

WisdomTree Investments, Inc.
Form 424B4
February 03, 2012
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-177346

PROSPECTUS

14,362,251 Shares

WisdomTree Investments, Inc.

Common Stock

We are selling 1,000,000 shares of our common stock and the selling stockholders are selling 13,362,251 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our shares trade on the NASDAQ Global Market under the symbol WETF. On February 2, 2012, the closing price of our shares as reported by the Nasdaq Global Market was \$5.61 per share.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 13.

	Per Share	Total
Public offering price	\$ 5.61	\$ 80,572,228
Underwriting discounts and commissions	\$ 0.2805	\$ 4,028,611
Proceeds, before expenses, to us	\$ 5.3295	\$ 5,329,500
Proceeds, before expenses, to selling shareholders	\$ 5.3295	\$ 71,214,117

The underwriters may also exercise their option to purchase up to an additional 2,154,336 shares from certain of the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about February 8, 2012.

Joint Book-Running Managers

BofA Merrill Lynch

Morgan Stanley

Barclays Capital

Citigroup

UBS Investment Bank

Piper Jaffray

Sandler O'Neill + Partners, L.P.

Sterne Agee

The date of this prospectus is February 2, 2012.

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We, the selling stockholders and the underwriters have not authorized anyone to provide you with additional or different information from that contained in this prospectus or any free writing prospectus. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, or other earlier date stated in this prospectus or in such free-writing prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, and those which we intend to target, is based on information from various sources (including industry publications, surveys and forecasts and our internal research), on assumptions that we have made, which we believe to be reasonable, based on that data and other similar sources and on our knowledge of those markets. In most cases, our internal research has not been verified by any independent source. Projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

WisdomTree® is our U.S. registered service mark. This prospectus contains additional tradenames, trademarks and service marks of other companies.

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PROSPECTUS SUMMARY

The following summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully. In particular, you should read the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes relating to those statements included elsewhere in this prospectus. Unless the context otherwise requires, in this prospectus, references to we, our, us, WisdomTree Investments, Inc., WisdomTree, or the Company refer to WisdomTree Investments, Inc. and its consolidated subsidiaries. WisdomTree ETFs refers to the exchange traded funds issued by the WisdomTree Trust for which we serve as investment advisor.

Our Company

We are the only publicly-traded asset management company that focuses exclusively on exchange traded funds, or ETFs. We are the seventh largest ETF sponsor in the United States with assets under management, or AUM, of approximately \$13.6 billion as of January 27, 2012. We offer a broad, diverse range of 47 ETFs that span multiple asset classes, including 34 international and domestic equity ETFs, seven currency ETFs, four international fixed income ETFs and two alternative strategy ETFs. Our family of ETFs includes both fundamentally weighted funds that track our own indexes, and actively managed funds. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers.

We focus on creating innovative and thoughtful ETFs for investors. We believe that our differentiated approach, employing a distinctive index-based methodology, delivers better risk adjusted returns over the long term. Our index-based funds employ a fundamental weighting investment methodology, which weights securities on the basis of factors such as dividends or earnings, whereas most other ETF indexes use a capitalization weighted methodology. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inception through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. In addition, we are one of a small number of ETF sponsors that have received the necessary exemptive relief from the SEC to offer actively managed ETFs, which are ETFs that are not based on a particular index but rather are actively managed with complete transparency into the ETF's portfolio on a daily basis. Our exemptive relief enables us to use our own indexes for certain of our ETFs, actively manage other ETFs and incorporate the use of derivatives in certain products, thereby allowing us to develop certain ETFs not yet offered by other sponsors. For example, we are the only ETF sponsor that has launched a managed futures strategy ETF.

Despite a challenging economic environment, our AUM increased by \$2.3 billion, or 23%, from the beginning of 2011 to \$12.2 billion at December 31, 2011. Net inflows into our ETFs reached \$3.9 billion in 2011, up 24% from 2010, and our market share of the ETF industry net inflows reached 3.4% compared to 2.7% in 2010. As a result of strong net inflows and growth in our AUM, our revenues increased 56.6% to \$65.2 million in 2011, while our corresponding expenses increased 26.3% from 2010. We recorded net income of \$3.1 million in 2011 compared to a net loss of \$7.5 million in 2010.

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The following charts show our AUM as of the dates indicated and net inflows of our ETFs for the periods indicated:

The following charts show the asset mix and distribution of our ETFs as of December 31, 2011:

ETFs and Our Industry

An ETF is an investment fund that holds securities such as equities or bonds and generally trades at approximately the same price as the net asset value of its underlying components over the course of the trading day. ETFs offer exposure to a wide variety of asset classes and investment themes, including domestic, international and global equities, fixed income securities, as well as securities in specific industries and countries. There are also ETFs that track certain specific investments, such as commodities, real estate or currencies.

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We believe ETFs have been one of the most innovative, revolutionary and disruptive investment products to emerge in the last two decades in the asset management industry. As of December 31, 2011, there were 937 ETFs in the United States with aggregate AUM over \$1 trillion. McKinsey & Company projects the global aggregate AUM of ETFs could grow by \$1.5 trillion by 2015, and Strategic Insight predicts the U.S. ETF market will hit \$2 trillion before the end of 2015. The chart below reflects the AUM of the ETF industry in the United States since 2001:

U.S. ETF Industry AUM

(in billions)

Source: Investment Company Institute, Bloomberg, WisdomTree.

