REBALANCING OUR CORE EQUITY STRATEGIES FOR 2022

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WisdomTree is a pioneer in fundamentally weighting strategies. We seek to manage risks like valuation and profitability that are inherent with market cap-weighted strategies.

In 2007, WisdomTree launched its domestic core equity family of Funds, seeking to give investors broad exposure to the different size cuts of the U.S. market by selecting profitable companies and weighting them by their earnings.

With annual rebalancing, the WisdomTree U.S. LargeCap Fund (EPS), the WisdomTree U.S. MidCap Fund (EZM) and the WisdomTree U.S. SmallCap Fund (EES) seek to maintain lower valuations than the broad market and help ensure investors are not overpaying as markets rise.

Last year, we added a layer seeking to reduce the risk of these strategies by limiting exposure to companies our CRS model flags as having higher-than-average earnings risk, along with actively constraining sector and individual security biases, reducing active risk versus the market. The constraints included:

- Sector constraints: In addition to our existing 25% sector cap, we introduced +/- 5% active sector constraints. This means sector weights are limited to within 5% of the sector exposure of a market cap-weighted version of our core equity Indexes.
- Individual security constraints: Relative to the market cap-weighted version of our core equity Indexes, the weight of an eligible company will be equal to or between 0.33 times and 3 times its market cap weight.

This year we announced the creation of the WisdomTree Core Equity Index Committee, which will oversee the rebalance of the underlying WisdomTree Indexes these Funds seeks to track the price and yield performance of, before fees and expenses. The Index Committee will ensure the earnings measure used as input in the annual reconstitution properly reflects a company's recurring profitability, an area our team has done extensive research on throughout the year.

Improving Measure of Earnings

One of the focus areas of the Index Committee is a topic that has received increased academic coverage over the past few years: how traditional accounting measures often fail to reflect the structure of modern businesses.

Technology and health care companies, among others, invest significantly in ***intangible assets*** such as products, patents and other competitive advantages created through research and development (R&D) activities.

Since 1974, the Financial Accounting Standards Board (FASB) has required that companies must expense R&D, deducting it in their income statements in the fiscal year the expense is incurred. Businesses that spend on ***tangible assets***, such as vehicles and factories, are allowed to capitalize these expenses and depreciate/amortize them throughout the life of the asset—basically, spreading out the expense across many reporting periods.

The argument behind this is that tangible assets have a value that can be easily assessed, whereas intangible assets are more difficult (or impossible) to value. In a conservative approach by the FASB, intangible assets are not assigned a value on the balance sheet, unlike tangible assets.

All else equal, this distinction results in higher earnings for asset-heavy businesses operating in the Industrials, Materials and Energy sectors and lower measures for asset-light businesses in the Information Technology and Health Care sectors. This can have important implications in terms of eligibility and weighting for the WisdomTree domestic core equity Funds.

Although less than 3.5% of the companies eligible for each basket were affected by this adjustment, we believe the Index Committee adjustments provide a better, more diversified family of Indexes and enhanced exposures.

Rebalance Results

WisdomTree rebalanced its domestic core equity Funds after the close on December 14. As a result of their annual reconstitution, these Funds are trading at significant discounts to their broad-based benchmarks.

As intended, the combination of earnings weighting along with the previously mentioned risk-reduction layer results in higher-quality characteristics, with aggregate return on equity (ROE) above the broad-based cap-weighted benchmarks.

