WisdomTree

INVESTING FOR THE FUTURE, BUILDING RESILIENCE IN YOUR PORTFOLIO WITH WISDOMTREE QUALITY DIVIDEND GROWTH

July 2020

WISDOMTREE®

EXECUTIVE SUMMARY

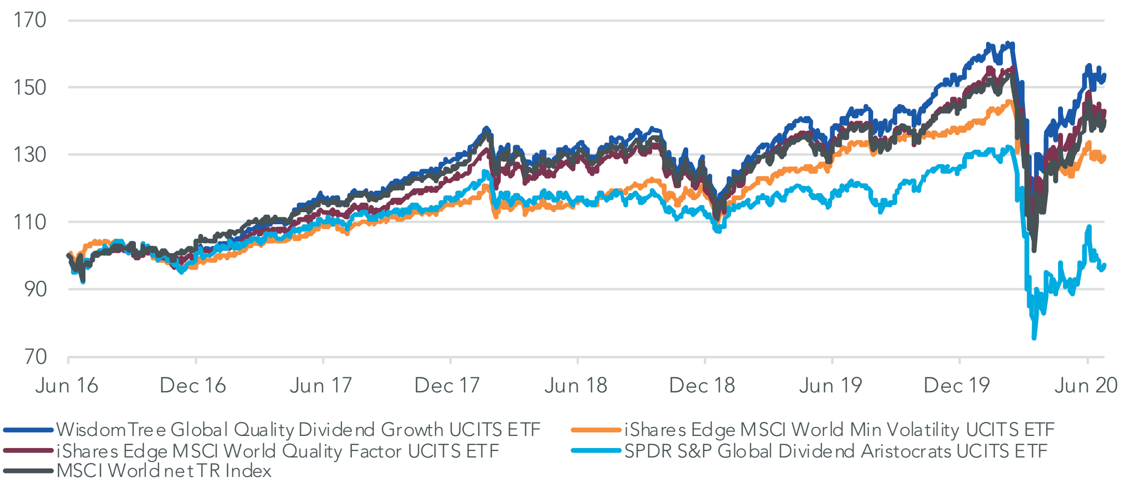
In a world where a virus originating from a single city can shut down the world economy at a moment notice, investors need to build resilient portfolios that can, at the same time, participate in rallies and protect them in the worst storms. Out of all the equity factors, Quality[1] is one of the most consistent. It has a proven track record of outperformance and it typically delivers steady returns across most market regimes. It is ideal for prolonged periods of uncertainty when a bear market rally or a deep drawdown are as likely and it is therefore an ideal candidate to consider for a strategic, core investment in equities

However, investing in quality is easier said than done. Identifying a quality stock is tricky and the list of potential descriptors is long. At WisdomTree we believe that profitability is the key to unlock the potential of quality investing. WisdomTree Quality Dividend Growth strategies and Exchange-Traded Funds (ETFs), have been specifically designed to target Profitability though a systematic, time-consistent process while maintaining a strong valuation discipline. Over the last 4 years that process has yielded quality focused portfolios that investors can trust and that have delivered strong performance in a large array of market episodes.

When compared with peers and more classic, run of the mill Quality investments, WisdomTree Quality Dividend Growth strategies stand out with an improved all-rounder profile delivering stronger protection on the downside and better performance on the upside.

In fact, after 4 years of stellar performance, the WisdomTree Quality Dividend Growth strategies have also performed very strongly Year to Date. They have cushioned the drawdown better than most peers and they have also rebounded in line with the market beating most peers again in that period.

WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH UCITS ETF TRACK RECORD SINCE INCEPTION



Source: WisdomTree, Bloomberg. Period from 7th June 2016 to June 2020. Calculations are based on monthly NAV in USD. The inception date for the WisdomTree Global Quality Dividend Growth UCITS ETF is 7 June 2016. ***Historical performance is not an indication of future performance and any investments may go down in value.***

[1] Quality Investing is defined as investing in companies that have the some or all of the following characteristics: good management, strong balance sheet, economic moat, sound dividend policy, stable earnings, profitable and efficient operations.

Looking forward, the uncertainty is still very high in the market, practitioners are split between bears and bulls and talk of a U-Shape recovery has been growing. Whatever the view, WisdomTree Quality Dividend Growth strategies are ideally placed to help investor navigate those uncertain waters.

INTRODUCTION

Quality stocks represent companies with higher profits and lower levels of debt. For investors, such companies are attractive on two distinct levels. First, great companies, doing very well, have the potential to grow and compound wealth in the future. This is the core of Warren Buffet's approach on which he built his empire. In his own words: "It is far better to buy a great business at a fair price than a fair business at a great price". Furthermore, such companies have the solid business models and the financial strength required to withstand unexpected events such as an economic downturn or a pandemic, so called Black Swans.

At WisdomTree we believe that quality stocks are the corner stone of an equity portfolio. They are the key to build resilient portfolios that can help investor build wealth over the long term and weather the inevitable storms along the way.

That is why, we have developed a series of strategies—the WisdomTree Quality Dividend Growth strategies—that are built with a strong focus on quality. The strategies invest exclusively in companies with high profitability, but they also avoid companies with high debt levels. Such investments are designed to deliver an attractive profile in the upside and defensive characteristics in drawdowns

In this paper, we highlight what makes quality stocks an ideal candidate for a strategic core investment in equities. We also explain, how WisdomTree Quality Dividend Growth strategies harness the best characteristics of quality investment while controlling for valuations multiples and minimizing single name risks. Finally, we will demonstrate the strength of our approach in different market scenarios including the increased uncertainty in the first half of 2020.

1. WHY INVEST IN QUALITY STOCKS? BECAUSE THEY HAVE THE POTENTIAL TO BOTH GROW OVER THE LONG TERM AND TO WEATHER ANY TEMPORARY STORM

In this paper, we highlight what makes quality stocks an ideal candidate for a strategic core investment in equities. We also explain, how WisdomTree Quality Dividend Growth strategies harness the best characteristics of quality investment while controlling for valuations multiples and minimizing single name risks. Finally, we will demonstrate the strength of our approach in different market scenarios including the increased uncertainty in the first half of 2020.