ETFs are one of the fastest growing sectors of the asset management industry, having expanded at a compound annual growth rate of 29% from \$66 billion in AUM in 2000 to over \$1 trillion in AUM at the end of 2011. According to the Investment Company Institute, ETF AUM increased from 4.2% of total ETF and long-term mutual fund AUM in 2005 to nearly 11% in 2011, while ETF inflows have increased from 23% of total ETF and long-term mutual fund inflows in 2005 to 34% in 2010. We expect this trend to continue. For example, during the recent market downturn in 2008, while traditional long-term mutual funds experienced outflows of \$225 billion, ETFs experienced inflows of \$177 billion. More recently, in 2011, ETFs experienced nearly four times the inflows of mutual funds. We believe the growth of the ETF industry will continue to be driven by a number of factors, including increased educational efforts and greater investor awareness, the continued transition towards fee based models on the part of financial advisors, continued product innovation within the ETF industry, further penetration of ETFs within distribution channels and 401(k) retirement plans, and the secular growth of financial products associated with meeting the financial needs of the baby boomer generation.

According to Morningstar, Inc., ETFs were initially marketed mostly to institutional investors, but today, institutional investors account for only about half of the assets held in ETFs. ETFs have become more popular among a broad range of investors as they have come to realize their benefits and use them for a variety of purposes and strategies, including low cost index investing and asset allocation, access to specific asset classes, protective hedging, income generation, exploitation of arbitrage opportunities, and diversification strategies.

While ETFs are similar to mutual funds in many respects, they have some important differences as well:

Transparency. ETFs disclose the composition of their underlying portfolios on a daily basis, unlike mutual funds which typically disclose their holdings only every 90 days.

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Intraday trading, hedging strategies and complex orders. Like stocks, ETFs can be bought and sold on exchanges throughout the trading day at market prices. ETFs update the indicative values of their underlying portfolios every 15 seconds. As publicly-traded securities, ETF shares can be purchased on margin and sold short, enabling the use of hedging strategies, and traded using stop orders and limit orders, which allow investors to specify the price points at which they are willing to trade.

Tax efficiency. In the United States, whenever a mutual fund or ETF realizes a capital gain that is not balanced by a realized loss, it must distribute the capital gain to its shareholders. These gains are taxable to all shareholders, even those who reinvest the gain distributions in additional shares of the fund. However, most ETFs typically redeem their shares through in-kind redemptions in which low-cost securities are transferred out of the ETF in exchange for fund shares in a non-taxable transaction. As a practical matter, mutual funds cannot use this process. By using this process, ETFs avoid the transaction fees and tax impact incurred by mutual funds that sell securities to generate cash to pay out redemptions.

Uniform pricing. From a cost perspective, ETFs are one of the most equitable investment products on the market. Investors, regardless of their size, structure or sophistication, pay identical advisory fees. Unlike mutual funds, there are not different share classes or different expense structures for retail and institutional clients and ETFs are not sold with sales loads or 12b-1 fees. In many cases, ETFs offer lower expense ratios than comparable mutual funds.

Our Competitive Strengths

Well-positioned in large and growing markets. We believe that ETFs are well-positioned to grow significantly faster than the asset management industry as a whole, making our concentration in ETFs a significant advantage versus other traditional asset management firms. In 2011, our AUM grew at a faster rate than any of the other top 10 ETF sponsors. We have markedly increased our share of ETF industry net flows from 0.5% in 2008 to 3.4% in 2011. Within the ETF industry, being a first mover, or one of the first providers of ETFs in a particular asset class, can be a significant advantage. We believe that our early leadership in a number of asset classes, including small cap emerging markets equities, international local currency denominated fixed income, and managed futures positions us well to maintain a leadership position.

Strong performance through a differentiated approach. We create our own indexes, rebalanced annually, that weight companies in our equity ETFs by a measure of fundamental value. In contrast, traditional indexes are market capitalization weighted and tend to track the momentum of the market. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inceptions through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe our approach differentiates us from our competitors and will allow us to take a greater share of the expected growth in the ETF market.

Diversified product set, powered by innovation. We have a broad and diverse product set. Our products span a variety of traditional and high growth asset classes, including international and U.S. equities, currencies, international fixed income, alternatives, and emerging markets, and include both passive and actively managed funds. Our product development and research teams work closely to identify potential new ETFs for the marketplace. Because we have the regulatory

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exemptive relief that enables us to use our own indexes in our ETFs, we have the ability to create certain indexes and related ETFs more rapidly than our competitors who must license indexes from third party index providers. Our exemptive relief also enables us to offer actively managed funds and incorporate the use of derivatives. Our innovations include launching the industry's first emerging markets small cap equity ETF and the first actively managed currency ETFs. We believe that our expertise in product development combined with our regulatory exemptive relief provides a strategic advantage, enabling us to launch innovative ETFs that others may not be able to launch as quickly.

Extensive marketing, research and sales efforts. Since 2006, we have invested significant resources to establish the WisdomTree brand through targeted television, print and online advertising, as well as public relations efforts. The majority of our employees are dedicated to marketing, research and sales. Our sales professionals are the primary points of contact for financial advisors who use our ETFs. Their efforts are enhanced through value-added services provided by our research and marketing efforts. We have strong relationships with financial advisors at leading national brokerage firms, registered investment advisors and high net worth advisors. We believe the recent growth we have experienced by strategically aligning these advisor relationships and marketing campaigns with targeted research and sales initiatives differentiates us from our competitors and contributes to our strong inflows.

