaningful revenue and business exposure in foreign markets. By contrast, if the U.S. dollar reverses, these firms will benefit. WisdomTree designed two new U.S. equity factor Indexes to help position accordingly based on a view of the U.S. dollar's direction. • **U.S. Local Economy Stocks = WisdomTree Strong Dollar U.S. Equity Index:** These are firms that derive more than 80% of their revenues from within the United States. These companies tend to be less impacted by a strong-dollar environment. • **U.S. Exporters = WisdomTree Weak Dollar U.S. Equity Index:** These are firms that derive at least 40% of their revenue from exports, which means they tend to be more impacted by a strong-dollar environment. **Geographic Revenue Distributions Make a Strong Statement** Since the primary selection methodology involves screening for geographic revenues, this is an important factor to consider. There is a big contrast between the Indexes. **Contrasting the Geographic Revenues of the Strong & Weak Dollar Indexes Weighted Average Revenues from Within the U.S. (as of Initial Index Screening)**



Sources: WisdomTree, FactSet, Standard & Poor's. Data as of 6/1/15. Strong dollar refers to WisdomTree Strong Dollar U.S. Equity Index. Weak dollar refers to WisdomTree Weak Dollar U.S. Equity Index. Due to the selection rules of the WisdomTree Strong Dollar U.S. Equity Index, stocks in the Energy and Materials sectors, tending to have returns that have exhibited significantly negative correlations with the returns of the U.S. dollar, are not eligible for inclusion. Past performance is not indicative of future results. You cannot invest directly in an index.

• **The Overall Picture:** The WisdomTree Weak Dollar U.S. Equity Index had weighted average revenues from within the U.S. below 40%—in other words, over 60% of the revenue came from abroad. On the other hand, the WisdomTree Strong Dollar U.S. Equity Index had weighted average revenues from within the U.S. of about 96%. That is a significant difference. • **Consistent across All Sectors:** It's also interesting to note that, by design, the weighted average revenues sector by sector are fairly similar. There was no sector in the Weak Dollar U.S. Equity Index with more than 45% revenue exposure to the U.S.—meaning that more than half the revenue in each sector came from abroad. And for the Strong Dollar U.S. Equity Index, the smallest percentage revenue from the U.S. was 92%. These are truly local economy U.S. stocks. As a result of the selection and weighting process, there is certainly a bias toward various resulting sector tilts. • **Strong Dollar Sector Tilts Lead to 30% Over-weight:** In the WisdomTree Strong Dollar U.S. Equity Index, Utilities (+11.42%), Financials (+8.52%), Consumer Discretionary (+7.64%) and Telecommunication Services (+2.53%) exhibit over-weights relative to the S&P 500 sectors that add up to slightly over 30%. The biggest under-weights in this Index are Energy (-7.87%, which was excluded due to its strong negative correlation to the U.S. dollar) and Information Technology (-14.32%), which tends to derive the greatest revenue from abroad. • **Weak Dollar Sector Tilts Lead to a Nearly 20% Over-weight:** In the WisdomTree Weak Dollar U.S. Equity Index, Materials (+6.65%), Industrials (+4.69%), Information Technology (+4.56%) and Health Care (3.60%) exhibit a nearly 20% over-weight relative to the S&P 500 sectors. The Strong Dollar U.S. sector over-weights are all essentially under-weights in this Index, with the greatest under-weight being in Financials (-8.89%), which tends to be the most local economy sector. *Company holding information as of 7/8/2015: Mondelez: 0.40% in the WisdomTree Weak Dollar U.S. Equity Index. Philip Morris International: 0.57% in the WisdomTree Weak Dollar U.S. Equity Index. McDonald's: 0.74% in the WisdomTree Weak Dollar U.S. Equity Index.* [1]Refers to [Tokyo Stock Price Index (TOPIX)]universe; source: Bloomberg. [2]Universe: S&P 500 Index constituents. Sources: Jack Ciesielski, R.G. Associates, Inc.; Calcbench.[3]Sources: Jack Ciesielski, R.G. Associates, Inc.; Calcbench, "Strong Dollar Accounting Implications," The Analyst's Accounting Observer.

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Macro : Focused on issues impacting the overall economic landscape as opposed to those only impacting individual companies.

Revenue translation : Used to convert the results of a parent company's foreign subsidiaries to its reporting currency, or the currency in which it publishes its financial results.

Functional currency : The currency in which foreign subsidiaries of a parent company conduct their operations.

Hedge : Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

Balance sheet : refers to the cash and cash equivalents part of the Current Assets on a firms balance sheet and cash available for purchasing new position.

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.

Tokyo Stock Price Index (TOPIX) : A free float-adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the Tokyo Stock Exchange First Section.