What Is an ETF and How Is It Different?

An exchange-traded fund (ETF) is an open-ended investment wrapper that holds a basket of securities that usually track the performance of an index.

### Same Goal, New Technology

<table>
<thead>
<tr>
<th></th>
<th>Mutual Funds</th>
<th>ETFs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buy/Sell</strong></td>
<td>Through the MF company or broker, end of day NAV</td>
<td>On-exchange, intraday</td>
</tr>
<tr>
<td><strong>Transparency of holdings</strong></td>
<td>Typically published quarterly, on at least a 30-day lag</td>
<td>Typically published daily</td>
</tr>
<tr>
<td><strong>Minimum Investments</strong></td>
<td>May have high minimums</td>
<td>1 share</td>
</tr>
<tr>
<td><strong>Transparency of Trading Costs</strong></td>
<td>Costs of inflows/outflows are borne by all MF holders. Costs reduce NAV daily for all</td>
<td>ETF buyer/seller typically bears trading costs. All other investors typically not impacted</td>
</tr>
<tr>
<td><strong>Tax Efficiency</strong></td>
<td>The PM must transact in the holdings, can generate capital gains</td>
<td>Generally more tax efficient due to secondary trading and in-kind create redeem process</td>
</tr>
<tr>
<td><strong>Expense Ratio</strong></td>
<td>Generally higher</td>
<td>Generally lower</td>
</tr>
<tr>
<td><strong>Transparency of extra fees</strong></td>
<td>Sales Load, 12b-1 fees, trading fees of all in/outflows</td>
<td>Standard Trade Commissions + Bid/Ask Spread</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Only Underlying Portfolio</td>
<td>Underlying basket + ADV + correlated trading vehicles</td>
</tr>
</tbody>
</table>
ETFs vs. Mutual Funds

**BENEFITS OF ETFs:**

+ Low Cost & One Share Investment Minimums
+ One-Click Access to Broad Global Markets and a Wide Array of Investment Strategies
+ Generally More Tax Efficient
  - ETF capital gains distributions are generally mitigated due to the in-kind creation redemption mechanism and the secondary market listing.
+ Intraday Liquidity and Not Just Subject to End-of-Day Liquidity and Pricing, as in a Mutual Fund
+ Typically Full Transparency
  - Daily Holdings
  - All holdings of the ETF are disclosed on issuer websites.
  - Fee Structure
  - ETFs have a published total expense ratio (TER).
  - Transaction Costs
  - These are explicit in the bid/ask spread.
+ Not Typically Affected by Other Investors’ Trading Activity and Transaction Costs
+ No 12b-1 Fees or Sales Loads

---

**RISKS OF ETFs:**

+ Execution Risk
  - Choosing the wrong trade type or not understanding ETF best execution practices can cause an execution that is less desirable, which can affect returns.

---

**SHARED RISKS:**

+ Fund Closure
  - Investors will not lose principal due to closure, as fund net asset value (NAV) at closure is returned. The risk is finding a similar investment vehicle and the tax consequence associated with liquidation.
+ Counterparty Risk
  - Only if an ETF or mutual fund uses over-the-counter (OTC) derivatives within the fund does it have counterparty risk to the OTC derivative provider.
+ Performance Risk of the Underlying Holdings
  - The return of the ETF or mutual fund is dictated by the returns of the underlying securities.

---

1 Ordinarily brokerage commissions apply.
2 Liquidity: The degree to which an asset or security can be bought or sold in the market without affecting the asset’s price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets.
3 Mutual fund: An investment program funded by shareholders that trades in diversified holdings and is professionally managed.
4 Total expense ratio (TER): A measure of the total cost of a fund to the investor.
5 12b-1 fee: An annual marketing or distribution fee in a mutual fund; this fee is considered an operational expense and is included in a fund’s expense ratio.
6 Sales Loads: Explicit commissions passed back to the broker.
7 Counterparty risk: the risk to each party of a contract that the counterparty will not live up to its contractual obligations.
8 Over-the-counter (OTC) derivatives: Contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary.

---

Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473 or visit WisdomTree.com to view or download a prospectus. Investors should read the prospectus carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country or sector and/or Funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Due to the investment strategy of certain Funds, they may make higher capital gain distributions than other ETFs. Please see prospectus for discussion of risks.

Neither WisdomTree Investments, Inc., nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax advice. All references to tax matters or information provided in this material are for illustrative purposes only and should not be considered tax advice and cannot be used for the purpose of avoiding tax penalties. Investors seeking tax advice should consult an independent tax advisor.

This material discusses general and/or typical ETF or mutual fund attributes and not all ETFs or mutual funds share each applicable attribute.

WisdomTree Funds are distributed by Foreside Fund Services, LLC.

© 2019 WisdomTree Investments, Inc. “WisdomTree” is a registered mark of WisdomTree Investments, Inc.