Efficient business model with low risk profile. We have invested heavily in the internal development of our core competencies with respect to product development, marketing, research and sales of ETFs. We outsource to third parties those services that are not our core competencies or may be resource or risk intensive, such as the portfolio management responsibilities and fund accounting operations of our ETFs. In addition, since we create our own indexes, we do not incur licensing costs and can therefore be more competitive in terms of the fees we charge for our index-based ETFs. We have already made substantial investments in our core competencies, and we expect to be able to leverage these existing capabilities across our business, positioning us to maintain both growth and profitability.

Strong, seasoned and creative management team. We have built a strong and dedicated senior leadership team. Most of our leadership team has significant ETF or financial services industry experience in fund operations, regulatory and compliance oversight, product development and management or marketing and communications. We believe our team, by developing an ETF sponsor from the ground up despite significant competitive, regulatory and operational barriers, has demonstrated an ability to innovate as well as recognize and respond to market opportunities and effectively execute our strategy.

Our Growth Strategies

Our goal is to be among the top five U.S. sponsors in the ETF industry, where scale is a competitive advantage. In 2009, we were the eleventh largest ETF sponsor. We increased our AUM to become the eighth largest ETF sponsor in 2010 and today we are the seventh largest. We believe our continued execution will enable us to increase trading volumes and build longer performance track records, which should allow us to attract additional investors and, in turn, further grow our AUM. We will seek to increase our market share and build additional scale by continuing to implement the following growth strategies:

Increase penetration within existing distribution channels. We believe there is an opportunity to increase our market share by further penetrating existing distribution channels and by cross-selling additional WisdomTree ETFs. In order to achieve these objectives, we intend to continue our

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strategy of targeted advertising and direct marketing, coupled with our research-focused sales support initiatives, to enhance product awareness and increase our market share of ETF net inflows. We have increased our share of ETF industry net inflows from 0.5% in 2008 to 3.4% in 2011, and we are focused on continuing this trend.

Launch innovative new products that diversify our product offerings and revenues. We believe our track record has shown that we can create and sell innovative ETFs that meet market demand. We believe that continued launches of new products will strengthen our business by allowing us to realize additional inflows, maintain and grow our AUM and generate revenues across different market cycles as particular investment strategies move in and out of favor.

Expand internationally. To date, our sales and marketing has been principally focused on the domestic U.S. market. However, since April 2010, 11 of our ETFs have been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico. As ETFs are increasingly traded globally we believe that international expansion of our marketing, communication and sales strategies will provide significant new growth avenues. We are currently developing a plan for further international expansion, and have established an international fund company to capitalize on growth opportunities outside of the United States.

Selectively pursue acquisitions or partnerships. We may pursue acquisitions or enter into partnerships or other commercial arrangements that will enable us to strengthen our current business, expand and diversify our product offering, increase our AUM or enter into new markets. We believe entering into partnerships or pursuing acquisitions is a cost-effective means of growing our business and AUM. For example, in 2007, we purchased certain assets and intellectual property from Treasury Equity, LLC which formed the basis for our currency ETFs. In addition, in 2008, we entered into a joint venture with Mellon Capital Management Corporation and The Dreyfus Corporation with respect to our currency and fixed income ETFs, which enabled us to bring these ETFs to market faster than would otherwise have been possible.

Risk Factors

Our business is subject to many risks and uncertainties, as more fully described in the section entitled "Risk Factors" in this prospectus, of which you should be aware before investing in our common stock. For example:

We have only a limited operating history and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects.

Challenging market conditions associated with declining prices of securities can adversely affect our business by reducing the market value of the assets we manage or causing WisdomTree ETF shareholders to sell their fund shares and trigger redemptions.

Fluctuations in the amount and mix of our AUM may negatively impact revenue and operating margin.

Most of our assets under management are held in ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to currency exchange rate risks.

We derive a substantial portion of our revenue from products invested in emerging markets and are exposed to the market-specific political and economic risks as well as general investor sentiment regarding future growth of those markets.

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We derive a substantial portion of our revenue from a limited number of products and, as a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward the strategies pursued by those funds and our ability to maintain the assets under management of those funds.

The WisdomTree ETFs have a limited track record, and poor investment performance could cause our revenue to decline.

We depend on other third parties to provide many critical services to operate our business and the WisdomTree ETFs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.

Recent Developments

Preliminary Financial Results for the Fourth Quarter and Full Year of 2011

On January 30, 2012, we announced our unaudited preliminary results for the fourth quarter and full year of 2011. The following presents an overview of those results, which are preliminary and subject to change.

We reported net income of \$0.9 million for the fourth quarter of 2011 as compared to a net loss of \$0.6 million in the fourth quarter of the prior year and net income of \$1.4 million in the third quarter of 2011. Revenues for the fourth quarter of 2011 were \$16.2 million compared to \$13.4 million in the fourth quarter of the prior year and \$17.7 million in the third quarter of 2011. Expenses were \$15.3 million in the fourth quarter of 2011 compared to \$14.0 million in the fourth quarter of the prior year and \$16.4 million in the third quarter of 2011. Our net inflows for the fourth quarter of 2011 were \$756 million.

