WHAT THE SHIFTING EARNINGS STREAM TELLS US ABOUT THE MARKET

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At WisdomTree, we believe strongly in relative value rebalancing. The act of rebalancing constituents of an index back to their fundamental values is important, given our belief that stocks often overshoot their underlying fundamentals. Consequently, investors run the risk of paying too much for stocks that have become more expensive compared to their fair value. A disciplined strategy of reweighting allocations back to attractively valued stocks, through the annual rebalance process, is an important element in managing market valuation risks. Below we start with a discussion of how the *Earnings Stream* grew between the 2013 and 2014 Index screening dates dates—as the Earnings Stream is the key factor that drives exposures in the WisdomTree Earnings Index family. **Gauging the *Earnings Stream* over Time (as of 11/30/14 Index Screening)**

Earnings Stream by Sector ($bn)	11/30/2007	11/30/2008	11/30/2009	11/30/2010	11/30/2011	11/30/2012	11/30/2013	11/30/2014	Earnings Growth (%): 11/30/2013-11/30/2014	Cumulative Earnings Growth
Consumer Discretionary	$87.50	$79.10	$52.60	$89.63	$110.94	$117.97	$135.59	$132.45	-2.3%	51.4%
Consumer Staples	$78.60	$83.70	$77.92	$86.17	$96.12	$92.91	$103.11	$99.34	-3.7%	26.4%
Energy	$119.40	$162.50	$53.70	$87.21	$130.50	$119.27	$111.84	$117.31	4.9%	-1.7%
Financials	$248.00	$110.30	$72.11	$133.07	$155.45	$167.96	$214.39	$243.83	13.7%	-1.7%
Health Care	$83.00	$94.30	$84.22	$89.72	$101.99	$100.54	$105.85	$110.34	4.2%	32.9%
Industrials	$107.70	$105.30	$59.19	$83.19	$105.71	$113.97	$117.66	$141.66	20.4%	31.5%
Information Technology	$103.80	$124.80	$90.28	$152.26	$183.32	$191.81	$192.20	$200.18	4.2%	92.9%
Materials	$36.00	$39.00	$14.76	$30.04	$45.36	$33.26	$36.54	$38.72	6.0%	7.6%
Telecommunication Services	$21.60	$22.90	$15.01	$25.05	$24.04	$16.25	$20.17	$25.16	24.7%	16.5%
Utilities	$33.60	$32.70	$26.87	$33.50	$32.51	$27.12	$31.43	$34.45	9.6%	2.5%
Total Earnings Stream	**$919.50**	**$854.60**	**$546.66**	**$809.84**	**$985.92**	**$981.07**	**$1,068.79**	**$1,143.43**	**7.0%**	**24.4%**

Sources: WisdomTree, Standard & Poor's. Past performance is not indicative of future results. Subject to change. You cannot invest directly in an index.

• 7% Total *Earnings Stream* Growth in 2014: The *Earnings Stream* in 2014 hit a record high of $1.14 trillion, which is 7% higher than the 2013 *Earnings Stream* and 24.4% higher than the 2007 stream. **• 8 of the 10 Sectors Displayed Positive Earnings Growth:** Telecommunication Services, Industrials and Financials displayed the highest year-over-year *Earnings Stream* growth at 24.7%, 20.4% and 13.7% respectively. The two sectors that witnessed a contraction in their *Earnings Stream* were Consumer Staples and Consumer Discretionary, which experienced a contraction of 3.7% and 2.3%, respectively. **• Financial Earnings Only 2% from Peak:** Before the financial crisis and as of the 2007 Index screening, the Financials sector's *Earnings Stream* was $248 billion. At the nadir of the crisis, the 2009 Index screen, the Financials sector's earnings had collapsed by about 70% to just $72 billion. As one sign the financial companies are moving beyond the crisis operating environment, the earnings of the Financials sector at this rebalance were $243 billion, up nearly 14% on the year and now within 2% of the all-time highs. Note that these companies continue to repair their balance sheets by returning less cash to shareholders, as their dividend distributions still need to grow 20% to reach their record levels in 2007, as we discussed in the WisdomTree Dividend Index rebalance. **• Information Technology Leaders:** The Technology sector saw its U.S. *Earnings Stream* grow the fastest over the last seven years: approximately 92.9% cumulative growth from 2007 through 2014. The growth in earnings is an important element of the annual rebalance. The other critical factor is stock price performance. Rebalancing back to the *Earnings Stream* forces a discipline to sell stocks that have become more expensive—in other words, selling stocks that have appreciated relative to their earnings (see rising price-to-earnings ratios). Below we look at the characteristics of the changes that occurred in the WisdomTree Earnings Indexes. **WisdomTree Earnings Family Rebalance Illustrated (as of 11/30/14 Index**