Quality, a recognized philosophy and equity factor

Among practitioners, selecting stocks based on their quality attributes has a long track record. Warren Buffet does not stand alone in his focus on high quality stocks. His mentor, Benjamin Graham, a founding father of value investing, recognized the value of high-quality companies as early as 1934 (Graham and Dodd 1934). Among others, Jeremy Grantham's firm GMO and the economist Robert Novy-Marx[2] have been strong supporters of quality investing. In 2004, GMO wrote[3]

"…even though many of these corporations tend to generate high profits year after year, they are systematically

[2] (Novy-Marx, The Other Side of Value: The Gross Profitability Premium 2013), (Novy-Marx, Quality Investing 2014)

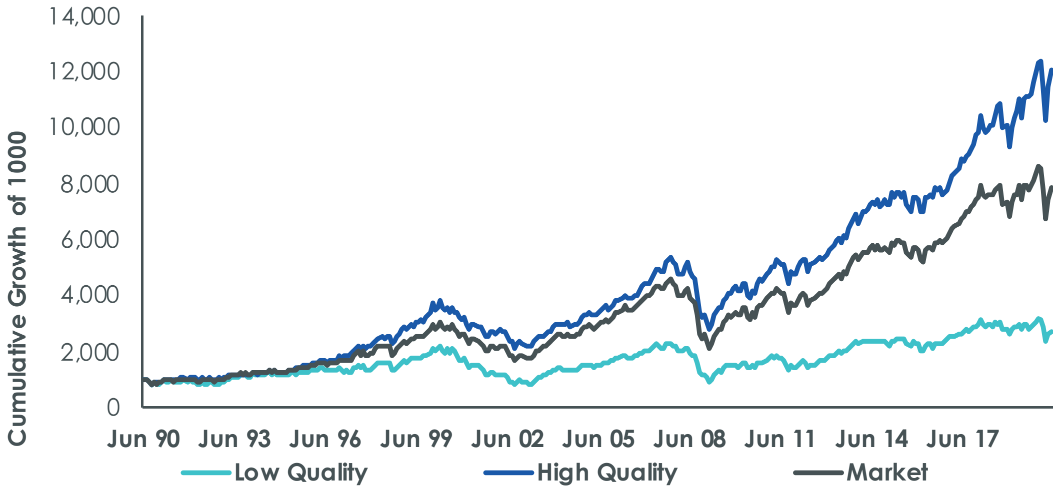
[3] (GMO 2004).

underpriced because they lack volatility. (...). The result is that investors in high-quality companies get to forge ahead with 15%+ returns year after year without overpaying. (...) the high-quality stocks have always won over longer holding periods."

More recently, academics have also started to recognize the long-term outperformance of quality stocks[4]. In 2014, Fama-French extended their 3 factors model (Market, Size, Value) to a five factors model that includes 2 quality factors[5].

In Figure 1, the High-Quality portfolio which includes the 30% stocks with the highest operating profitability in the Global Developed Equities universe outperforms the Low-Quality Portfolio (which includes the 30% stocks[4] with the lowest operating profitability) by more than 5% per annum since 1990. The High-Quality Portfolio also outperforms the market by 1.6% per annum while delivering lower volatility demonstrating its credentials as a recognized equity factor. Historically, quality stocks have exhibited higher long term returns and lower volatility which creates a very attractive risk return profile for investors.

FIGURE 1: HIGH QUALITY STOCKS HISTORICALLY OUTPERFORMED THE MARKET WITH LESS VOLATILITY



	Low Quality	High Quality	Market
Annualised Return	3.4%	8.7%	7.1%
Volatility	17.7%	14.3%	15.0%
Beta	1.15	0.93	-

Source: Kenneth French data library. Data is at a monthly frequency and as of 31st May 2020. Stocks are selected as above the median market cap, with "high" representing the top 30% by operating profitability and "low" representing the bottom 30% by operating profitability. The market represents the portfolio of all available publicly listed stocks globally. All returns are in USD. Operating profitability for year t is annual revenues minus cost of goods sold, interest expense, and selling, general, and administrative expenses divided by book equity for the last fiscal year end in t-1. You cannot invest directly in an index. ***Historical performance is not an indication of future performance and any investments may go down in value.***

4 (Asness, Franzzini and Pederson 2013)

5 (Fama and French, A Five-Factor Asset Pricing Model 2014)

Steady as Quality goes

Quality stocks benefit from strong business models and steady financial results over time. Their financial performance is therefore more consistent and predictable from one period to the next. When building investment strategies focused on quality stocks, this historically translates into steady, robust return in a large array of market scenarios.

In Figure 2, the seven most common equity factors are ranked every year by performance. The resulting image is colorful to say the least. Every year, the best equity factor is different, the worst equity factor is different, the overall order is different.

FIGURE 2: CALENDAR YEAR PERFORMANCES OF GLOBAL DEVELOPED EQUITY FACTORS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1st	Mom 45%	HighDiv 1%	Size 1%	MinVol -10%	Size 58%	Value 28%	Mom 28%	Value 30%	Mom 19%	MinVol -30%	Size 44%	Size 26%	MinVol 7%	Size 18%	Size 32%	MinVol 11%	MinVol 5%	Size 13%	Mom 32%	MinVol -2%	Qual 36%
2nd	Value 40%	MinVol 1%	Value -5%	HighDiv -10%	Value 56%	Size 24%	Value 17%	HighDiv 28%	Qual 16%	Qual -34%	Value 41%	Mom 16%	Mom 4%	Growth 16%	Value 32%	Qual 8%	Mom 4%	HighDiv 9%	Growth 28%	Mom -3%	Growth 34%
3rd	Growth 33%	Size -2%	HighDiv -9%	Mom -15%	Market 33%	Mom 21%	Size 16%	MinVol 20%	Growth 15%	Mom -40%	Growth 33%	Growth 15%	HighDiv 4%	Market 16%	Mom 30%	Mom 7%	Qual 4%	Value 8%	Qual 26%	Qual -6%	Mom 28%
4th	Size 27%	Value -3%	MinVol -11%	Value -16%	HighDiv 29%	MinVol 20%	Market 9%	Market 20%	Value 10%	Market -41%	Qual 33%	MinVol 12%	Qual 4%	Value 14%	Qual 27%	Growth 6%	Growth 3%	Market 8%	Size 23%	Growth -7%	Market 28%
5th	Market 25%	Qual -10%	Qual -12%	Size -16%	Growth 28%	HighDiv 19%	Growth 9%	Mom 19%	Market 9%	Growth -41%	HighDiv 32%	Market 12%	Growth -5%	Mom 14%	Growth 27%	Market 5%	Size 0%	MinVol 7%	Market 22%	HighDiv -8%	Size 26%
6th	Qual 20%	Market -13%	Market -17%	Qual -17%	Mom 25%	Market 15%	MinVol 8%	Size 17%	HighDiv 7%	Size -42%	Market 30%	Qual 11%	Market -6%	Qual 13%	Market 27%	Value 4%	Market -1%	Qual 5%	Value 22%	Market -9%	MinVol 23%
7th	MinVol 8%	Mom -19%	Growth -19%	Market -20%	MinVol 25%	Qual 12%	HighDiv 8%	Qual 16%	MinVol 6%	HighDiv -43%	MinVol 16%	Value 9%	Size -9%	HighDiv 12%	HighDiv 22%	HighDiv 2%	HighDiv -3%	Mom 4%	HighDiv 18%	Size -14%	HighDiv 23%
8th	HighDiv 8%	Growth -26%	Mom -21%	Growth -20%	Qual 21%	Growth 11%	Qual 5%	Growth 15%	Size 1%	Value -43%	Mom 14%	HighDiv 6%	Value -12%	MinVol 8%	MinVol 19%	Size 2%	Value -3%	Growth 3%	MinVol 17%	Value -14%	Value 19%

