WisdomTree's Dividend Growth Goes International

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In our last market insight, we introduced a new WisdomTree Index methodology that we believe is designed to capture the best potential dividend growth opportunities within the U.S. equity markets—a methodology that is not reliant on backward-looking screens for historical dividend payments or increases. This new Index methodology, a subset of our broader Dividend Index family, attempts to implement a forward-looking dividend growth stock selection process while maintaining the WisdomTree *Dividend Stream*[1]® weighting methodology.

We are expanding this new "growth[2]" methodology from the U.S. to foreign markets with an Index methodology change to an existing WisdomTree Index. Since its creation in 2009, The WisdomTree Global ex-U.S. Growth Index has focused on growth companies in the global ex-U.S. dividend-paying universe based on selection factors of growth in historical earnings per share[3], sales per share[4], book value per share[5] and stock price momentum[6] over the year prior to each annual Index screening.

To create consistency across the globe in how WisdomTree identifies dividend payers with growth characteristics, we have changed the WisdomTree Global ex-U.S. Growth Index methodology to adopt the same selection principles as we recently introduced in the WisdomTree U.S. Dividend Growth Index.

This new Index methodology will take effect as of the 2013 annual rebalance—or following the close of trading on June 21, 2013. Stock selection and weighting will be based on an Index screening with data run as of May 31, 2013.

We believe WisdomTree's new dividend growth Indexes stand out as the only indexes to screen for dividend growth characteristics or prospects instead of just for companies that have historically raised their dividends over a given period prior to determining eligibility for an index focused on the idea of dividend growth.

[1] *Dividend Stream:* For each constituent in the WisdomTree Dividend Index, the *Dividend Stream* refers to the regular dividends per share indicated to be paid in the coming year multiplied by the number of shares outstanding. Then the *Dividend Stream* of each firm is added up for the total for the Index.
[2] 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.
[3] Historical earnings per share: Measures the percentage change in earnings per share between one year prior to the Index screening date and the screening date. If the current level is higher, this indicates positive growth.
[4] Sales per share: Measures the percentage change in sales per share between one year prior to the Index screening date and the screening date. If the current level is higher, this indicates positive growth.
[5] Book value per share: Measures the percentage change in book value per share between one year prior to the index screening date and the screening date. If the current level is higher, this indicates positive growth.
[6] Stock price momentum: A stock can have positive (increasing in price) or negative (decreasing in price) momentum over the period from one year prior to the Index screening date through the screening date.

The U.S. dividend market is an important piece of investors' allocations. Yet the U.S. *Dividend Stream* was $342 billion out of $1.10 trillion, or just 31% of all dividends paid in the WisdomTree Global Dividend Index, based on data as of the May 31, 2013, Index screening.[7] Focusing only on the U.S. part of the pie means ignoring over two-thirds of the global opportunity set of dividend-paying stocks.

Below, we discuss the Index methodology and how this new basket of global ex-U.S. dividend payers with growth characteristics is positioned relative to other foreign dividend indexes.

WISDOMTREE GLOBAL EX-U.S. GROWTH INDEX: SELECTION CRITERIA AND RATIONALE

The universe of eligible companies begins with the WisdomTree Global ex-U.S. Dividend Index of 3,724 investable dividend payers as of the May 31, 2013, Index screening, a process that occurs annually. Then we add the following screening criteria:

+ **Minimum market capitalization of $2.0 billion: To focus primarily on large-cap securities**
+ **Must have dividend coverage ratio[8] greater than 1.0x: Companies that are paying out more dividends than they have earnings to support them are less likely, we believe, to be dividend growth leaders**
+ **The Index comprises the 300 companies with the best combined rank of Growth and Quality factors from this universe.**
    - **Growth Ranking 50%: Derived from analysts' long-term earnings growth expectations[9], which ultimately encompass the estimated growth in operating earnings per share over the company's next full business cycle, typically three to five years.**
    - **Quality Ranking 50%: Split evenly between three-year average return on assets (ROA)[10] and three-year average return on equity (ROE)[11].**

Weighting: The Index is *Dividend Stream* (dividend per shares times shares outstanding) weighted to reflect the proportionate share of the aggregate cash dividends. This gives bigger weight to companies growing their dividends; we believe it also has the potential to raise the dividend yield of the total portfolio.