For the full year of 2011, we reported net income of \$3.1 million as compared to a loss of \$7.5 million in 2010. Revenues increased 56.6% to \$65.2 million from \$41.6 million for the full year 2010. Expenses increased 26.3% to \$62.1 million from \$49.2 million in 2010.

Our AUM was \$12.2 billion as of December 31, 2011, up from \$11.2 billion at September 30, 2011, due in large part to \$756 million in net inflows. Our AUM has further increased to a record \$13.6 billion as of January 27, 2012. Our month to date net inflows as of that same date is approximately \$665 million.

For more details, please see Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments.

Litigation

On December 1, 2011, Research Affiliates, LLC filed a complaint in the United States District Court for the Central District of California, (Research Affiliates, LLC v. WisdomTree Investments, Inc., et. al., Case No. SACV11-01846 DOC (ANx)), naming us and our subsidiaries, as well as WisdomTree Trust, Mellon Capital Management Corporation and ALPS Distributors, Inc., as defendants. In the complaint, plaintiff alleges that the fundamentally weighted investment methodology we employ for the exchange traded funds using our indexes infringes three of plaintiff's patents and seeks both unspecified monetary damages to be determined and an injunction to prevent further infringement. We filed our answer to the complaint on January 17, 2012 and believe we have strong defenses to this lawsuit based on our belief that (i) we do not practice the indexing methods as claimed in the asserted patents because, for example, the factors we use to select assets included in the ETFs accused of infringement include market capitalization and the price of the assets, and thus fall outside the scope of the asserted patents, which generally provide that selection of the assets to be used for creation of the index

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must be based upon factors that are sufficiently independent of market capitalization; and (ii) the patents should be declared invalid because, among other reasons, there is ample evidence that the concept of fundamentals based indexing was widely known and in commercial use by asset managers and index providers well before the patent applications at issue were filed by plaintiff. For example, in support of our defenses that the asserted patents are invalid, we intend to present evidence that as far back as the early 1990s, Robert Jones at Goldman Sachs managed an earnings weighted index fund. As another example, we intend to present evidence that Dow Jones launched a dividend weighted stock index in 2003. These examples support our view that the asserted patents are invalid at least because earlier publications and activities of investment professionals anticipated or made obvious plaintiff's alleged inventions. We therefore intend to vigorously defend against plaintiff's claims.

While at this early stage of the proceedings it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position. However, in the event of an unfavorable outcome, we may be required to pay monetary damages and/or, if we cannot change our indexes in a manner that does not infringe on the patents, future licensing fees or comply with injunctions, which could have an adverse effect on our business, financial condition and cash flows and the price of our common stock. See **Risk Factors** **Risks Related to Our Business and Industry** We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business. In addition, we are currently covered by a relatively small number of equity research analysts, some of whom may have a view on the merits or impact of this litigation that differs from ours. Any unfavorable commentary by analysts may have an adverse effect on the price and trading volume of our common stock. See **Business** **Legal Proceedings**.

Our Corporate Information

We were incorporated in the state of Delaware on September 19, 1985. Our principal executive office is located at 380 Madison Avenue, 21st Floor, New York, New York, 10017, and our telephone number is (212) 801-2080. Our website is www.WisdomTree.com. Information contained on, or that can be accessed through, our website is not part of this registration statement. On July 26, 2011, the Company's common stock began trading on the NASDAQ Global Market under the symbol WETF.

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THE OFFERING

Common stock offered by us	1,000,000 shares
Common stock offered by the selling stockholders	13,362,251 shares
Common stock to be outstanding after this offering	121,281,104 shares
Underwriters' option to purchase additional shares	The underwriters have an option to purchase up to an additional 2,154,336 shares of common stock from certain of the selling stockholders. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds of approximately \$5,155,000 from the sale by us of shares of our common stock in this offering based upon the public offering price of \$5.61 per share, including proceeds of approximately \$388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See the section entitled "Use of Proceeds."

NASDAQ symbol

WETF

Of the shares to be sold by the selling stockholders in this offering, 9,784,425 shares of common stock are currently issued and outstanding and 3,577,826 shares of common stock are issuable upon exercise of options held by certain of the selling stockholders. Of the shares subject to the underwriters' option, 1,394,395 shares of common stock are currently issued and outstanding and 759,941 shares are issuable upon the exercise of options held by certain of the selling stockholders.

The number of shares of our common stock to be outstanding after this offering is based on 116,703,278 shares of our common stock outstanding as of December 31, 2011 (including unvested restricted stock) and assumes the exercise by the selling stockholders of options to purchase 3,577,826 shares of common stock to be sold in the offering, and excludes:

17,274,788 shares of our common stock issuable upon exercise of outstanding options as of December 31, 2011 at a weighted-average exercise price of \$0.93 per share; and

5,555,359 shares of our common stock reserved as of December 31, 2011 for future issuance under our equity incentive plans that are not issued or subject to outstanding grants.

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Except as otherwise indicated, all share information in this prospectus is as of December 31, 2011 and reflects or assumes:

no exercise of outstanding options after December 31, 2011; and

no exercise by the underwriters of their option to purchase up to an additional 2,154,336 shares of our common stock.

