HOW THIS MID CAP INDEX BECAME LESS PRICEY DESPITE STRONG GAINS

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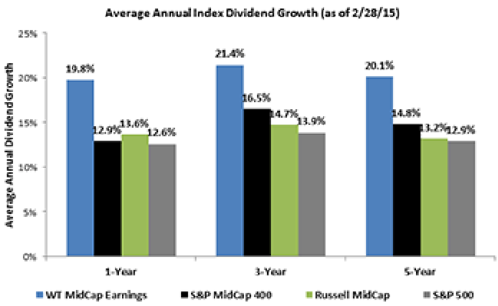
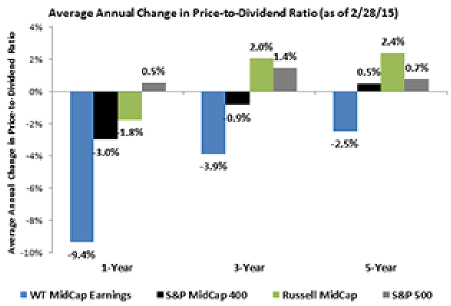
The S&P 500 Index has had a strong 16.2% average annual return for the past five years,[1] making it a very difficult index to beat. However, it is worth noting that broad measures of U.S. mid-cap equities have actually performed even better over the same period[2]: • **WisdomTree MidCap Earnings Index**[3]: 18.8% per year. • **S&P MidCap 400 Index**[4]: 17.0% per year. • **Russell Midcap Index**[5]: 17.7% per year. Now, with such great performance comes the inevitable question: Are U.S. stocks becoming expensive? **If Fundamentals Are Growing, Value Is Easier to Find** The typical way to answer this question is to cite price-to-earnings (P/E) ratios and examine the relationship between share price and earnings per share. However, there are many fundamental metrics that can be used to look at valuation. One that we focus on often is dividends. **Dividend Growth since the Global Financial Crisis Has Been Exceptional** At WisdomTree, we spend a lot of time looking at dividend trends around the world, and one of the first things we point out to people when talking about U.S. markets is that even though the performance has been strong, the dividend growth has been stronger. Putting the above-average share price performance into context, we can therefore tie it back to above-average dividend growth. **Dividend Growth and the Price-to-Dividend Ratio** The price-to-dividend ratio is no different than the price-to-earnings ratio—it simply looks at share price relative to dividends instead of looking at share price relative to earnings. In both ratios, if the underlying fundamental is increasing faster than the price levels, the ratio will become less expensive. **Bottom Line:** Even with an 18.8% return over the past five years, the WisdomTree MidCap Earnings Index actually saw such strong dividend growth that the price-to-dividend ratio decreased at a rate of 2.5% per year over the same period.[6]

The Remarkable Dividend Growth Trend of U.S. Mid-Caps





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

• **WT MidCap Earnings Index Growing Dividends at 20% per Year:** This is the classic case of an index where the returns have been strong, but the dividend growth has been stronger. The result? The price-to-dividend ratio actually decreased over the past one-, three- and five-year periods. • **Mid-Cap Dividend Growth Outpaces S&P 500 Dividend Growth:** Each of the mid-cap indexes shown had dividend growth faster than that of the S&P 500 Index over the past one-, three- and five-year periods. Large-cap and small-cap equities certainly get significant attention, but the strong levels of dividend growth are one reason we think mid-caps can also be exciting. **Follow the Fundamentals** The WisdomTree MidCap Earnings Index takes an approach that emphasizes following the fundamentals, as every constituent must prove its profitability at each annual Index screening. While the Index doesn't require every constituent to be a dividend payer, the dividend growth that it has displayed over its performance history has been impressive. [1]Source: Bloomberg, for five-year period ending 2/28/15. [2]Source for all bullets: Bloomberg, for five-year period ending 2/28/15. [3]WisdomTree MidCap Earnings Index standardized average annual returns as of 2/28/15: one-year return: 10.2%; three-year return: 18.4%; since-inception return: 10.5%. Inception date: 2/1/07. [4]S&P MidCap 400 Index standardized average annual returns as of 2/28/15: one-year return: 11.1%; three-year return: 17.2%; since WT MidCap Earnings Index inception return: 9.2%. [5]Russell Midcap Index standardized average annual returns as of 2/28/15: one-year return: 13.3%; three-year return: 18.9%; since WT MidCap Earnings Index inception return: 8.5%. [6]Source: Bloomberg, for five-year period ending 2/28/15.

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DEFINITIONS

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.

WisdomTree MidCap Earnings Index : 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.

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 on-going basis.

Russell Midcap Index : The 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.

Earnings per share : Total earnings divided by the number of shares outstanding. Measured as a percentage change as of the annual Index screening date compared to the prior 12 months. Higher values indicate greater growth orientation.

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.

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.

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

Dividend growth : The growth in trailing 12-month dividends for the specified universe.

Price-to-dividend ratio : Refers to the index price divided by the trailing 12-month dividends.

Large-cap Value : Refers to companies with a market capitalization value of more than $10 billion, 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. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time

Small-cap premium : The academic concept that small-cap stocks have tended to outperform large-cap stocks over time.

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.