Quality | Value | Momentum | Growth
Minium Volatility | Size | High Dividend | Market Cap

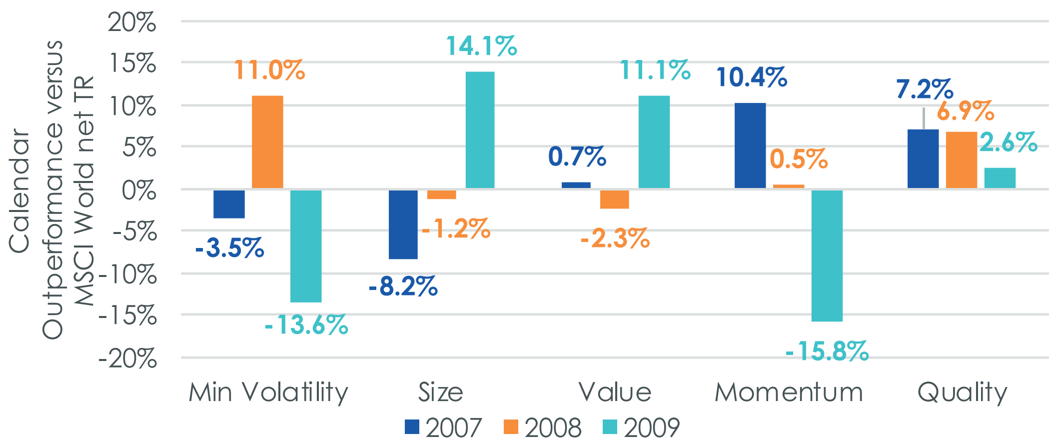
Source: WisdomTree, Bloomberg. Period December 1998 to December 2019. Calculations are based on monthly returns in USD. You cannot invest directly in an index. Above numbers include backtested data. ***Historical performance is not an indication of future performance and any investments may go down in value.***

However, if we focus on a single equity factor it is possible to detect some overarching patterns. For example, Minimum Volatility, Size or Value are very unstable factors, they tend to finish first or last each year:

+ Min Volatility was best in negative years like 2002 or 2008 but it was last in strong equity years like 2009 or 2017. Overall, Min Volatility outperformed in 11 out of the 21 years but was top 2 or bottom 2, in 14 of them.
+ Value and Size behave in an opposite way (doing well in positive years for equity and bad in bad years) but are similarly unstable. Value and Size were top 2 or bottom 2, in 14 and 13 years respectively out of 21 years.

This type of behavior can be used tactically if an investor can predict which year will end being a good or a bad year for equities, but it makes for an uncomfortable ride when investing strategically. As illustrated in Figure 3, an investor in Minimum volatility would have outperformed the market by 11% in 2008 but underperformed by -3.5% in 2007 and by -13.6% in 2009, for a total average outperformance of only 0.9% annualized over the 3 years.

FIGURE 3: PERFORMANCE IN AND AROUND THE GREAT FINANCIAL CRISIS



Source: WisdomTree, Bloomberg. Period December 2006 to December 2009. Calculations are based on monthly returns in USD. You cannot invest directly in an index. Above numbers include backtested data. ***Historical performance is not an indication of future performance and any investments may go down in value.***

On the contrary, Quality outperformance is a lot steadier. It outperformed the markets in 13 years out of 21 but it ends up in the top 2 or bottom 2 only 8 times. In most years, it delivered a controlled outperformance which means that it can be used strategically with limited risk of a significant underperforming year. Taking the example of the great financial crisis in Figure 3, Quality outperformed in all 3 years, by 7.2% in the last bull year of the cycle, by 6.9% in the downturn and by 2.6% in the rebound, demonstrating its all-weather credentials. It ended up delivering 6.3% on average per year over the 3 years (better than Min Volatility with 0.9%, Size with 0.1%, Value with 1.5% and Momentum with -0.9%) despite being the best factor in none of the 3 years (Momentum won 2007, Min Volatility won 2008 and Size won 2009). As La Fontaine illustrates in one of his fable, the "the Tortoise and the Hare", being the fastest is not always the best way to win: "slow and steady wins the race). Quality is the perfect example of this old adage.

Dealing with Uncertainty and Black Swan events

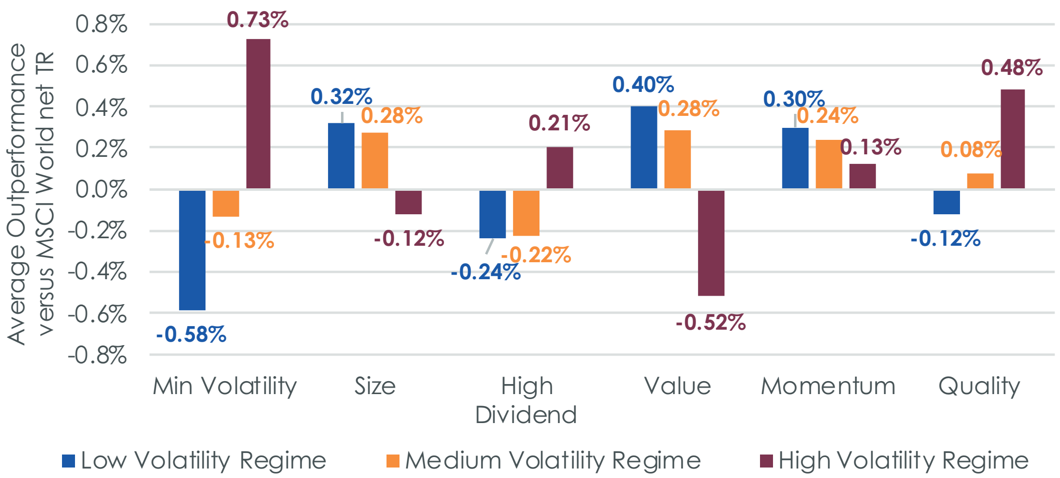
Quality stocks benefit from strong business models and steady financial results over time. Their financial performance is therefore more consistent and predictable from one period to the next. When building investment strategies focused on quality stocks, this historically translates into steady, robust return in a large array of market scenarios.

In figure 4, we look at the average monthly outperformance of the different equity factors in different market regimes. Those regimes are defined using the volatility of the MSCI World index. Most equity factors exhibit a strong performance differentiation between regimes. Min Volatility outperforms when the volatility is high, but it underperforms when the market is calmer. Size or Value works well when the volatility is low but struggle in risk off markets.

Quality, on the contrary, exhibits a very interesting behavior because it outperforms or closely matches the market performance in all 3 risk regimes. Quality exhibits an all-weather behavior which means that it tends to do relatively well in all market scenarios.

