DGRW: KNOW WHAT YOU (DON'T) OWN

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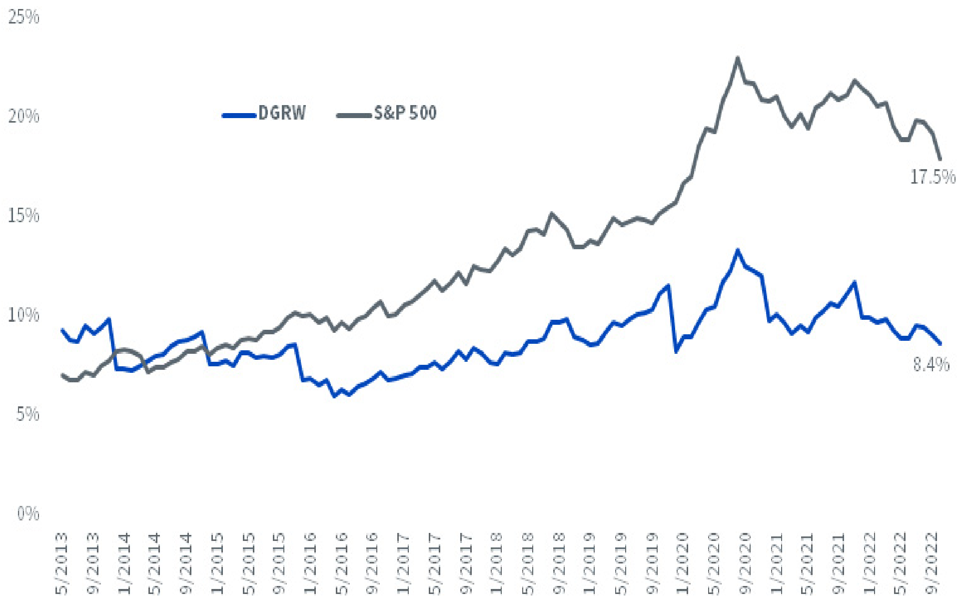
Rising interest rates this year have created an inflection point in U.S. equity markets, with virtually every sector crumbling under the weight of a rapid tightening cycle. The "MANAMA" cohort (formerly known as FANG, FAANG, FAAMG, etc., consisting of Meta, Apple, Netflix, Amazon, Microsoft and Alphabet), has been especially vulnerable, as the rate-sensitive Information Technology, Consumer Discretionary and Communication Services sectors are among the worst-performing groups in the S&P 500 through November.

Although U.S. equity weakness has not been confined to these three (the broader index is still down over 13% YTD as of November 30), the 2022 market environment reminds us that outperformance comes in all shapes, sizes and directions. Quite often the companies you don't own are more important than those you do own.

Yesterday's Winners Can Quickly Become Today's Losers

For several years, we've fielded questions from clients about the lack of MANAMA exposure in many of our flagship dividend-themed products, including the WisdomTree U.S. Quality Dividend Growth Fund (DGRW). Since four of the six companies do not pay a dividend, DGRW has remained structurally under-weight in this group since inception. It has exposure only to Apple and Microsoft, as they are higher-quality companies that are also growing their dividend payments.

Weight in MANAMA Companies over Time



Sources: WisdomTree, FactSet. Weights as of 11/30/22. You cannot invest directly in an index.

The skepticism was understandable, as very few equities had better fortunes than the MANAMA group in the post-pandemic low interest rate environment. But 2022 has provided us with some vindication, as the four companies not held in DGRW are now the worst performers of this once high-flying cohort this year.

Relative Performance of MANAMA Companies

Name	Ticker	Sector	YTD Total Return (through 11/30)
Apple Inc.	AAPL	Information Technology	-16.2%
Microsoft Corporation	MSFT	Information Technology	-23.4%
Alphabet Inc. Class A	GOOGL	Communication Services	-30.3%
Amazon.com, Inc.	AMZN	Consumer Discretionary	-42.1%
Netflix, Inc.	NFLX	Communication Services	-49.3%
Meta Platforms Inc. Class A	META	Communication Services	-64.9%

Sources: WisdomTree, FactSet.

The Cost of Not Paying a Dividend

Meta, Amazon, Netflix and Alphabet do not pay dividends, meaning they're not eligible for inclusion in DGRW. Not paying dividends has created an additional headwind for these four companies by making their shares even more susceptible to rising interest rates and attendant volatility at a time when the market has rewarded dividend-payers and other value stocks.

DGRW has benefitted from this year's trend. Through November, by avoiding these four companies altogether and only retaining exposure to Apple and Microsoft, DGRW has amassed 3.5% of pure outperformance versus the S&P 500. In aggregate, the Fund is outperforming by about 11% YTD.

MANAMA Attribution: DGRW vs. S&P 500, 12/31/21–11/30/22

Category	DGRW Weight	S&P 500 Weight	Relative Weight	Total Return in DGRW	Total Return in S&P 500	Total Impact
non-MANAMA	90.5%	78.2%	12.3%	0.1%	-8.1%	7.6%
MANAMA	9.5%	21.8%	-12.3%	-19.7%	-29.4%	3.5%
Total	100.0%	100.0%	0.0%	-2.0%	-13.1%	11.1%

Sources: WisdomTree, FactSet, as of 11/30/22. Past performance is not indicative of future results. You cannot invest directly in an index.