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The following tables present our summary consolidated financial data and certain other data for the periods indicated. The summary consolidated statement of operations data for the years ended December 31, 2008, 2009 and 2010 presented below are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The summary consolidated statement of operations data for the nine months ended September 30, 2010 and 2011 and the summary condensed consolidated balance sheet data as of September 30, 2011 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. Historical results are not necessarily indicative of the results for future periods. In addition, the other data presented below, including AUM, net inflows, market appreciation/(depreciation), average ETF advisory fee, ETF industry net inflows and market share data, are based on information from various sources, including industry publications and our internal records and research. You should read this summary consolidated financial and other data in conjunction with the sections entitled Capitalization, Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Years Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
ETF advisory fees	\$ 21,643	\$ 20,812	\$ 40,567	\$ 27,456	\$ 48,341
Other income	1,968	1,283	1,045	743	644
Total revenues	23,611	22,095	41,612	28,199	48,985
Expenses:					
Compensation and benefits	20,338	18,943	19,193	14,260	14,912
Fund management and administration	14,772	13,387	14,286	10,272	14,991
Marketing and advertising	5,875	2,762	3,721	2,331	3,240
Sales and business development	3,642	2,495	2,730	1,972	2,612
Professional and consulting fees	1,871	1,780	3,779	2,526	3,922
Occupancy, communication and equipment	1,564	1,087	1,118	829	846
Depreciation and amortization	337	360	314	235	200
Third party sharing arrangements	(320)	89	2,296	1,485	4,434
Other	2,577	2,420	1,724	1,258	1,625
Total expenses	50,656	43,323	49,161	35,168	46,782
Income/(loss) before provision for income taxes	(27,045)	(21,228)	(7,549)	(6,969)	2,203
Provision for income taxes					1,103
Tax benefit					(1,013)
Net income/(loss)	\$ (27,045)	\$ (21,228)	\$ (7,549)	\$ (6,969)	\$ 2,203
Net income/(loss) per share basic	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Net income/(loss) per share diluted	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Weighted average common shares basic:	100,236	100,397	111,981	111,675	113,886
Weighted average common shares diluted:	100,236	100,397	111,981	111,675	135,615
Pro forma net income/(loss) per share (unaudited)(1):					
Basic			\$ 0.06		\$ 0.02
Diluted			\$ 0.06		\$ 0.02
Pro forma weighted average common shares:					
Basic			116,559		118,464
Diluted			116,559		136,615

(1)

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The unaudited pro forma net income/(loss) per share has been calculated assuming (i) the exercise of options to purchase 3,577,826 shares of our common stock by certain selling stockholders and (ii) the issuance of 1,000,000 shares of common stock by us in this offering.

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	As of December 31,			As of September 30, 2011	
	2008	2009	2010 (in thousands)	Actual	As adjusted(1)
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 13,275	\$ 11,476	\$ 14,233	\$ 21,052	\$ 26,207
Total assets	\$ 34,856	\$ 25,703	\$ 29,142	\$ 37,905	\$ 43,060
Total liabilities	\$ 12,800	\$ 9,675	\$ 11,907	\$ 14,849	\$ 14,849
Stockholders' equity	\$ 22,056	\$ 16,028	\$ 17,235	\$ 23,056	\$ 28,211

	As of and for the Years Ended December 31,			
	2008	2009	2010	2011
(in millions, except percentage data and ETF industry net inflows)				
Other Data:				
Total ETF assets under management:				
Beginning of period assets	\$ 4,559	\$ 3,180	\$ 5,979	\$ 9,891
Net inflows/(outflows)	907	1,773	3,134	3,899
Market appreciation/(depreciation)	(2,286)	1,026	778	(1,608)
End of period assets	\$ 3,180	\$ 5,979	\$ 9,891	\$ 12,182
Average assets during the period	\$ 4,327	\$ 3,964	\$ 7,308	\$ 11,744
Average ETF advisory fee	0.52%	0.52%	0.56%	0.55%
ETF industry and market share:				
ETF industry net inflows (in billions)	\$ 177	\$ 116	\$ 118	\$ 124
WisdomTree market share of inflows	0.5%	1.5%	2.7%	3.1%

- (1) The as adjusted consolidated balance sheet data gives effect to (i) the sale of 1,000,000 shares of our common stock in this offering at the public offering price of \$5.61 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the issuance of 3,577,826 shares of our common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt by us of the aggregate exercise price for such options.

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RISK FACTORS

*Any investment in our common stock involves a high degree of risk. You should consider carefully the specific risk factors described below in addition to the other information contained in this prospectus before making a decision to invest in our common stock. If any of these risks actually occur, our business, operating results, financial condition and prospects could be harmed. This could cause the trading price of our common stock to decline and a loss of all or part of your investment. Certain statements below are forward-looking statements. See the section entitled *Cautionary Note Regarding Forward-Looking Statements*.*

Risks Related to Our Business and Our Industry

We have only a limited operating history and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects.

We launched our first 20 ETFs in June 2006 and have only a limited operating history in the asset management business upon which an evaluation of our performance can be made. We have incurred significant losses since we launched our first ETFs. We first reported net income in the first quarter of 2011 and we only began to generate positive cash flow on a full quarterly basis in the second fiscal quarter of the year ended December 31, 2010 and, as a result, recent historical growth may not provide an accurate representation of the growth we may experience in the future, which may make it difficult to evaluate our future prospects. We have a history of net losses and have not achieved sustained profitability, and we may not be able to maintain or increase our level of profitability. Prior to generating net income for 2011, we incurred net losses of \$27.0 million, \$21.2 million and \$7.5 million in 2008, 2009 and 2010, respectively. Even though we have achieved profitability, because of the various risks outlined in this prospectus, we cannot assure you that we will continue to be profitable.