Single Holding, Sector and Country Caps: At the annual rebalance, the following caps apply: no single stock can represent more than 5%, no sector can represent more than 20% of the Index, and no country can represent more than 20% of the Index. In between annual rebalances, single stocks, sectors, and countries may move above the 5%, 20%, and 20% marks, respectively, due to market movement.

THOUGHTS ON THE SELECTION FACTORS

The combined ranking of earnings growth and quality factors is a key element of our process of identifying stocks with the highest potential to increase dividends.

[7] Sources: WisdomTree, Standard & Poor's, as of 5/31/2013.
[8] Dividend coverage ratio: Earnings per share divided by dividend per share. Higher numbers indicate a firm has a greater amount of earnings per share relative to its dividend payments.
[9] Long-term earnings growth expectations: Compilation of analyst estimates of the growth in operating earnings expected to occur over the next full business cycle, typically three to five years.
[10] Return on assets (ROA): Firm profits (after accounting for all expenses) divided by the firm's total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.
[11] Return on equity (ROE): Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

On Earnings Growth Expectations: We believe the companies that can grow their earnings have the greatest potential to raise their dividends, which is why long-term earnings growth expectations as a factor make up 50% of our selection criteria. Just to note other index providers that also look at earnings growth expectations as part of their classification of growth companies: The Russell family of indexes includes a similar earnings expectations variable in its model to determine whether stocks qualify as part of the Russell Growth Indexes or Russell Value Indexes.[12] MSCI also uses this earnings growth variable in its selection of the MSCI Growth Indexes.[13] We certainly recognize that these are only estimates and that, with an increasing time horizon, it becomes more and more difficult for estimates such as these to be accurate. However, while the specific growth estimates may be hard to pin down, in general the relative direction of the estimates tends to be more accurate. We also believe that earnings growth is a necessary consideration in factoring the potential for future dividend increases.

On Quality Factor Rankings: Analysis of "quality" factors can take different forms. In our case, we have identified higher-quality companies as those that have displayed above-average historical returns on equity and on assets. We have used these criteria as part of our selection methodology, because we believe companies with better profitability metrics are better able to fund growing dividends.

We are certainly not the first to suggest there is a link between dividend growth and ROE or to use ROE as part of a stock selection criterion. Warren Buffett often says in his annual letters that he looks for "businesses earning good returns on equity while employing little or no debt." Since high leverage[14] implies the use of debt, our use of a quality ranking that incorporates both return on equity and return on assets enables us to mitigate the use of leverage as a sole driver of what may superficially appear to be a high ROE figure. Companies that achieve a high return on assets are often able to grow without needing large capital expenditures. This frees more of their profits to be returned to shareholders in the form of dividends.

Moreover, in the finance literature, return on equity is critically linked to dividend growth and intrinsic value[15] of companies through the dividend discount model (DDM).[16] The DDM for stock valuation states:

The Value of a stock = DPS(1) / (R-G)

Where:

+ **DPS(1) = Dividends per share expected to be received in one year**
+ **R = The required rate of return for the investment**
+ **G = Growth rate in dividends, which equals ROE x earnings retention (or 1 minus dividend payout ratio)**[17]

The growth rate equals the return on equity times the reinvestment rate; simply stated, the growth of dividends is determined by what fraction of earnings is put back into the firm and how profitable those earnings are in their subsequent use. A sustainable dividend growth rate is thus critically linked in finance theory to ROE.

[12] "Russell U.S. Equity Indexes Construction and Methodology," Russell Indexes, March 2013.
[13] See http://www.msci.com/products/indices/style/vgvars.html.
[14] Leverage: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.
[15] Intrinsic value: Value of a firm based on its operations, business practices and profitability, which may or may not be closely related to the value of that same firm based on its equity share price.
[16] William L. Silber & Jessica Wachter, "Equity Valuation Formulas," New York University, 2013.
[17] Earnings retention (or 1 minus dividend payout ratio): The dividend payout ratio is the dividend per share divided by the earnings per share. Since the earnings retention plus the dividend payout ratio must be added together to equal 100% of the earnings, 1 minus dividend payout ratio = earnings retention, the percentage of earnings not paid out as dividends.

