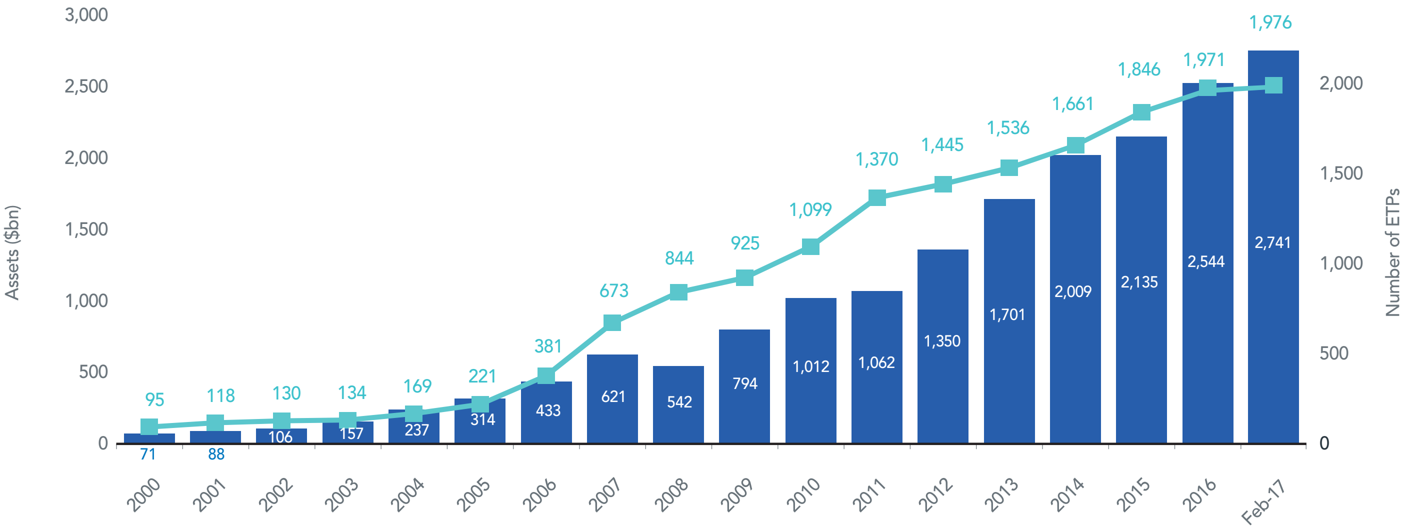
THE FUNDAMENTALS OF ETFs

Since the first exchange-traded funds (ETFs) were launched in the U.S. in 1993, ETFs have opened a new realm of investment opportunities, and they have become increasingly popular as time has passed.

What Are ETFs?

An ETF is simply a basket of securities that represents an investment strategy. The strategy can cover a variety of asset classes such as equities, bonds, currencies or commodities; and they can be geographically focused. ETFs can be broad in scope or they can have a specific focus. One thing that makes them different from a mutual fund is that they trade shares on a stock exchange throughout the day. ETFs can be an effective tool for both active and passive institutional managers as well as retail investors.

U.S. ETP Assets and Number of ETPs by Year



Source: BlackRock, as of 2/28/17.

Unique Features of ETFs

Compared to mutual funds, ETF expenses are low; ETFs can be bought and sold throughout the trading day; ETFs are tax efficient; and ETFs offer tremendous transparency and opportunity for diversification.

+ **Low cost:** On average, ETFs charge minimal management fees compared to their mutual fund counterparts. There are brokerage commissions charged for every purchase and sale, just as you would pay when buying or selling stocks.
+ **Transparency:** Unlike mutual funds, an ETF's holdings are always known to the market and usually only change when the underlying index does.
+ **Diversification:** ETFs offer a wide variety of investment possibilities, including the broad U.S. and global markets and specific sectors, regions and countries, as well as the standard asset classes and investment styles. There are also ETFs that track certain specific and more nuanced investments.
+ **Tax efficiency:** When shareholders buy or sell, they interact with one another on an exchange, just as they would when buying or selling a stock. This means that one investor's selling of shares does not typically create a tax event for the remaining investors in the fund, as it could for traditional mutual funds. This also means that the transaction costs and tax consequences the investor may incur are typically confined to that transaction, just like when you buy or sell shares of any stock you own. An additional reason why ETFs are tax efficient is that there is relatively low turnover in the indexes the funds are designed to track, which contrasts with active managers, who typically trade their holdings much more frequently.
+ **Intraday Trading:** ETFs can be bought or sold at any time during the trading day, just like stocks. In contrast, mutual funds are priced only at the end of each trading day. However, note that trading volume is not the only source of liquidity for ETFs. Liquidity can also be derived from the underlying basket of securities through the creation and redemption process.

ETFs vs. Mutual Funds

ETFs are different from actively managed mutual funds in several respects. For an illustration of the comparison, refer to the table below.

	ETFs	Mutual Funds
Fund Expense[1]	Lower	Varies
Holding Transparency	Yes	No
Investment Style[2]	Typically Passive	Typically Active
Liquidity	Yes	Yes
Redemption Fees	None	Sometimes
Brokerage Fees	Yes	No

ETFs and mutual funds are subject to the risk associated with the holdings of their underlying portfolios.
Diversification does no eliminate the risk of experiencing investment losses.
[1] In some circumstances, an index mutual fund may be subject to lower fund expenses than an ETF.
[2] Investment style defines how the fund is managed, with passive management tracking indexes and active management run by an investment manager.

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, 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 Fund's they may make higher capital gain distributions than other ETFs. Please see prospectus for discussion of risks.

Carefully consider the Funds' investment objectives, risks, charges and expenses before investing. A prospectus containing this and other important information is available by calling 866.909.WISE (9473) or by visiting WisdomTree.com. Please read the prospectus carefully before you invest.

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