Challenging global market conditions associated with declining prices of securities can adversely affect our business by reducing the market value of the assets we manage or causing WisdomTree ETF shareholders to sell their fund shares and trigger redemptions.

We are subject to risks arising from adverse changes in global market conditions and the declining prices of securities, which may result in a decrease in demand for investment products, a higher redemption rate and/or a decline in AUM. The securities markets are highly volatile and securities prices may increase or decrease for many reasons, including general economic conditions, political events, acts of terrorism and other matters beyond our control. Substantially all of our revenue is determined by the amount of our AUM and a substantial part of our AUM is represented by equity securities, in both the international and U.S. markets. As a result, our business can be expected to generate lower revenue in declining equity market environments or general economic downturns, such as after the recent U.S. government debt rating downgrade and in response to concern over potential sovereign debt defaults by other countries. A decline in the prices of securities held by the WisdomTree ETFs may cause our revenue to decline by either causing the value of our AUM to decrease, which would result in lower advisory fees, or causing investors in the WisdomTree ETFs to sell their shares in favor of investments they perceive to offer greater opportunity or lower risk, thus triggering redemptions that would also result in decreased AUM and lower fees.

Fluctuations in the amount and mix of our AUM may negatively impact revenue and operating margin.

The level of our revenue depends on the level and mix of our AUM. Our revenue is derived primarily from advisory fees based on a percentage of the value of our AUM and varies with the nature of the ETFs, which have different fee levels. Fluctuations in the amount and mix of our AUM may be attributable in part to market conditions outside of our control that have had, and in the future could have, a negative impact on our revenue and operating margin.

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We are subject to an increased risk of asset volatility from changes in the foreign markets as discussed below. Individual markets may be adversely affected by economic, political, financial, or other instabilities that are particular to the country or regions in which a market is located, including without limitation local acts of terrorism, economic crises or other business, social or political crises. Declines in these markets and currency fluctuations have caused in the past, and may cause in the future, a decline in our revenue. Changing market conditions and currency fluctuations may cause a shift in our asset mix between foreign and U.S. assets, potentially resulting in a decline in our revenue since we generally derive higher fee revenue from our ETFs investing in foreign markets, particularly in emerging markets.

We have had in the past, and in the future may have, investors who maintain significant positions in one or more of our ETFs. If such an investor were to broadly change or withdraw its investments in our ETFs because of a change to its investment strategy, market conditions or any other reason, it may significantly change the level and mix of our AUM, which may negatively affect our revenue and operating margin.

Most of our assets under management are held in ETFs that invest in foreign securities and we therefore have substantial exposure to foreign market conditions and are subject to currency exchange rate risks.

Many of our ETFs invest in securities of companies, governments and other organizations located outside the United States and at December 31, 2011, approximately 62% of our AUM was held by these ETFs. Therefore, the success of our business is closely tied to market conditions in foreign markets. Investments in non-U.S. issuers are affected by political, social and economic uncertainty effecting a country or region in which we are invested. In addition, fluctuations in foreign currency exchange rates could reduce the revenue we earn from these foreign invested ETFs. This occurs because an increase in the value of the U.S. dollar relative to non-U.S. currencies may result in a decrease in the dollar value of the AUM in these ETFs, which, in turn, would result in lower revenue. Furthermore, investors are likely to believe these ETFs, as well as our suite of currency and fixed income ETFs, are a less attractive investment opportunity when the value of the U.S. dollar rises relative to non-U.S. currencies, which could have the effect of reducing investments in these ETFs, thus reducing revenue.

We derive a substantial portion of our revenue from products invested in emerging markets and are exposed to the market-specific political and economic risks as well as general investor sentiment regarding future growth of those markets.

At December 31, 2011, approximately 42% of our ETF AUM was concentrated in six of our WisdomTree ETFs that primarily invest in equity or fixed income securities issued by companies or governments in emerging markets. In 2011, approximately 51% of our revenue was derived from those six ETFs. As a result, our operating results are particularly exposed to the performance of those funds, economic and market conditions in those emerging markets, general investor sentiment regarding future growth in those emerging markets and our ability to maintain the assets under management of those funds. In addition, because these funds have a higher expense ratio than our other funds in general, they generate a disproportionate percentage of our total revenue. If the AUM in these funds were to decline, either because of declining market values or because of net outflows from these funds, our revenue would be adversely affected.

We derive a substantial portion of our revenue from a limited number of products and, as a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward the strategies pursued by those funds and our ability to maintain the assets under management of those funds.

At December 31, 2011, approximately 68% of our ETF AUM was concentrated in ten of our WisdomTree ETFs. As a result, our operating results are particularly exposed to the performance of those funds, investor sentiment toward investing in the strategies pursued by those funds and our ability to maintain the assets under management of those funds.

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The WisdomTree ETFs have a limited track record and poor investment performance could cause our revenue to decline.