KEY CHARACTERISTICS OF WISDOMTREE'S "DIVIDEND GROWTH" COMPANIES

Now that we have laid out the most crucial elements of our Index construction process, it is important to consider how qualifying constituents look in terms of those metrics compared to both non-qualifiers and the broader markets.

- **Higher Growth Expectations: The average long-term earnings growth estimates were over 7 percentage points higher for qualifiers to this index than for non-qualifiers. They were also higher than the MSCI EAFE Index and the MSCI AC World ex-US Index, two market capitalization-weighted[18] indexes included to represent broad measures of international equities that do not target potential dividend growth as part of their construction processes. The MSCI EAFE Growth Index, which does include a similar long-term earnings growth expectation metric as part of its selection methodology, had a similar long-term earnings growth expectation.**
- **Higher-Quality Factors: Three-year average ROE for qualifiers was approximately twice that of non–qualifiers, with the relative size difference for ROA being even greater. The ROE for the WisdomTree qualifiers was significantly higher than that for indexes such as the MSCI EAFE Index, MSCI EAFE Growth Index and MSCI AC World ex-US Index, which have do not include ROE and ROA as part of their selection methodologies.**
- **Lower Leverage: The qualifiers to the WisdomTree Global ex-U.S. Growth Index employ less leverage to operate their businesses than both the non-qualifiers and the broader equity market measures.**

	Long-Term Earnings Growth Expectations	ROE	ROA	Leverage	Earnings Retention	ROE x Earnings Retention
Qualifiers (WT Global ex-U.S. Growth Index)	14.7%	35.0%	14.0%	2.5x	71.5%	25.0%
Non-Qualifiers	7.1%	17.5%	5.8%	3.0x	54.6%	9.5%
MSCI EAFE Index	10.9%	14.5%	5.0%	2.9x	48.7%	7.1%
MSCI EAFE Growth Index	14.1%	19.7%	7.1%	2.8x	52.3%	10.3%
MSCI ACWI ex-USA Index	10.8%	15.2%	5.4%	2.8x	54.5%	8.3%

Sources: WisdomTree, Standard & Poor's.
Past performance is not indicative of future results. You cannot invest directly in an index. Data is as of 5/31/2013, the screening date for initial constituents.

COMPARISON OF NEW WISDOMTREE GROWTH INDEX WITH OTHER DIVIDEND-BASED STRATEGIES

WisdomTree has a broad family of international Dividend Indexes. Up to this point, WisdomTree has focused primarily on providing:

1. **Broad Exposure to the dividend-paying market in whatever region or size segment of the globe (we might refer to this as the core[19] dividend market).**
2. **High Dividend Yields: Using stock selection criteria such as ranking by trailing 12-month dividend yield[20], we also have an equity income family of Indexes that focus on relatively higher-yielding stocks.**

[18] 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.
[19] Core: Broad spectrum of dividend payers not explicitly focused on either yield or growth.
[20] Trailing 12-month dividend yield: Dividends over the prior 12 months are added together and divided by the current share price. Higher values indicate more dividends are being generated per unit of share price.

With the introduction of this new growth Index methodology, we have created the first WisdomTree Index designed to represent a basket of foreign dividend-paying stocks with growth characteristics.