By investing in Quality stocks, investors would know that historically their portfolio had demonstrated a capacity to handle whatever the market can throw and they could feel secure in the knowledge that they are invested in truly robust companies.

FIGURE 4: QUALITY DELIVER CONSISTENT PERFORMANCE IN DIFFERENT MARKET ENVIRONMENTS



Source: WisdomTree, Bloomberg. Period June 2002 to June 2020. Calculations are based on monthly returns in USD. The volatility buckets are defined by calculating the volatility of daily return of the MSCI for each month and by separating in 3 buckets with the same number of months. You cannot invest directly in an index. Above numbers include backtested data. ***Historical performance is not an indication of future performance and any investments may go down in value.***

In conclusion, Quality investments leverage the fact that quality stocks have the strength to grow over the long term and also to weather any temporary storm. This makes Quality an ideal candidate for a strategic, long term, core investment in equities but also for prolonged period of uncertainty where a bear market rally or a deep drawdown are as likely.

2. HARNESSING PROFITABILITY WITH WISDOMTREE QUALITY DIVIDEND GROWTH STRATEGIES

How to invest in Quality efficiently?

As discussed previously, the long-term outperformance of the quality factor against market cap weighted indices is very well documented among academics. However, Quality is a multi-faceted factor and it can be defined using 7 different families of descriptors: Profitability[6], Earnings Stability[7], Accounting Quality[8], Capital Structure[9], Investment[10], Payout/Dilution[11] and Corporate Governance.

Looking at those different dimensions separately, Profitability has been shown to capture most of the quality return premium and to be the most consistent in nature[12]. Financial strength is also very prized during market downturn to provide robustness and resilience.

Our Quality Dividend Growth approach is born from those principles, focusing on investing in a diversified basket of companies with high profitability, conservative investment and asset growth and reasonable, controlled payout.

WisdomTree Quality Dividend Growth, building resilience through profitable stocks

The WisdomTree Quality Dividend Growth strategy aims to deliver an attractive profile in the upside and defensive characteristics in drawdowns by harnessing the main characteristics of quality stocks. To do so, it invests in companies that are growing and profitable while maintaining a valuation discipline in the portfolio. The main focus is to invest in companies that:

- Are profitable
- Generate and grow earnings
- Do not use excessive leverage
- Have a sustainable dividend policy
- Are fairly priced

With the WisdomTree Quality Dividend Growth strategies, investors benefit from WisdomTree's style-consistent, transparent and systematic investment process which is rooted in academically driven research.

The process is split in 3 main steps

- Eligible Universe Definition

To be eligible for inclusion in the portfolio, Companies must

  - be listed in the relevant country/region (in the US for the US strategy, in the eurozone for the eurozone strategy…)
  - have paid dividends in the last 12 months
  - have dividend coverage ratios greater than 1.0x: Companies that are paying out more dividends than they have earnings are less likely to be dividend growth leaders, in our opinion

- Stock Selection

The Indices comprise of companies with the best combined rank of growth and quality factors from this universe. Stocks are ranked along 3 fundamental metrics

  - three-year average return on equity (ROE)
  - three-year average return on assets (ROA)
  - analysts' long-term earnings growth expectations, which ultimately encompass the estimated growth in operating earnings per share over the company's next full business cycle – typically three to five years

The number of stocks vary depending on the country/region considered (600 stocks for Global Developed, 300 for the US, 100 for the Eurozone)

- Portfolio Construction

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[6] (Fama and French, A Five-Factor Asset Pricing Model 2014) (Hou, Chen and Lu 2015) (Ball, Gerako, et al., Accruals, Cash Flows, and Operating Profitability in the Cross Section of Stock Returns. 2015) (Ball, Gerako, et al., Deflating Profitability 2014) (Novy-Marx, The Other Side of Value: The Gross Profitability Premium 2013)

[7] (Dichev and Wei 2009)

[8] (Hirschleifer, et al. 2004) (Dechow and Weili 2006) (Chan, et al. 2006)

[9] (Penman, Richardson and Irem 2007) (George and Chuan-Yang 2010) (Gomes and Lukas 2010)

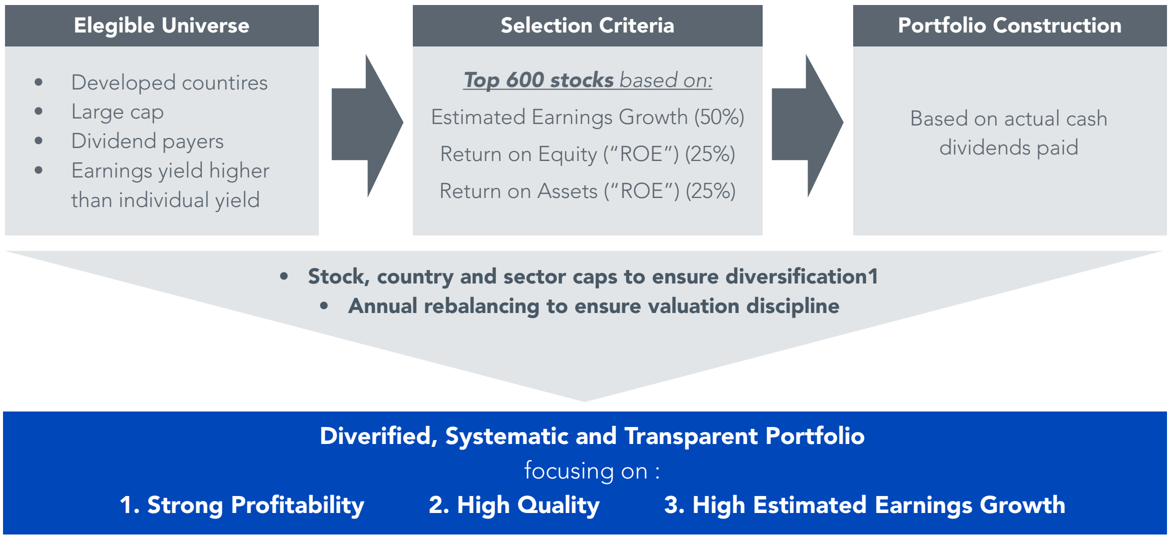
[10] (Sheridan, Wei and Xie Feizue 2004)

[11] (Boudoukh, Michaely and Roberts 2007) (Inmoo and Loughran 1998)

[12] (Hsu, Kalesnik and Kose 2019)

- **Weighting:** The Indices are "dividend stream" weighted, dividend market cap weighted to reflect the proportionate share of the aggregate cash dividends. This means that the weight for each stock is derived from the amount of dividend paid by the company over the previous 12 months in US dollar terms (Dividend per Share x # Shares Outstanding). This weighting methodology allows to take into account the size of the company (a larger company would pay more dividend in dollar term than a smaller company with the same dividend yield) and to control for the valuation of the portfolio by ensuring that the strategy is not focusing on overpriced stocks.
- **Rebalancing:** Our strategies also feature an annual rebalancing process. For example, if the share price appreciates significantly more than the dividend grows, assuming the company continues to qualify, it will see its weight reduced.
- **Diversification:** Individual Stock weights are capped at 5%, Country weights are capped at 25% (50% for the US) and sector weights are capped at 20% (15% for Real Estate)