All Constituents	Weight Change	WTEI	WTEPS	WTMEI	WTSEI
Median Earnings Growth	Raise	21.4%	19.0%	31.2%	45.8%
	Lower	-10.4%	-0.8%	-1.0%	-6.6%
	All	7.4%	8.2%	9.7%	5.9%
Median Total Return	Raise	4.0%	11.5%	7.8%	-4.2%
	Lower	13.0%	22.1%	10.7%	1.3%
	All	7.8%	18.0%	10.2%	-1.1%

Sources: WisdomTree, Bloomberg. Median *Earnings Stream* growth and median total return are from 11/30/13 to 11/30/14. Past performance is not indicative of future results. You cannot invest directly in an index.

Screening) **For the Broad-Based WisdomTree Earnings Index (WTEI):** • The companies that saw their weight increased at the rebalance had a median earnings growth of 21.4%, which was greater than the median earnings growth of all companies at 7.4%. Companies that saw their weight lowered at the rebalance had below-average earnings growth of just -10.4%. • Moreover, price performance was also a key driver of relative changes. The stocks that saw their weight increased at the rebalance had below-average returns of 4%. The typical stock that saw its weight increased had a median total return that was more than 8.9% lower than the median of stocks that had their weights lowered. The typical stock that saw its weight decreased had a median total return that was 5.2% higher than the median of all stocks. Additionally, we see that the earnings methodology has consistently raised weights to companies that have grown their earnings across the broad, large, mid- and small-cap spaces and lowered weights to companies that have contracted their earnings. The second prong to the rebalance is that it results in raising weights to constituents that have underperformed and lowering weights to constituents that have outperformed.

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You cannot invest directly in an index.

DEFINITIONS

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

Rebalance : An index is created by applying a certain set of selection and weighting rules at a certain frequency. WisdomTree rebalances, or re-applies its rules based selection and weighting process on an annual basis.

Fundamental value : The value of a firm that is related to a company's actual operations and production as opposed to changes in share price.

Fair value : Also known as "eNAV." It is essentially an indicative value (IV) that is made in real time by calculating the basket value on every underlying tick and by adjustments that account for updated market new.

Valuation risk : The risk of buying or over-weighting a particular stock that has appreciated significantly in price relative to its dividends, earnings or any other fundamental metric.

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

Annual screening date : The screening date refers to the date upon which characteristics of eligible constituent firms are measured, whereas the rebalance refers to when the results from the screening date are implemented by way of Index weights and constituents.

WisdomTree Earnings Index : Fundamentally-weighted index that measures the performance of earnings-generating companies within the broad U.S. stock market.

Median : The median is the value within a dataset at which 50% of all observations occur above and 50% occur below.

Large-Capitalization (Large-Cap) : A term used by the investment community to refer to companies with a market capitalization value of more than $10 billion. Large cap is an abbreviation of the term "large market capitalization". Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

Mid-Cap : Characterized by exposure to the next 20% of market capitalization (after the top 70% have been removed) within the Value, Blend or Growth style zones with the majority of the fund's weight.

Small caps : new or relatively young companies that typically have a market capitalization between $200 million to $2 billion.