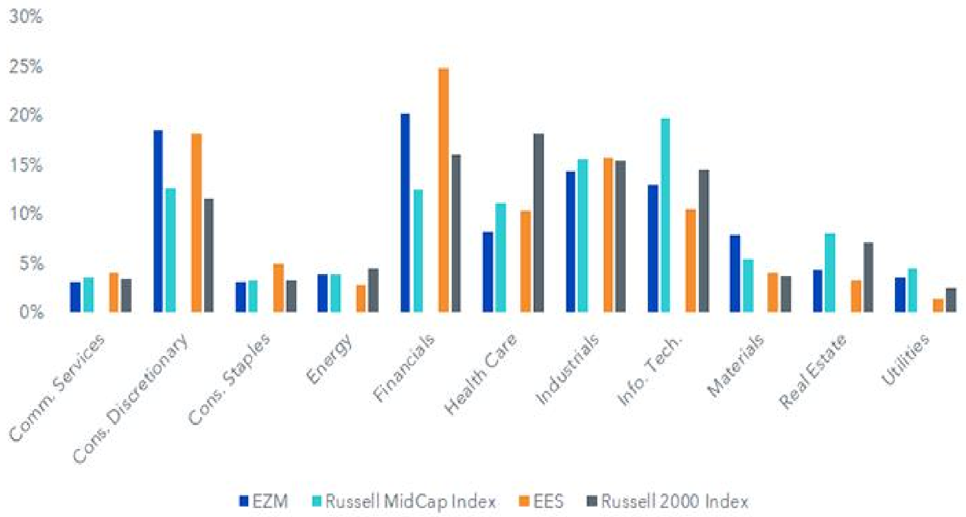
Forward Price-to-Earnings Ratio					
EPS	**17.4x**	**EZM**	**11.6x**	**EES**	**10.6x**
S&P 500 Index	21.2x	S&P MidCap 400 Index	17.2x	S&P SmallCap 600 Index	16.2x
Russell 1000 Index	21.7x	Russell MidCap Index	21.8x	Russell 2000 Index	29.1x
Russell 1000 Value Index	15.8x	Russell MidCap Value Index	17.1x	Russell 2000 Value Index	19.7x
Return on Equity (ROE)					
EPS	**18.6%**	**EZM**	**19.0%**	**EES**	**17.3%**
S&P 500 Index	18.2%	S&P MidCap 400 Index	13.5%	S&P SmallCap 600 Index	10.7%
Russell 1000 Index	17.3%	Russell MidCap Index	12.5%	Russell 2000 Index	7.4%
Russell 1000 Value Index	13.4%	Russell MidCap Value Index	12.0%	Russell 2000 Value Index	7.7%

Sources: WisdomTree, FactSet. Data for WisdomTree U.S. core equity Funds as of 12/15/21. Data for benchmarks as of 11/30/21. You cannot invest directly in an index. Favorable metrics do not guarantee favorable fund performance. Forward P/E = 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.

Outlook for 2022

Following 2020, a year in which overvalued, unprofitable stocks experienced strong returns, 2021 has seen the market focus on profitability and valuations. Through December 9, 2021, EZM and EES are outperforming their broad cap-weighted benchmarks, the Russell MidCap and Russell 2000 indexes, by more than 7% and 17% year-to-date, respectively. During this same period, EPS has managed to track closely to the S&P 500, lagging by less than 150 basis points[1].

Going into 2022, and due to their earnings focus, EZM and EES remain overweight in cyclical sectors compared to their broad benchmarks. We like this positioning heading into the middle stages of the economic recovery



Sources: WisdomTree, FactSet. Data for WisdomTree U.S. core equity Funds as of 12/15/21. Data for benchmarks as of 11/30/21. Data subject to change.

Meanwhile, EPS's sector biases are contained except for its slight overweight allocation to the Financials sector and underweight allocation to the Information Technology sector, seeking to provide investors with a core exposure at constrained valuations and increased quality.

Sources: WisdomTree, FactSet. Data for WisdomTree U.S. core equity Funds as of 12/15/21. Data for benchmarks as of 11/30/21. Data subject to change.

Exclusions on High Earnings Risk

The rebalance process for the domestic core equity Funds includes a risk screen to remove companies with high earnings risk from the eligible universe. There were 46 companies excluded because of this additional composite risk score.

Looking at the chart below, we see that the excluded companies had significantly higher trailing P/E ratios at 59 times earnings and substantially lower standard quality metrics like ROE and ROA.

	Number of Securities	Dividend Yield	Net Buyback Yield	Price-to-Earnings (P/E) Ratio	Return on Assets (ROA)	Return on Equity (ROE)
Eligible Universe	2,057	1.2	1.22	24.1	3.96	17.92
High Earnings Risk	46	0.64	0.63	57.87	1.1	4.17

Source: WisdomTree, FactSet as of 11/30/2021. Eligible universe are securities eligible for inclusion into the Domestic Core Equity funds after earnings and liquidity constraints. This applies to the funds EZM, EPS, and EES. The "Eligible Universe" and "High Earnings Risk" baskets in the chart above are weighted by their Market Capitalization.

[1] Sources: WisdomTree, FactSet. Data 12/31/20–12/09/21. All performance information referenced in terms of Fund NAV. Past performance is not indicative of future results.

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You cannot invest directly in an index.

DEFINITIONS

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.

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.

Russell Midcap Index : The Russell Midcap Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Index : Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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.

Basis point : 1/100th of 1 percent.

Risk screen : A process of filtering, or removing, companies that are eligible for an investment process based on certain risk parameters.

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.

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.