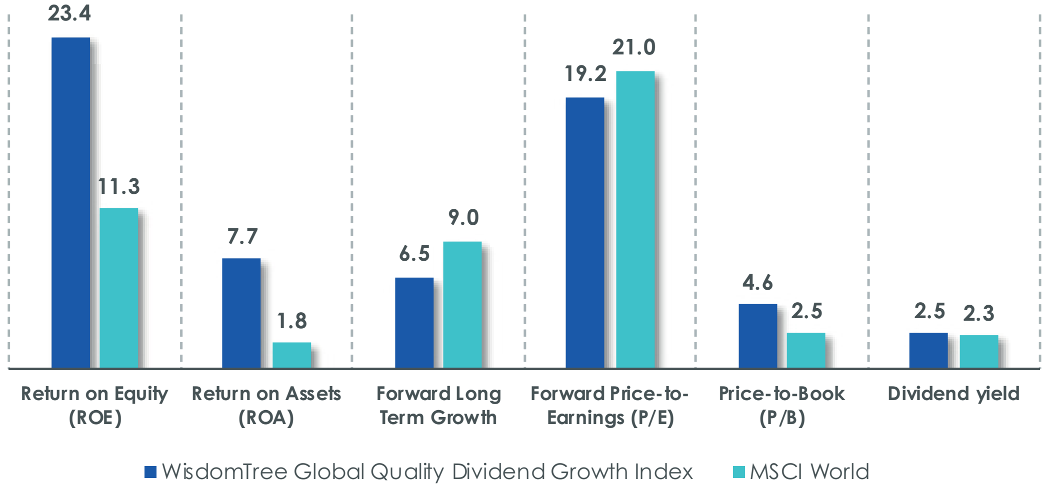
FIGURE 5: WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH INDEX: FOCUSING ON HIGH QUALITY WHILE CONTROLLING VALUATIONS



Source WisdomTree. July 2020

One of the pitfalls of quality investing is the valuation. Quality stocks are robust, looked after stocks and therefore they can prove expensive to buy. Our unique approach, merging a quality focused stock selection and a valuation focused weighting methodology allows us to navigate this issue effectively. Figure 6 shows the large uplift in ROE and ROA delivered by our portfolio construction methodology with a ROE more than twice as high as the one of the benchmark and a ROA, more than 4 time as high. However, the Forward Price to Earning Ratio of our portfolio also remains significantly below the one of the benchmark meaning that our approach succeeded in buying high quality, profitable stocks below or around market prices.

FIGURE 6: PORTFOLIO FUNDAMENTALS - WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH INDEX



Source: WisdomTree, FactSet. Data as of 30th June 2020. You cannot invest directly in an index. ***Historical performance is not an indication of future performance and any investments may go down in value.***

Overall, using this systematic approach, the WisdomTree Quality Dividend Growth Strategies can deliver to our investors a unique investment portfolio which is:

- Focused on Quality and Profitability to harness both the long-term growth potential of companies with a strong business model and their resilience and ability to weather adverse market conditions better than peers
- Valuation Controlled, our portfolio Price to Earnings (P/E) ratio is almost 2 points below the benchmark's
- Active…the strategies are designed to steer well clear of market cap weighted index and exhibit active shares of around 75% which give them the potential to deliver outperformance through a strong stock selection
- …But diversified to benefit from the positive characteristics of quality stocks as a whole while staying well away from concentrated bets in one or two names and of the unpredictable idiosyncratic risks attached to single name companies. The resulting portfolios are not overly concentrated in one company, one sector or one country but spread the risk across a large array of very successful companies[14].
- Time and Style consistent to deliver the right exposure day in day out and avoid the pitfalls in trying to time style that lots of active manager fall into[15]
- Competitively priced at 38bps for the global developed equity ETF, 29 bps for the Eurozone equity ETF and 33bps for the US equity ETF[16].

WisdomTree Quality Dividend Growth, a proven strategy with a 4 year track-record

WisdomTree has launched 3 Quality Dividend Growth strategies in ETF format in June 2016. Over the last 4 years, all 3 ETFs have performed very strongly despite the very turbulent first half of 2020.

The WisdomTree Global Quality Dividend Growth UCITS ETF, for example, is 5 star rated by Morningstar[17]. It has outperformed the MSCI World by 2.5% on average per year since launch with reduced volatility.

Compared to peers, the performance is also exceptional. Over the last 3 years, the WisdomTree Global Quality Dividend Growth UCITS ETF has outperformed 98% of all mutual funds and ETFs, active or passive in the Global Large Cap Blend category in Morningstar. Year to Date the ETF is beating 86%[18] of them.

FIGURE 7: WISDOMTREE QUALITY DIVIDEND GROWTH UCITS ETF TRACK RECORD SINCE INCEPTION

	WisdomTree Global Quality Dividend Growth UCITS ETF	WisdomTree Eurozone Quality Dividend Growth UCITS ETF	WisdomTree US Quality Dividend Growth UCITS ETF
Morningstar Rating	★★★★★	★★★★★	★★★
Average Outperformance per year since launch	2.5%	4.3%	-0.4%
Last 3Y Peer Group Rank	Top 2%[18]	Top 4%[19]	Top 4%[20]

Source: WisdomTree, Bloomberg, Morningstar. As of 30th June 2020. ***Historical performance is not an indication of future performance and any investments may go down in value.***

Similarly, the Wisdom Eurozone Quality Dividend Growth UCITS ETF is also a 5-star rated fund with 4.3% outperformance on average per year over the MSCI Eurozone net TR Index since June 2016. Over the last 3 years, the ETF is better than 96% of all mutual funds and ETFs, active or passive in the Eurozone Large Cap category in Morningstar. Year to Date the ETF is beating 86%[19].

13 Source: WisdomTree, Bloomberg. As of 30th June 2020.

14 Taking a relevant example as of June 2020, Wirecard AG represented 10bps of our Eurozone strategy on the 1st of June 2020 because its financial were good enough to warrant inclusion but its size and the amount of dividends it paid warranted a very small weight. In the MSCI EMU Quality Index by comparison, the same stock represented 1.3% because this methodology, tilts toward a more concentrated portfolio (with around 60 stocks only).

15 (Brown, Harlow and Zhang 2009)

16 Source: WisdomTree. As of 30th June 2020.

17 As of 30st June 2020.

18 Source: WisdomTree, Morningstar. Data as of 30th June 2020. The peer group is comprised of USD denominated, oldest share class of all mutual funds and ETFs within the Global Large Cap Blend category. Number of Funds and ETF in the category is as follows: 1663 YTD, 1534 last 1Y, 1374 last 2Y and 1236 last 3Y. Historical performance is not an indication of future performance and any investments may go down in value.

