REAL ESTATE IS HAVING A MOMENT

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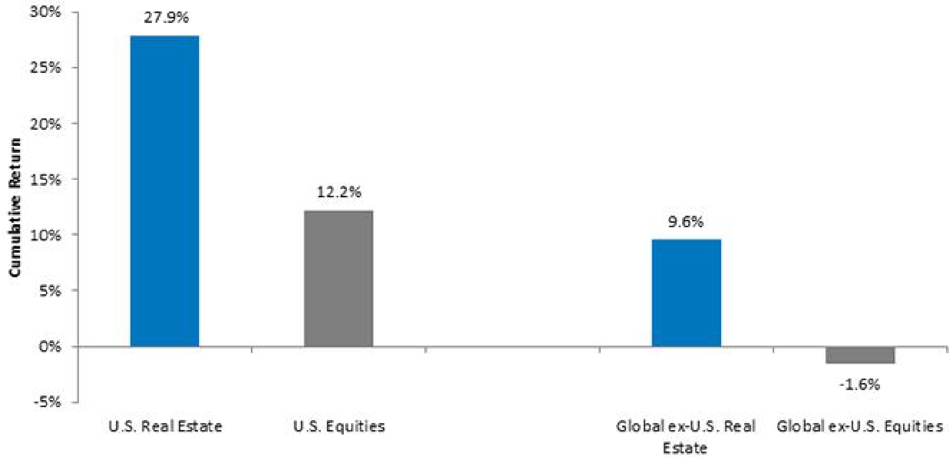
Looking at equity market, one theme this year is that the U.S. has been outperforming global markets, both developed international and emerging markets.[1] However, looking within the U.S., real estate has performed particularly well. Through November 10, 2014: • The S&P 500 Index (U.S. Equities) is up 12.2%. • The Dow Jones U.S. Select Real Estate Securities Index (U.S. Real Estate) is up more than 2x that: 27.9%. **But what about outside of U.S. markets? Equities vs. Real Estate: U.S. & Ex- U.S. Markets**



Global ex-U.S. Real Estate refers to the WisdomTree Global ex-US Real Estate Index. Global ex-U.S. Equities refers to the MSCI ACWI ex-U.S. Index. Source: Bloomberg, for period from 12/31/13–11/10/14. Past performance is not indicative of future results. You cannot invest directly in an index.

For definitions of terms and Indexes in the chart, visit our glossary. • **Global ex-U.S. Real Estate Outperforms Global ex-U.S. Equities:** Just as we observed in the U.S., real estate also outperformed broad equity markets in the global ex-U.S. space. – Australia, Hong Kong and Singapore exposures within Global ex-U.S. Real Estate are notable. Each averaged a double-digit weight for the year-to-date period, and each delivered strongly positive performance. – Negative performance at the country level over this period was limited for Global ex-U.S. Real Estate—the only markets that were negative with exposures greater than 1.0% were Japan, China and Brazil. In the case of Brazil and Japan, significant portions of those returns were currency-driven. **So, Is Real Estate Still Attractive?** Both within and outside of the U.S., real estate outperformed broader markets. However, behind Global ex-U.S. Real Estate is an important rebalancing methodology that brings constituent weights back toward a measure of relative value—something that is especially important after periods of strong performance. This occurs once per year and is based on a screening run on September 30. U.S. Real Estate does not rebalance back toward a measure of relative value. • **Valuation Impacts of Rebalance:** The rebalancing mechanism within Global ex-U.S. Real Estate focuses on dividends, so it isn't surprising if the dividend yield of the Index increases—a fact that we observed this year, going from 4.3% to 4.5%. The price-to-earnings (P/E) ratio is not directly focused upon as part of the rebalance, but it did drop slightly, from 10.4x to 10.3x. Since it's true that a P/E ratio may not be the best valuation ratio to use for real estate, we also note that the price-to-book ratio was unchanged, holding steady at 0.95x.[2] • **Important Country Impact of Rebalance:** Generally speaking, the country exposures of Global ex-U.S. Real Estate did not shift to a great degree, but one shift in particular is worth noting. The rebalancing process ended up adding 1.6% to Japan. During 2014 leading up to September 30, real estate within Japan was a poor performer, so it makes sense that weight was added to an underperforming market. However, as of an October 31, 2014, announcement, we also know that the Bank of Japan has tripled its annual purchases of Japanese real estate investment trusts (REIT)s, pursuant to its quantitative and qualitative monetary easing policy.[3] It's possible that this could be a catalyst for better performance out of Japanese real estate, but only time will tell for sure. • **U.S. Real Estate vs. Global ex-U.S. Real Estate:** The other part of the discussion is clearly the comparison between U.S. and non-U.S. real estate. Intuition tells us that, since U.S. Real Estate performed approximately three times as strongly, it is likely more expensive, but the critical question is, how much more? As of the September 30, 2014, index screening:[4] - U.S. Real Estate had a dividend yield of 3.63%, nearly 1.0% below that of Global ex-U.S. Real Estate. - U.S. Real Estate had a price-to-book ratio of 2.3x—more than twice that of Global ex-U.S. Real Estate. The bottom line: While there is no way to be certain of future performance, we think that it could be beneficial to consider diversifying exposures to U.S. Real Estate—which has performed well—with Global ex-U.S. Real Estate. [1]Source: Bloomberg, 12/31/13–11/10/14. Refers to performance of the S&P 500 Index for U.S., MSCI Emerging Markets Index for emerging markets and MSCI EAFE Index for developed international. [2]Sources for bullet: Bloomberg, Standard & Poor's, with data measured as of 9/30/14 index screening. [3]Source: "Expansion of the Quantitative and Qualitative Monetary Easing," Bank of Japan, 10/31/14. [4]Source for sub-bullets: Bloomberg, as of 9/30/14.

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DEFINITIONS

Emerging market : Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

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.

Dow Jones U.S. Select Real Estate Securities Index : a market capitalization index measuring the performance of equity Real Estate Investment Trusts (REITs) and other companies that invest directly or indirectly in real estate.

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

Dividend yield : A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

Japan real estate investment trusts (J-REITs) : Investment structure containing a basket of different exposures to real estate, be it directly in properties or in mortgages traded on the Tokyo Stock Exchange. Returns predominantly relate to changes in property values and income from rental payments.

Quantitative and qualitative monetary easing (QQE) : A central bank monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.