This new Index will compete in the foreign dividend-focused index universe with three dividend indexes that each try to screen for historical dividend growth or dividend sustainability in some fashion ("growth screeners"):

+ **The Dow Jones EPAC Select Dividend Index requires dividend payments for the last three years, in addition to dividend payout ratio and other criteria.**
+ **The NASDAQ International Dividend Achievers Index requires five consecutive years of positive dividend growth. It's also worth noting that a significant portion of its international exposure is through American Depository Receipts (ADRs) and Global Depository Receipts (GDRs)[21].**
+ **The S&P International Dividend Opportunities Index requires stable or increasing three-year dividend growth in addition to other criteria focused on earnings.**

Broad-Based (No Selection Requirements)		
Index	Eligibility Requirements	Weighting
WisdomTree DEFA Index[1]	Paid at least $5 million (USD) in 12 months leading up to Index Screening Date	Dividend Stream

Selects on Dividend Growth		
Index	Eligibility Requirements	Weighting
NASDAQ International Dividend Achievers Index[2]	Increased its annual regular dividend payments for the last 5 or more consecutive years; significant portion of international equity exposure through American Depository Receipts (ADR's) and Global Depository Receipts (GDR's)	Dividend Yield

Selects High Dividend Yield		
Index	Eligibility Requirements	Weighting
Dow Jones EPAC Select Dividend Index[3]	Must: 1) Have paid dividends in each of the previous 3-years 2) previous dividend-per-share ratio must be greater than or equal to its 3-year average annual dividend-per-share ratio 3) 5-year average payout ratio must be less than 1.5 times the 5-year average payout ratio of the corresponding Dow Jones Global Index country index, or less than 85%, whichever is smaller	Modified Yield-Weighted
S&P International Dividend Opportunities Index[3]	Must: 1) Have positive earnings-per-share before extraordinary iterms over 12-months prior to rebalance reference date 2) Have positive 3-Year earnings growth 3) Have stable or increasing 3-Year dividend growth	Yield-Optimized Subject to constraints

[1] A dividend-focused index for developed international equities that utilizes neither dividend yield nor dividend growth as a selection metric.
[2] A dividend-focused index for developed international equities that requires positive dividend growth prior to allowing constituent inclusion.
[3] A dividend-focused index that utilizes dividend yield as its primary selection metric.
Sources: WisdomTree, Bloomberg, NASDAQ, S&P, Dow Jones. You cannot invest directly in an index.

[21] American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) are ways for corporations to list their stock on different exchanges outside their home country.

However, we all know that the disclosure—past performance is not indicative of future results—is also true here. Companies with a history of dividend growth may not be the key drivers of tomorrow's dividend growth.

DIFFERENT BACKWARD-LOOKING PERIODS RELATIVE TO U.S. DIVIDEND GROWTH INDEXES

Furthermore, the foreign markets involve a number of complicating factors when relying on backward-looking dividend growth criteria. For starters, foreign companies do not tend to have the same consistency of regular quarterly payments that we do in the United States.

As a result, we see these growth screeners using shorter periods for their dividend growth selection than we see in the United States—the logical reasoning being that otherwise they would have very few companies that meet their selection requirements. For instance, the NASDAQ US Dividend Achievers Select Index methodology (along with other NASDAQ indexes in this Dividend Achievers family) in the United States uses 10 years of consecutive dividend increases and the S&P Dividend Aristocrats Index methodology uses 20 years of historical consecutive increases. But internationally, these same index providers alter their time frames to 5 and 10 years, respectively, of consecutive dividend increases.

Even with the shorter screens, these methodologies can miss out on a number of important dividend payers. For example, if we were to show the annual dividend cash *Dividend Streams* for the 10 largest dividend payers in the WisdomTree Global ex-US Dividend Index, a broad index of dividend payers in foreign markets, with data current as of the May 31, 2013, Index screening, we might pose the following question:

Which of these dividend payers would qualify on the basis of a five-year screen for consecutive dividend increases?

The answer: Only two of the 10 largest dividend payers did not experience a dividend reduction during the last five years. In other words, 8 of the 10 largest dividend payers outside of the United States cut their dividends at least once. This shows that using a consecutive annual increase methodology requiring five years here would have the potential of being very restrictive of the dividend payer opportunity set.

We believe this ultimately points to a difference in "dividend culture" compared to the United States. U.S. firms will typically announce and then target a set dividend amount to be paid regularly—at least until a new announcement regarding a change. Foreign companies typically allow their dividend payments to fluctuate in accordance with their earnings, in that, typically, greater levels of earnings lead to higher dividends and lower levels of earnings lead to lower dividends. Neither method is better or worse than the other, but it is important to note this difference when considering different index methodologies.