The Wisdom US Quality Dividend Growth UCITS ETF, is 3-star rated by Morningstar. Since launch it underperformed by -0.4% on average per year but is still beats 95%[20] of all mutual funds and ETFs, active or passive in the US Large Cap Value category in Morningstar over the last 3 years. This difference in performance between this strategy and the 2 others stems from the weights and performance of the non-dividend payers technology stocks in the US. Such stocks have led the recent performance in US Stocks but are not included in our strategy.

Looking at the performance of the WisdomTree Global Quality Dividend Growth strategy over the last 3 years, we observe that focusing on high Return on Equity stocks has been one of the main drivers of the outperformance of 3.4% on average per year. 2.4% of the outperformance has been driven by the 34.8% overweight in top ROE stocks. 1.5% has been driven by the underweight in the 3rd, 4th and 5th quintile by Return on Equity.

FIGURE 8: LAST 3 YEARS PERFORMANCE ATTRIBUTION OF THE WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH

	Attribution				Weights		Group Returns	
	Allocation	Selection	Interaction	Total	WisdomTree	MSCI World	WisdomTree	MSCI World
1st Quintile (Highest ROE)	2.4%	-0.4%	-0.4%	1.6%	60.1%	25.3%	12.5%	13.7%
2nd Quintile	0.0%	0.4%	0.0%	0.4%	20.9%	20.7%	9.0%	7.1%
3rd Quintile	0.1%	0.1%	-0.1%	0.2%	10.5%	17.3%	6.0%	5.4%
4th Quintile	1.0%	-0.5%	0.4%	0.8%	4.1%	17.3%	-2.9%	-0.6%
5th Quintile (Lowest ROE)	0.6%	0.0%	-0.1%	0.4%	1.1%	13.0%	-0.5%	1.7%
Negative Return	-0.2%	-0.4%	0.4%	-0.2%	0.5%	3.0%	-13.6%	8.0%
N/A	0.0%	0.2%	0.0%	0.2%	2.7%	3.3%	6.8%	4.7%
Total	3.9%	-0.6%	0.1%	3.4%				

Allocation: Positive (or negative) excess return generated when the strategy has overweighed (or underweighted) a benchmark segment. Segment is understood as sector, country, group of stocks with similar characteristics
Selection: Positive (or negative) excess return generated by reweighting or adding (removing) stocks from a given segment
Interaction: Residual Excess return when allocation and selection are taken into account

Source: WisdomTree, Bloomberg. Data from 30th June 2017 to 30th June 2020. ***Historical performance is not an indication of future performance and any investments may go down in value.***

In conclusion, the WisdomTree Quality Dividend Growth strategies, and ETFs, have been specifically designed to target the quality factor and more specifically Profitability though a systematic, diversified, style-consistent process. Our investment process and investment philosophy have yielded quality focused portfolios that have delivered strong performance in a large array of scenarios.

[19] Source: WisdomTree, Morningstar. Data as of 30 June 2020. The peer group is comprised of EUR denominated, oldest share class of all mutual funds and ETFs within the Eurozone Large Cap category. Number of Funds and ETF in the category is as follows: 528 YTD, 517 last 1Y, 488 last 2Y and 466 last 3Y. Historical performance is not an indication of future performance and any investments may go down in value.

[20] Source: WisdomTree, Morningstar. Data as of 30th June 2020. The peer group is comprised of USD denominated, oldest share class of all mutual funds and ETFs within the US Large Cap Value category. Number of Funds and ETF in the category is as follows: 116 YTD, 111 last 1Y, 105 last 2Y and 98 last 3Y. Historical performance is not an indication of future performance and any investments may go down in value.

3. STRESS TESTING PROFITABILITY: HOW DOES WISDOMTREE QUALITY DIVIDEND GROWTH COMPARE TO OTHER QUALITY STRATEGIES?

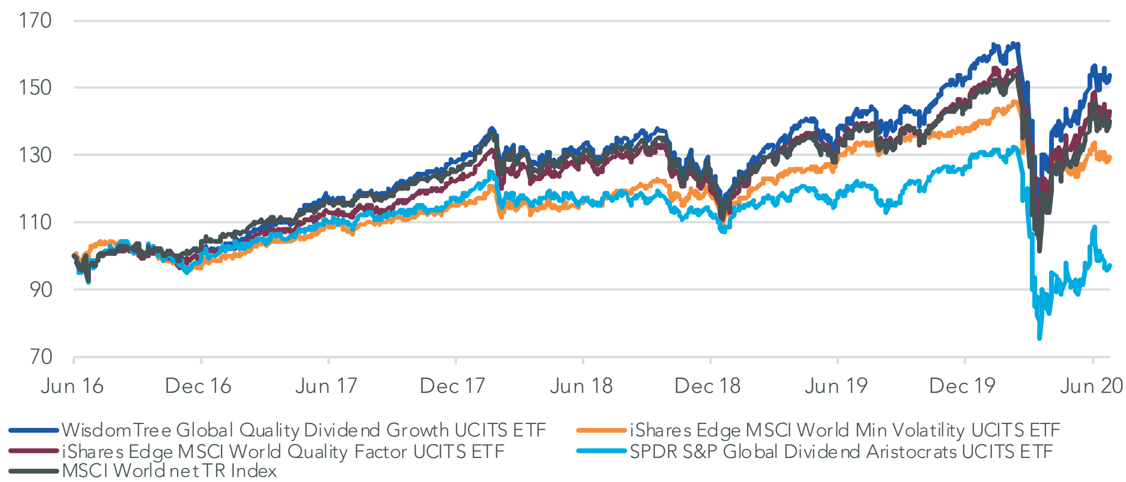
WisdomTree Quality Dividend Growth strategies are not the only quality focused strategy in the market, but they are one of, if not the most focused on profitability. Looking back at the last 4 years, we observe that the global developed equity version of the strategy has done extremely well versus more classic version of quality.

As discussed previously, the strategy has outperformed

+ the MSCI World by 2.5% per year on average since its launch in June 2016; versus an outperformance of 0.5% for the iShares Edge MSCI World Quality Factor UCITS ETF vs the MSCI World Index.
+ The iShares Edge MSCI World Min Volatility UCITS ETF and the SPDR S&P Global Dividend Aristocrats UCITS ETF have underperformed by -2.1% and -9.3% respectively on average per annum.

It is worth noting that our strategy is also the second less volatile and suffered the second lowest drawdown bettered only by the min volatility on both instances.

