THE U.S. DOLLAR IS RISING, INTEREST RATES COULD BE NEXT

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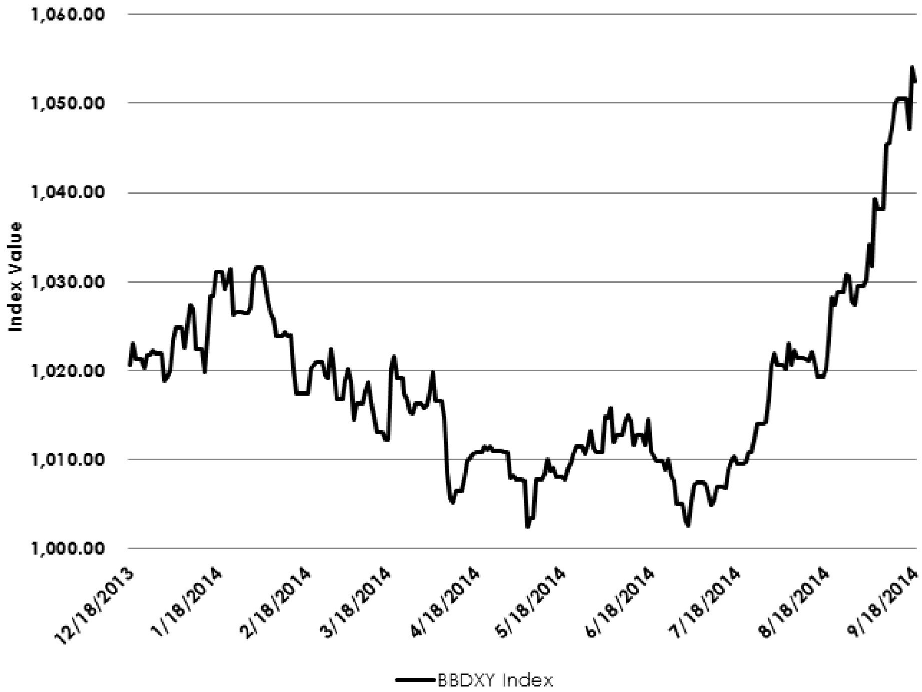
Since bottoming July 1, the U.S. dollar[1] has mounted an impressive rally against virtually every major foreign currency. While many analysts have been predicting a secular appreciation in the U.S. dollar on account of stronger economic fundamentals, the current rally has caused even casual market participants to take notice. While the dollar is currently up over 5% from its lows, we believe that this move could persist as the outlook for Federal Reserve (Fed) tightening becomes more apparent.[2] However, could the rise of the U.S. dollar be interpreted as a signal from the market that tightening could be coming sooner than fixed income markets currently expect? A difficulty that many investors may have experienced in positioning their portfolios for the prospect of rising rates in the U.S. is that this shift requires not only a positioning element but a timing element as well. Given that hedging incurs costs, investors may prefer to delay moving to more defensive strategies until they have greater conviction about a move in rates. In our view, the most recent interest in the U.S. dollar could be an indication that Fed tightening could occur sooner than interest rate futures currently forecast. Over the course of the current rally, the U.S. dollar has continued to advance against nearly every major developed market currency and some emerging market currencies as well. International finance teaches us that relative interest rates can have a significant impact on a currency's exchange rate. As we noted previously, as interest rates rise compared with those in foreign markets, currencies tend to strengthen; when interest rates fall, the currency tends to depreciate as investors hunt for carry. While a decent portion of the recent strength in the dollar has been caused by foreign rates falling on the back of central bank stimulus, we believe that it may be only a matter of time before short-term rate markets begin to price in impending changes in Fed policy. In our view, the recent move in the dollar could indicate changes to come. **Bloomberg Dollar Spot Index, 12/18/13-9/18/14**



Source: Bloomberg, as of 9/18/14. Time period selected to show the impact of Federal Reserve tapering on the U.S. dollar which began on 12/18/13. 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.

While currency fluctuations can most easily be observed as part of an investor's international equity allocations, we have long advocated taking a proactive approach to currency investing as a distinct asset class from stocks and bonds. In addition to differences in economic fundamentals in the current market environment, the U.S. dollar has a long history as a potential safe haven asset during times of market uncertainty. With geopolitical risk and economic uncertainty persisting in Europe, we believe the dollar to be a natural beneficiary, regardless of changes in central bank policy. As the only long dollar strategy in a '40 Act ETF, we believe that the WisdomTree Bloomberg U.S. Dollar Bullish Fund (USDU) may represent an intuitive way to play U.S. dollar strength against a basket of developed and emerging market currencies.

[1]As proxied by the Bloomberg Dollar Spot Index [2]Source: Bloomberg, as of 9/18/14.

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DEFINITIONS

Hedge : Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

Futures/Futures Contract : Reflects the expected future value of a commodity, currency or Treasury security.

Carry : The amount of return that accrues from investing in fixed income or currency forward contracts.

Short-term rates : the rate of interest on a debt instrument maturing in two years or less.

Fundamentals : Attributes related to a company's actual operations and production as opposed to changes in share price.

Safe-haven : Characterized by being a potentially desirable focal point of investment flows during periods of increased volatility and market risk. Safe-haven is not synonymous with risk-free.

Bloomberg Dollar Spot Index (BBDXY) : Tracks the performance of a basket of ten leading global currencies versus the U.S. dollar. Each currency in the basket and their weight is determined annually based on their share of international trade and FX liquidity.