DIVIDEND YIELD WEIGHTING VS. *DIVIDEND STREAM* WEIGHTING

One interesting similarity between the dividend indexes discussed herein is that the NASDAQ International Dividend Achievers, the Dow Jones EPAC Select Dividend and the S&P International Dividend Opportunities indexes all focus on weighting schemes that, at their core, would be classified as "dividend yield weighting"[22]. Dividend yield weighting is very similar to an equal-weighted index[23] concept and differs dramatically in the type of exposure one gets compared to a market capitalization-weighted index or a *Dividend Stream*-weighted index (both of which include shares outstanding in the weighting and as a result give larger weights to larger companies). When one uses a yield-weighted methodology, one can give equal weight to the largest and the smallest company in

[22] Dividend yield weighting: Firms with the highest dividend yields receive the highest weights in the index.
[23] Equal-weighted index: Every constituent in an index has the same weight.

the basket as long as their dividend yields are equal. This is why many describe equal-weighted indexes and dividend yield-weighted indexes as having a bias toward smaller companies.

Dividend yield weighting can also have a bias toward lower growth-oriented companies. Below, we analyze the key characteristics examined early in the dividend index universe discussed earlier.

CHARACTERISTIC COMPARISON OF FOREIGN DIVIDEND-FOCUSED INDEXES

	Long-Term Earnings Growth Expectations	ROE	ROA	Leverage	Earnings Retention	ROE x Earnings Retention
WisdomTree Global ex-U.S. Growth Index	14.7%	35.0%	14.0%	2.5x	71.5%	25.0%
NASDAQ International Dividend Achievers Index	6.6%	18.6%	6.8%	2.7x	50.8%	9.4%
Dow Jones EPAC Select Dividend Index	4.7%	17.8%	5.4%	3.3x	16.9%	3.0%
S&P International Dividend Opportunities Index	6.1%	19.2%	6.4%	3.0x	-7.0%	N/A

Sources: WisdomTree, Standard & Poor's.
Past performance is not indicative of future results. You cannot invest directly in an index. Data is as of 5/31/2013, the screening date for initial constituents.

+ **Higher Growth Expectations: The most notable characteristic of the WisdomTree methodology is the focus on stocks with higher growth expectations. This is a key part of the WisdomTree selection methodology, whereas the other dividend indexes primarily screen on historical dividend growth.**
+ **Sometimes, the consequence of a higher dividend yield is a lower level of earnings retention. Clearly, we see large differences with respect to this statistic. Again, this is neither positive nor negative—it just points to a different decision being made amongst the constituents within these indexes to pay greater percentages of their earnings as dividends.**

SECTOR COMPARISONS

The sector differences between the WisdomTree Global ex-U.S. Growth Index and these other international dividend-focused indexes are substantial, as can be seen in a comparison, below, between these four indexes as well as two other market capitalization-weighted indexes, the MSCI EAFE Index and the MSCI AC World ex-US Index. We certainly recognize that these indexes do not focus on dividends or dividend growth in any way, but we believe it is important to show broadly focused, market capitalization-weighted indexes as somewhat of a baseline in order to indicate the differentiation provided by the selection and weighting methodologies of the different dividend-focused indexes.

SECTOR EXPOSURES [as of 5/31/2013 Index Screening]

	WisdomTree Global ex-U.S. Growth Index	Dow Jones EPAC Select Dividend Index	NASDAQ International Dividend Achievers Index	S&P International Dividend Opportunities Index	MSCI EAFE Index	MSCI ACWI ex-US Index
Consumer Discretionary	16.89%	7.82%	9.56%	4.02%	11.46%	9.73%
Consumer Staples	20.00%	7.93%	12.08%	2.79%	11.80%	10.55%
Energy	6.20%	13.80%	20.69%	12.43%	7.14%	9.41%
Financials	7.45%	19.45%	9.91%	20.14%	25.06%	26.29%
Health Care	10.83%	1.29%	14.53%	3.40%	10.36%	8.13%
Industrials	11.68%	13.13%	6.41%	7.77%	12.52%	10.67%
Information Technology	7.94%	8.06%	2.07%	1.41%	4.39%	6.48%
Materials	10.16%	3.76%	5.29%	10.42%	8.48%	9.52%
Telecommunication Services	7.62%	11.06%	17.96%	22.16%	5.02%	5.72%
Utilities	1.24%	13.71%	1.50%	15.46%	3.77%	3.49%

Sources: WisdomTree, Standard & Poor's, Bloomberg. You cannot invest directly in an index. Subject to change.