FIGURE 9: WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH UCITS ETF TRACK RECORD SINCE INCEPTION



	Annualised Returns	Excess Return	Volatility	Max Drawdown
WisdomTree Global Quality Dividend Growth UCITS ETF	11.2%	2.5%	15.5%	-31.7%
iShares Edge MSCI World Min Volatility UCITS ETF	6.6%	-2.1%	13.1%	-29.3%
iShares Edge MSCI World Quality Factor UCITS ETF	9.2%	0.5%	16.3%	-32.7%
SPDR S&P Global Dividend Aristocrats UCITS ETF	-0.6%	-9.3%	17.4%	-42.9%
MSCI World net TR Index	8.7%		16.6%	-34.0%

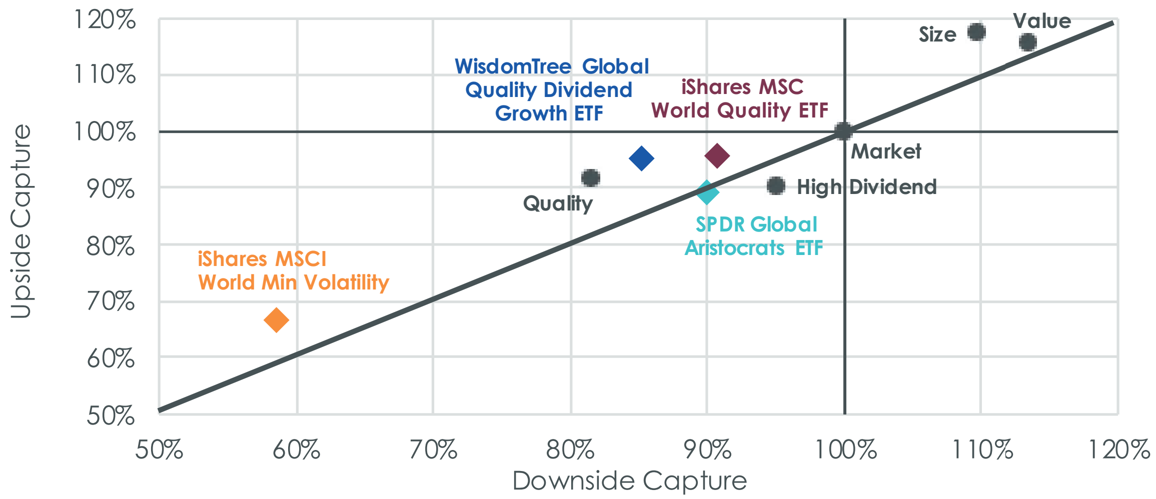
Source: WisdomTree, Bloomberg. Period from 7 June 2016 (inception) to June 2020. Calculations are based on monthly NAV in USD. The inception date for the WisdomTree Global Quality Dividend Growth UCITS ETF is 7 June 2016. ***Historical performance is not an indication of future performance and any investments may go down in value.***

WisdomTree Quality Dividend Growth captures most of the upside and cut the downside.

Why did the WisdomTree Quality Dividend Growth perform so strongly over the last 4 years ? Because it captures most of the upside when the market is going up and cuts some of the downside in equity drawdowns or in other words because it delivers robust performance across most parts of the cycle.

Figure 10 shows the upside capture and downside capture ratio of the WisdomTree Global Quality Dividend Growth index versus more classic equity factors and peers calculated on monthly returns. The upside capture ratio is the percentage of market gain captured by a strategy when markets go up and the downside capture ratio similarly the percentage of market losses endured by a strategy when markets go down.

FIGURE 10: UPSIDE AND DOWNSIDE CAPTURE RATIO OF VARIOUS EQUITY FACTORS AND PEERS



Source: WisdomTree, Bloomberg. Period September 2002 to June 2020. Calculations are based on monthly returns in USD. The inception date for the WisdomTree Global Quality Dividend Growth Index is 16 October 2015. You cannot invest directly in an index. Above numbers include backtested data. ***Historical performance is not an indication of future performance and any investments may go down in value.***

Strategies that sit above the grey line have a strong advantage to the one sitting below the line. Their Upside Capture ratio is bigger than their Downside Capture Ratio which means that they capture more of the upside when the market is up than they lose when the market is down.

Also strategies that sit around the middle of the graph are more balanced i.e. they have upside and downside captures which are around 100% which means that they wont suffer large underperformance when the market is “wrong” for them. For example, Size or Value have downside capture in the 120% which means that in months where the market is down 10% they would underperform on average by -2% or when the market is down 20%, the would underperform by on average -4%.

The WisdomTree Global Quality Dividend Growth ETF is around the middle of the graph and is the strategy the further away above the line. So, it benefits from having a robust, balanced performance and from having a very asymmetric profile with an upside capture ratio of 95% and a downside capture ratio of only 85%. This balanced risk return profile explains why we believe the WisdomTree Quality Dividend Growth are a very good candidate for strategic, core exposure and why this strategy can do well in uncertain periods.

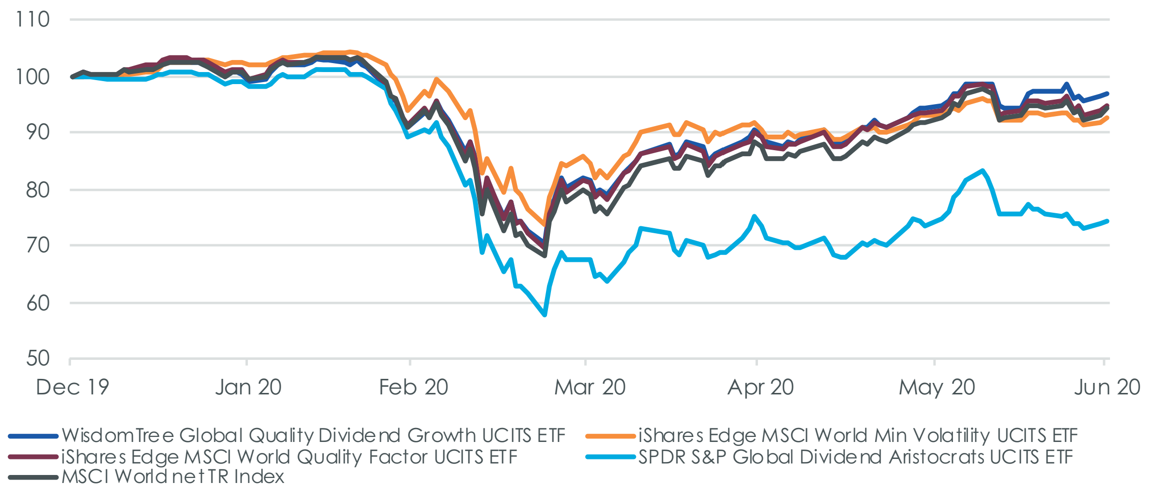
Looking at its peers:

- The iShares Edge MSCI World Min Volatility UCITS ETF suffers from very low upside capture which means that it tends to underperform strongly in bull markets or market rebounds
- The SPDR S&P Global Dividend Aristocrats UCITS ETF suffers from a profile which is not asymmetric i.e. it does not capture more of the upside than it loses on the downside
- The iShares Edge MSCI World Quality Factor UCITS ETF is the closest to our strategy because it focuses exclusively on quality but its profile is less asymmetric (96% & 90%) since it capture more of the down performance.