The WisdomTree ETFs have a limited track record upon which an evaluation of their investment performance can be made. At December 31, 2011, of our total 47 ETFs, only 22 ETFs had a five year track record and 40 had a three year track record. Furthermore, as part of our strategy, we continuously evaluate our product offerings to ensure that all of our funds are useful, compelling and differentiated investment offerings, to more competitively align our overall product line in the current ETF landscape and to reallocate our attention and resources to areas of greater client interest. As a result, we may further adjust our product offering which may result in the closing of some of our ETFs, changing their investment objective or offering of new funds. The investment performance of our funds is important to our success. While strong investment performance could stimulate sales of our ETFs, poor investment performance, on an absolute basis or as compared to third-party benchmarks or competitive products, could lead to a decrease in sales or stimulate redemptions, thereby lowering the assets under management and reducing our revenue. Our fundamentally-weighted equity ETFs are designed to provide the potential for better risk-adjusted investment returns over full market cycles and are best suited for investors with a longer-term investment horizon. However, the investment approach of our equity ETFs may not perform well during certain shorter periods of time during different points in the economic cycle.

We currently depend on BNY Mellon to provide us with critical services to operate our business and the WisdomTree ETFs. The failure of BNY Mellon to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.

We currently depend upon BNY Mellon to provide the WisdomTree Trust with portfolio management services. BNY Mellon also provides us with custody services, fund accounting, administration, transfer agency and securities lending services. The failure of BNY Mellon to provide us and the WisdomTree ETFs with these services could result in financial loss to us and WisdomTree ETF shareholders. In addition, because BNY Mellon provides a multitude of important services to us, and portfolio management for the WisdomTree ETFs covers several different asset classes, changing this vendor relationship would be challenging. It might require us to devote a significant portion of management's time to negotiate a similar relationship with a new vendor or have these services provided by multiple vendors, which would require us to coordinate the transfer of these functions to this new vendor or vendors.

We currently depend on BNY Mellon to provide us with portfolio management services to the WisdomTree ETFs and changing this vendor relationship is not completely within our control and effecting a change would be challenging to us.

BNY Mellon currently serves as our sub-advisor and provides the WisdomTree Trust with portfolio management services. We cannot replace BNY Mellon as our sub-advisor without the approval of independent trustees of the WisdomTree Trust and the approval of the shareholders of the WisdomTree ETFs. Therefore our ability to replace BNY Mellon as sub-advisor is not completely within our control. In addition, because BNY Mellon provides portfolio management for several different asset classes, changing this vendor relationship would be challenging. It might require us to devote a significant portion of management's time to negotiate a similar relationship with a new vendor or have these services provided by multiple vendors, which would require us to coordinate the transfer of this function to this new vendor or vendors.

We depend on other third parties to provide many critical services to operate our business and the WisdomTree ETFs. The failure of key vendors to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.

In addition to BNY Mellon, we depend on other third-party vendors to provide us with many services that are critical to operating our business, including a third-party provider of index calculation services for our indexes, a distributor of the WisdomTree ETFs and a third-party provider of indicative values of the portfolios of

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the WisdomTree ETFs. The failure of these key vendors to provide us and the WisdomTree ETFs with these services could lead to operational issues and result in financial loss to us and WisdomTree ETF shareholders.

The asset management business is intensely competitive. Many of our competitors have greater market share, offer a broader range of products and have greater financial resources than we do. As a result, we may experience pressures on our pricing and market share.

Our business operates in intensely competitive industry segments. We compete directly with other ETF sponsors and mutual fund companies and indirectly against other investment management firms, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. We compete based on a number of factors, including name recognition, service, investment performance, product features and breadth of product choices, and fees. Many of our competitors have greater market share, offer a broader range of products and have greater financial resources than we do. Some financial institutions operate in a more favorable regulatory environment and have proprietary products and distribution channels which may provide certain competitive advantages to them and their investment products. Our competitors may also adopt products, services or strategies similar to ours, including the use of fundamentally-weighted indexes. In addition, over time certain sectors of the financial services industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This convergence could result in our competitors gaining greater resources and we may experience pressures on our pricing and market share as a result of these factors and as some of our competitors seek to increase market share by reducing prices. We believe that competition within the ETF industry will continue to increase as more traditional asset management companies become ETF sponsors.

Competitive fee pressures could reduce revenue and profit margins.

The investment management business is highly competitive and has relatively low barriers to entry. Although the ETF industry currently has a higher barrier to entry as a result of the need for ETF sponsors to obtain exemptive relief from the Securities and Exchange Commission, or SEC, in order to operate ETFs, we expect that additional companies, both new companies and traditional asset managers, many of whom are much larger than us, will enter the ETF space. In addition, in 2008, the SEC proposed a rule that, if adopted, would eliminate the need to obtain this exemptive relief. In March 2010, the SEC announced it would defer approval of applications for exemptive relief for ETFs that make significant use of derivatives pending a review by the SEC of the use of derivatives by mutual funds, ETFs and other investment companies. This moratorium may serve to prevent potential competitors from directly competing with certain of our products until this moratorium is lifted. To the extent that we are forced to compete increasingly on the basis of price, we may not be able to maintain our current fee structure. Fee reductions on existing or future new products could cause our revenue and profit margins to decline.

Our revenue could be adversely affected if the WisdomTree Trust determines that the advisory fees we receive from the WisdomTree ETFs should be reduced.

