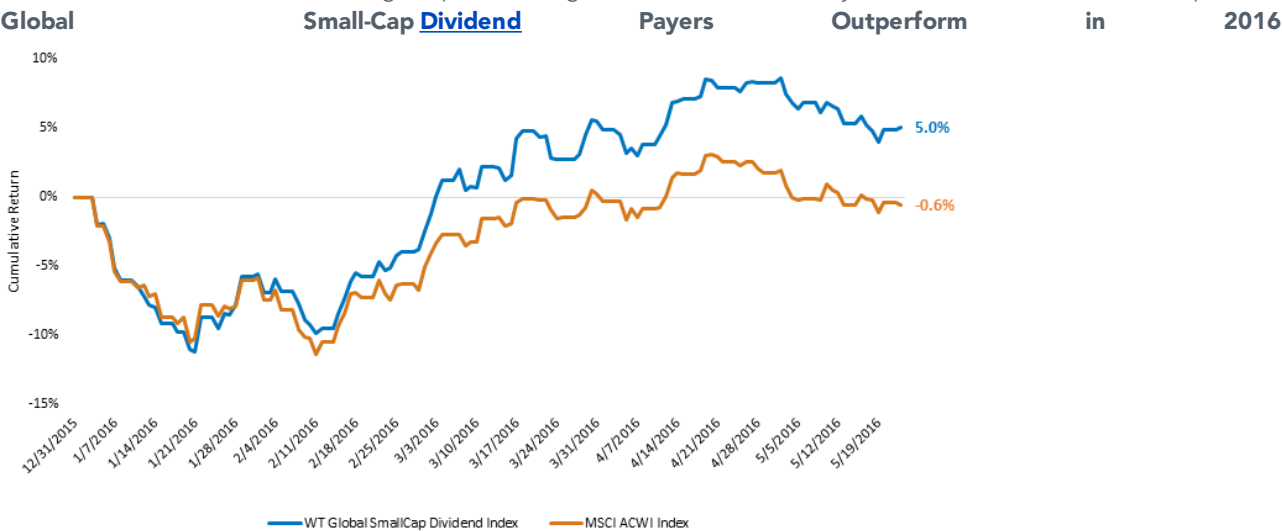


GLOBAL SMALL CAP DIVIDENDS CRUSHING IT IN 2016

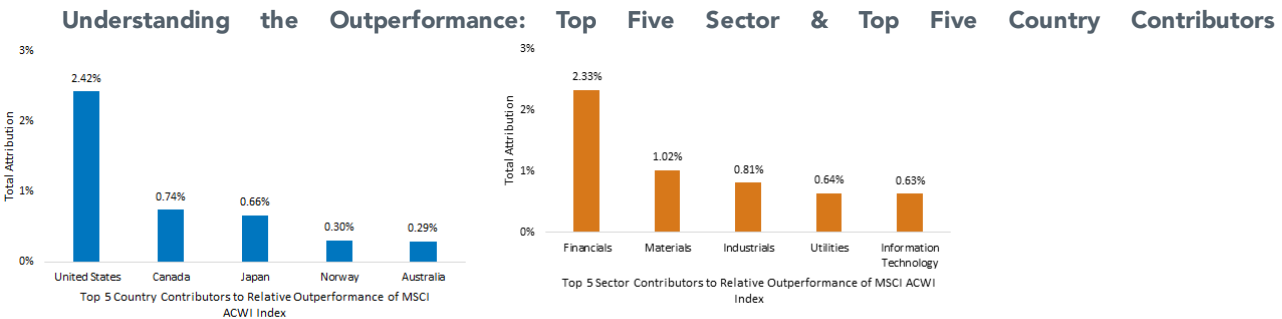
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In the face of a 2016 that has, in many ways, involved a 180-degree turnaround from what worked well in markets during 2015, there has been no shortage of surprises. For instance, few have expected amidst significant global uncertainties that a strategy focused on small caps, the [WisdomTree Global SmallCap Dividend Index](#), would dramatically outperform the [MSCI ACWI Index](#), a strategy focused on large caps. Frequently, small caps are characterized as doing well in global economic acceleration, whereas large caps are thought of as more defensively oriented, well-established companies.



Sources: WisdomTree, Bloomberg, with data from 12/31/2015 to 5/23/2016. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

The real question, of course, is how this happened, with a secondary issue focusing on the potential robustness of those drivers looking into the future.



Sources: WisdomTree, Bloomberg, with data from 12/31/2015 to 5/23/2016. You cannot invest directly in an index.

• In the U.S., 2016 Has Been the Year of Dividend Payers: 2016 started with significant uncertainty, whether looking at the price of oil, China or even the political landscape in the United States. WisdomTree, for a period nearing 10 years, has been saying that in

times of uncertainty it behooves investors to think about dividend-paying stocks. That has been true in the United States, even more so given the fact that the [U.S. 10-Year Treasury note interest rate](#) has gone from about 2.30% to 1.83%,¹ as investors need to replace income that couldn't be gotten in fixed income. When we focus on smaller [market capitalization](#) dividend payers in the U.S., one consequence is that exposure to real estate tends to increase, and it follows that financials are also a major contributor of the WisdomTree Global SmallCap Dividend Index's outperformance against the MSCI ACWI Index.

- **Canada, Norway and Australia Have Rallied:** These commodity-sensitive markets all tend toward relatively high [dividend yields](#), which leads to over-weight positioning in the WisdomTree Global SmallCap Dividend Index versus the MSCI ACWI Index. Combine this with the fact that commodity countries have rallied and those countries' currencies have also rallied against the U.S. dollar, and you begin to see how these over-weights have helped relative performance.
- **A Stronger Yen Is a Challenge for Japan's Exporters:** Even though Japan, which hasn't been a strong equity market thus far in 2016, is a relative over-weight in the WisdomTree Global SmallCap Dividend Index compared to the MSCI ACWI Index, Japan's small caps are more insulated from the impact of the yen's strength—which sees profits of global multinationals in Japan face challenges. We believe going small rather than large on the capitalization spectrum has helped here.
- **Materials Deliver over 14% Returns Thus Far in 2016:** Continuing along the lines of the rally in commodity prices, the Materials sector—twice the weight in the WisdomTree Global SmallCap Dividend Index as in the MSCI ACWI Index—has delivered better than 14.0% total returns thus far in 2016. It is interesting to see this type of return, given how sentiment has been very focused on [volatility, risk](#) and uncertainty in 2016.

Bottom Line: Don't Forget about Global Small Caps We believe the global small-cap dividend payers' outperformance thus far in 2016 signals that investors should not forget about small caps; global small caps with a dividend focus are currently delivering strongly in a tough equity environment—and are behaving much different from what we've seen in global large caps. ¹Source: Bloomberg, from 12/31/15 to 5/23/16.

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You cannot invest directly in an index.

DEFINITIONS

MSCI ACWI Index : A free-float adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

Dividend : A portion of corporate profits paid out to shareholders.

10- Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.

Interest rates : The rate at which interest is paid by a borrower for the use of money.

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

Dividend yield : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Volatility : A measure of the dispersion of actual returns around a particular average level. nbsp;.

Risk : Also standard deviation, which measures the spread of actual returns around an average return during a specific period. Higher risk indicates greater potential for returns to be farther away from this average.