In the first half of 2020, the WisdomTree Quality Dividend Growth benefitted from its all-rounder profile to cut the drawdown and capture most of the rebound

Looking at the performance of our strategy versus the MSCI World and our peers, we observe that the results in the first half of 2020 reflects the results of the last 4 years. In the first half of 2020 our strategy has performed the best, outperforming both the market and its peers. It has also delivered the second lowest volatility and the second lowest drawdown just after the Min Volatility ETF.

FIGURE 11: WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH UCITS ETF IMPRESSIVE PERFORMANCE IN THE FIRST HALF OF 2020



	YTD Returns	Excess Return	Volatility	Max Drawdown
WisdomTree Global Quality Dividend Growth UCITS ETF	-3.0%	2.8%	34.8%	-31.7%
iShares Edge MSCI World Min Volatility UCITS ETF	-7.3%	-1.5%	31.7%	-29.3%
iShares Edge MSCI World Quality Factor UCITS ETF	-5.2%	0.6%	37.7%	-32.7%
SPDR S&P Global Dividend Aristocrats UCITS ETF	-25.6%	-19.8%	42.6%	-42.9%
MSCI World net TR Index	-5.8%		38.8%	-34.0%

Source: WisdomTree, Bloomberg. Period from 31st December 2019 to June 2020. Calculations are based on monthly NAV in USD. The inception date for the WisdomTree Global Quality Dividend Growth UCITS ETF is 7 June 2016. ***Historical performance is not an indication of future performance and any investments may go down in value.***

This very strong performance can be explained by the all weather profile of our strategy. If we focus on the first part of the year i.e. the drawdown (up to 23rd of March), the WisdomTree Global Quality Dividend Growth strategy delivered the second best performance, only bested by the iShares Edge MSCI World Min Volatility UCITS ETF as could be expected by beating the MSCI World index by 2.2%.

In the second quarter, the WisdomTree Global Quality Dividend Growth strategy delivered the best performance among all the peers considered matching almost the performance of the market in one of the strongest quarter ever. The iShares Edge MSCI World Min Volatility UCITS ETF however finished dead last because of its low upside capture ratio. So, by doing reasonably well over the two different periods, our strategy is able to beat all its peers. Its adaptability is what allows the strategy to deliver strong performance across market regimes and across uncertain periods.

FIGURE 12: WISDOMTREE GLOBAL QUALITY DIVIDEND GROWTH UCITS ETF, AN ALL ROUNDER PERFORMANCE

	Up to 23rd March	From 23rd of March
WisdomTree Global Quality Dividend Growth UCITS ETF	-29.6%	37.8%
iShares Edge MSCI World Min Volatility UCITS ETF	-26.3%	25.8%
iShares Edge MSCI World Quality Factor UCITS ETF	-30.5%	36.4%
SPDR S&P Global Dividend Aristocrats UCITS ETF	-42.3%	28.9%
MSCI World net TR Index	-31.8%	38.2%

Source: WisdomTree, Bloomberg. Period from 31st December 2019 to June 2020. Calculations are based on monthly NAV in USD. The inception date for the WisdomTree Global Quality Dividend Growth UCITS ETF is 7 June 2016. ***Historical performance is not an indication of future performance and any investments may go down in value.***

After 4 years of strong performance, the WisdomTree Quality Dividend Growth strategies have also performed very strongly in the first half of 2020. They have cushioned the drawdown better than most peers trailing only min volatility and they have also rebounded in line with the market beating most peers in that period.

Looking forward, the uncertainty is still very high in the market, practitioners are still split between bears and bulls and talk of a U-Shape recovery has been growing. Whatever the view, WisdomTree Quality Dividend Growth strategies are ideally placed to help investor navigate those uncertain waters.

APPENDIX

WisdomTree Global Quality Dividend Growth UCITS ETF

Share Class Name	Ticker	ISIN	WKN	Distribution Policy	Exchange	Base Currency	Trading Currency	Total Expense Ratio
USD	GGRW	IE00BZ56RN96		Distributing	LSE/SIX	USD	USD	0.38%
USD	GGRP	IE00BZ56RN96		Distributing	LSE	USD	GBx	0.38%
USD Acc	GGRA	IE00BZ56SW52		Accumulating	LSE/SIX	USD	USD	0.38%
USD Acc	GGRA	IE00BZ56SW52		Accumulating	Borsa Italiana	USD	EUR	0.38%
USD Acc	GGRA	DE000A2AHL75	A2AHL7	Accumulating	Xetra	USD	EUR	0.38%
USD Acc	GGRG	IE00BZ56SW52		Accumulating	LSE	USD	GBx	0.38%

WisdomTree Eurozone Quality Dividend Growth UCITS ETF

Share Class Name	Ticker	ISIN	WKN	Distribution Policy	Exchange	Base Currency	Trading Currency	Total Expense Ratio
EUR	EGRW	IE00BZ56SY76		Distributing	LSE/SIX	EUR	EUR	0.29%
EUR	EGRP	IE00BZ56SY76		Distributing	LSE	EUR	GBx	0.29%
EUR Acc	EGRA	IE00BZ56TQ67		Accumulating	LSE/SIX/ Borsa Italiana	EUR	EUR	0.29%
EUR Acc	EGRA	DE000A2AHL91	A2AHL9	Accumulating	Xetra	EUR	EUR	0.29%
EUR Acc	EGRG	IE00BZ56TQ67		Accumulating	LSE	EUR	GBx	0.29%

WisdomTree US Quality Dividend Growth UCITS ETF

Share Class Name	Ticker	ISIN	WKN	Distribution Policy	Exchange	Base Currency	Trading Currency	Total Expense Ratio
USD	DGRW	IE00BZ56RD98		Distributing	LSE/SIX	USD	USD	0.33%
USD	DGRP	IE00BZ56RD98		Distributing	LSE	USD	GBx	0.33%
USD Acc	DGRA	IE00BZ56RG20		Accumulating	LSE/SIX	USD	USD	0.33%
USD Acc	DGRA	IE00BZ56RG20		Accumulating	Borsa Italiana	USD	EUR	0.33%
USD Acc	DGRA	DE000A2AGPX1	A2AGPX	Accumulating	Xetra	USD	EUR	0.33%
USD Acc	DGRG	IE00BZ56RG20		Accumulating	LSE	USD	GBx	0.33%

World is proxied by MSCI World net TR Index.

Minimum Volatility is proxied by the relevant MSCI Min Volatility net total return index. Quality is proxied by the relevant MSCI Quality net total return index.

Momentum is proxied by the relevant MSCI Momentum net total return index. High Dividend is proxied by the relevant MSCI High Dividend net total return index. Size is proxied by the relevant MSCI Small Cap net total return index. Value is proxied by the relevant MSCI Enhanced Value net total return index.

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