Apple & Microsoft: High-Quality Blue Chips

There are obviously several factors in addition to rising interest rates that have exacerbated the struggles of MANAMA stocks this year. Both Meta and Amazon announced massive layoffs recently, signaling internal problems that are compounding broader market sentiment. Netflix struggled with subscriber acquisition and retention earlier this year as well.

While these problems certainly weighed on their respective share prices, it's indicative of how quickly market narratives change and ripple effects magnify when financial health, operational efficiency and business prospects begin to falter.

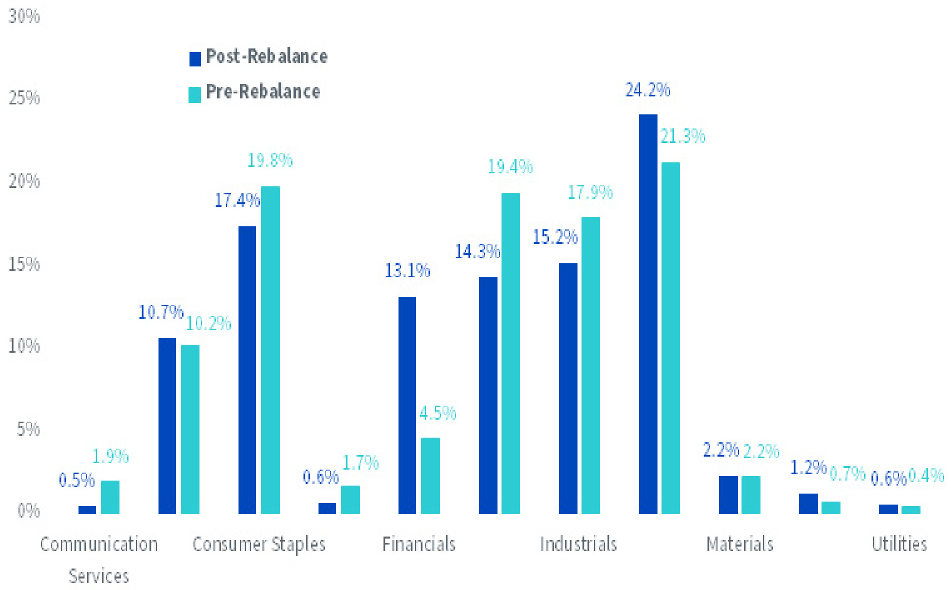
That's why it is paramount to screen for quality companies. During market downturns, healthier companies may be more insulated and better able to withstand deteriorating economic conditions.

Of this clique, Apple is a prime example. A notoriously cash-rich company, it is among the top 20 companies in the S&P 500 when ranked by the same quality measures we screen for in DGRW. Microsoft isn't far behind, as it's also in the top decile of S&P 500 constituents.

Attractive Exposures for Today's Markets

DGRW's underlying index (WTDGI) just rebalanced in November, and the sector composition remained relatively similar, with only two notable changes. Financials became one of the larger exposures due to increased growth estimates (one component of our quality scoring methodology), while Health Care's position was reduced. Most other changes were marginal.

WTDGI Sector Exposures



Source: WisdomTree, as of 12/2/22. Pre-Rebalance exposures as of 11/30/22. You cannot invest directly in an index.

Among the MANAMA companies, DGRW is once again exposed only to Microsoft and Apple at about 7% and 5%, respectively.

The rebalance also kept the valuation profile intact, maintaining a multiple similar to the S&P 500 on both a price-to-earnings (P/E) and forward price-to-earnings basis. The new stock basket also retains a sizable pickup in return on equity (ROE) versus the market, an advantage that doesn't require a premium valuation.

Fundamentals Comparison

Index	P/E	Forward P/E	Dividend Yield	ROE	ROA
WTDGI - Post-Rebalance	20.2x	18.2x	2.1%	27.5%	4.6%
S&P 500	20.0x	18.3x	1.6%	19.8%	4.3%

Source: WisdomTree, as of 12/2/22. You cannot invest directly in an index.

Overall, the new stock basket provides sizable pickups in yield, ROE and return on assets (ROA), three traits that have helped buffer portfolios during this year's turbulence.

We've long believed in the merit of a quality factor methodology and have seen evidence in 2022 that pairing it with dividend-paying companies can deliver sizable downside protection in a rising rate environment.

Important Risks Related to this Article

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For the top 10 holdings of DGRW please visit the Fund's fund detail page at https://www.

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You cannot invest directly in an index.

DEFINITIONS

Interest rates : The rate at which interest is paid by a borrower for the use of money.

MANAMA : An acronym referring to the stocks of the six most popular and best-performing American technology companies: Meta, Apple, Netflix, Amazon, Microsoft and Alphabet.

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.

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

Quality : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over tim.

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Value : 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 tim.

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.

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.

Forward P/E ratio : Share price divided by compilation of analyst estimates for earnings-per-share over the coming 12-month period. These are estimates that may be subject to revision or prove to be incorrect over time.

Baskets : The composition of an ETF in terms one creation/redemption unit.

Return on Equity (ROE) : Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Yield : The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

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.