+ **Consumer Exposures: One of the most notable differences in sector exposures for the new WisdomTree Global ex-U.S. Growth Index is the significantly higher exposure to the two consumer sectors: Staples and Discretionary. None of the other dividend indexes has more than 10% exposure to Consumer Discretionary, but the WisdomTree Global ex-U.S. Growth Index has nearly 18% exposure. The Consumer Staples sector also receives significantly more weight. These exposures are also very different than the two market capitalization-weighted approaches shown.**

+ **Energy and Technology: In the United States, few sectors have been keeping pace with the dividend growth exhibited by the Information Technology sector.[24] Applied internationally, the WisdomTree Global ex-U.S. Growth Index methodology does in fact put more weight in the IT sector than the the NASDAQ International Dividend Achievers Select Index and the S&P International Dividend Opportunities Index, and a very similar amount as the Dow Jones EPAC Select Dividend Index. Energy, on the other hand, ends up an under-weight for the WisdomTree Global ex-U.S. Growth Index methodology compared to all the other indexes shown. We believe this is due to slower earnings growth expectations for the sector.**

+ **Financials Under-weight: The WisdomTree Global ex-U.S. Growth Index has the least exposure (7.5%) to Financials of any of these competing dividend indexes, whereas two of the three other dividend-focused indexes have more than twice that exposure, i.e., approximately 20% weighting there. The market capitalization-weighted indexes also have more than 20% exposure to this sector.**

+ **Utilities Under-weight: Two of the three competing dividend indexes have at least 13.5% exposure to Utilities, whereas the WisdomTree Global ex-U.S. Growth Index has less than 2% exposure to Utilities, which tend to have slower growth expectations.**

[24] Refers to the S&P 500 Information Technology Index, with trailing 12-month dividend growth measured over the past one, three and five years through 5/31/2013.

COUNTRY COMPARISONS

It could also be of interest to consider the differences in country exposures across these indexes.

TOP 10 COUNTRY EXPOSURES WITHIN THE WISDOMTREE GLOBAL EX-U.S. GROWTH INDEX [as of 5/31/2013 Index Screening]

	WisdomTree Global ex-U.S. Growth Index	Dow Jones EPAC Select Dividend Index	NASDAQ International Dividend Achievers Index	S&P International Dividend Opportunities Index	MSCI EAFE Index	MSCI ACWI ex-US Index
United Kingdom	17.00%	13.57%	24.25%	5.27%	19.22%	13.59%
Switzerland	7.90%	1.99%	6.51%	2.97%	9.64%	6.62%
Indonesia	6.35%	0.00%	0.00%	0.00%	0.00%	0.77%
Sweden	5.92%	5.19%	0.00%	2.63%	3.15%	2.27%
Russia	5.79%	0.00%	3.06%	0.00%	0.00%	1.23%
Brazil	5.71%	0.00%	0.81%	1.49%	0.00%	2.73%
Hong Kong	4.61%	2.52%	2.35%	0.90%	2.94%	3.40%
Germany	4.14%	3.65%	0.00%	1.71%	8.68%	6.29%
Japan	4.25%	1.29%	5.67%	0.00%	21.41%	15.09%
Thailand	4.09%	0.00%	0.00%	3.87%	0.00%	0.59%

Sources: WisdomTree, Standard & Poor's, Bloomberg. You cannot invest directly in an index.
We indicate the top 10 country exposures resulting from the WisdomTree Global ex-U.S. Growth Index methodology as of the screening date of initial constituents, May 31, 2013. It becomes clear that there are significant differences. Subject to change.

- **Emerging Markets: The WisdomTree Global ex-U.S. Growth Index methodology does not exclude emerging market countries, whereas the Dow Jones EPAC Select Dividend Index does. Although the NASDAQ International Dividend Achievers and the S&P International Dividend Opportunities indexes do not exclude emerging markets outright, they can include only companies that list their shares on a developed market exchange, thereby narrowing the universe of potential emerging market exposure. Emerging markets are also not eligible for inclusion in the MSCI EAFE Index.**

- **Other Notables: Japan, at least initially, stands out for its larger exposures in the market capitalization-weighted indexes and smaller exposures in the dividend-focused indexes. Australia is also a notable omission from the WisdomTree Global ex-U.S. Growth Index's top 10 country exposures. The UK, by far the largest individual country exposure in the WisdomTree Global ex-U.S. Growth Index, is actually at a very similar level to that of the MSCI EAFE Index.**

CONCLUSION

There is no question that investors are drawn to the idea of dividend growth—potentially more so today than in the past due to the ongoing stimulative monetary policies of the Federal Reserve (and other central banks around the globe). However, there can be little doubt that what investors really want is future dividend growth, i.e., dividend growth that occurs after they've made their investment. While there is no way to know with certainty what will happen in the future, we believe that our dividend growth methodology applies a logical framework of analysis to essentially increase the probability of placing greater weight in companies that have the best chance of raising their future dividends. This is not to say that any of these firms will or won't raise their dividends in periods to come, but we do believe it is a more rigorous approach than simply implying that past dividend growth will lead to future dividend growth, as other indexes tend to do.

Unless otherwise stated, data source is WisdomTree.

Dividends are not guaranteed, and a company's future ability to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. To obtain a prospectus containing this and other important information, call 866.909.WISE (9473) or visit wisdomtree.com. Read the prospectus carefully before you invest.

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

WisdomTree Global ex-U.S. Growth Index: Designed to measure the performance of dividend-paying companies outside the United States with what WisdomTree believes to be potential for future dividend increases. Weighting is by dividend stream. WisdomTree Global ex-U.S. Dividend Index: Designed to measure the performance of dividend-paying companies outside the United States. Weighting is by dividend stream. WisdomTree U.S. Dividend Growth Index: Designed to track the performance of dividend-paying companies in the U.S. that WisdomTree believes have the potential to increase their dividends due to certain factors, which include estimated earnings growth, return on equity and return on assets. Weighting is by indicated cash dividends. WisdomTree Global Dividend Index: WisdomTree's broadest measure of dividend-paying stocks, including firms incorporated in emerging markets, developed international markets and the United States, weighted by cash dividends. MSCI EAFE Index: A market cap-weighted index composed of companies representative of the developed market structure of 22 developed countries in Europe, Australasia and Japan. MSCI EAFE Growth Index: Market capitalization-weighted subset of stocks within the MSCI EAFE Index that have higher share prices relative to their earnings or dividends per share. MSCI AC World ex-US Index: A free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed and emerging markets excluding companies based in the United States. Dow Jones EPAC Select Dividend Index: Designed to measure the performance of relatively higher-yielding companies in developed market countries outside the United States that meet certain dividend criteria defined by Dow Jones. Weighting is by dividend yield. NASDAQ International Dividend Achievers Index: Designed to measure the performance of companies in developed international markets that have increased their dividends for the past five consecutive years. Weighting is by dividend yield. S&P International Dividend Opportunities Index: Designed to measure the performance of companies in developed international markets with relatively higher dividend yields that meet other criteria defined by Standard & Poor's. Weighting is by dividend yield. WisdomTree DEFA Index: A fundamentally weighted index that measures the performance of dividend-paying companies in the industrialized world, excluding Canada and the United States, that pay regular cash dividends and that meet other liquidity and capitalization requirements. It comprises companies incorporated in 16 developed European countries, Japan, Australia, New Zealand, Hong Kong and Singapore. Companies are weighted based on annual cash dividends paid. S&P 500 Information Technology Index: Market capitalization-weighted measure of the performance of companies within the S&P 500 Index that are in the Information Technology sector.

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