Our advisory agreements with the WisdomTree Trust and the fees we collect from the WisdomTree ETFs are subject to review and approval by the independent trustees of the WisdomTree Trust. The advisory agreements are subject to initial review and approval. After the initial two-year term of the agreement for each ETF, the continuation of such agreement must be reviewed and approved at least annually by a majority of the independent trustees. In determining whether to approve the agreements, the independent trustees consider factors such as (i) the nature and quality of the services provided by us, (ii) the fees charged by us and the costs and profits realized by us in connection with such services, as well as any ancillary or fall-out benefits from such services, (iii) the extent to which economies of scale are shared with the WisdomTree ETFs, and (iv) the level of fees paid by other similar funds. If the independent trustees determine that the advisory fees we charge to any particular fund are too high, we will need to reduce our fees, which could adversely affect our revenue.

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Our risk management policies and procedures, and those of our third-party vendors upon which we rely, may not be fully effective in identifying or mitigating risk exposure, including employee misconduct. If our policies and procedures do not adequately protect us from exposure to these risks, we may incur losses that would adversely affect our financial condition, reputation and market share.

We have developed risk management policies and procedures and we continue to refine them as we conduct our business. Many of our procedures involve oversight of third-party vendors that provide us with critical services such as portfolio management, custody and fund accounting and administration, and index calculation services. Our policies and procedures to identify, monitor and manage risks may not be fully effective in mitigating our risk exposure. Moreover, we are subject to the risks of errors and misconduct by our employees, including fraud and non-compliance with policies. These risks are difficult to detect in advance and deter, and could harm our business, results of operations or financial condition. Although we maintain insurance and use other traditional risk-shifting tools, such as third-party indemnification, in order to manage certain exposures, they are subject to terms such as deductibles, coinsurance, limits and policy exclusions, as well as risk of counterparty denial of coverage, default or insolvency. If our policies and procedures do not adequately protect us from exposure and our exposure is not adequately covered by insurance or other risk-shifting tools, we may incur losses that would adversely affect our financial condition and could cause a reduction in our revenue as WisdomTree ETF shareholders shift their investments to the products of our competitors.

Compliance with extensive, complex and changing regulation imposes significant financial and strategic costs on our business, and non-compliance could result in fines and penalties.

Our business is subject to extensive regulation of our business and operations. Our subsidiary, WisdomTree Asset Management, Inc., or WTAM, is a registered investment adviser and is subject to oversight by the SEC pursuant to its regulatory authority under the Investment Advisers Act of 1940, as amended, or Investment Advisers Act. We also must comply with certain requirements under the Investment Company Act of 1940, as amended, or Investment Company Act, with respect to the WisdomTree ETFs for which WTAM acts as investment adviser. In addition, the content and use of our marketing and sales materials and of our sales force is subject to the regulatory authority of FINRA. To a lesser extent, we are also subject to foreign laws and regulatory authorities with respect to operational aspects of our funds that invest in securities of issuers in foreign countries and in the sales of our funds in foreign jurisdictions. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of our business, including the authority to grant, and, in specific circumstances to cancel, permissions to carry on particular businesses. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our registration as an investment adviser. Even if a sanction imposed against us or our personnel is small in monetary amount, the adverse publicity arising from the imposition of sanctions against us by regulators could harm our reputation and thus result in redemptions from our ETFs and impede our ability to retain WisdomTree ETF shareholders and develop new WisdomTree ETF shareholders, all of which may reduce our revenue.

We face the risk of significant intervention by regulatory authorities, including extended investigation activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect WisdomTree ETF shareholders and our advisory clients, and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through WisdomTree ETF shareholder protection and market conduct requirements.

In addition, the regulatory environment in which we operate is subject to modifications and further regulation. Recently, concerns have been raised about ETF's alleged contribution to market volatility as well as the disclosure requirements applicable to certain types of more complex ETFs. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly

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monitor and react to these changes. For example, in January 2011, the Commodity Futures Trading Commission proposed regulations that, if adopted, would impose upon us additional registration and licensing requirements for a select number of our ETFs and subject us to an additional and extensive regulatory structure. If adopted, these regulations would likely cause us to incur additional costs to achieve and maintain compliance. In August 2011, the SEC recently published a concept release and request for comments on a wide range of issues relating to the use of derivatives by investment companies regulated under the Investment Company Act, including ETFs. The purpose of the release is to assist in the SEC's evaluation of whether the current regulatory framework, as it applies to a fund's use of derivatives, continues to further the policies underlying the Investment Company Act and is consistent with investor protection. While we cannot predict what new or modified regulations may be adopted as a result of the SEC's review, it is possible that new or modified regulations could adversely affect our ability to use derivatives for certain of our products.

Specific regulatory changes also may have a direct impact on our revenue. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. New regulation or judicial interpretations regarding the annual approval process for investment advisory agreements may result in the reduction of fees under these agreements. These regulatory changes and other proposed or potential changes may result in a reduction of revenue.

Damage to our reputation could adversely affect our business.

We believe we have developed a strong brand and a reputation for innovative, thoughtful products, favorable long-term investment performance and excellent client services. The WisdomTree name and brand is a valuable asset and any damage to it could hamper our ability to maintain and grow our AUM and attract and retain employees, thereby having a material adverse effect on our revenue. Risks to our reputation may range from regulatory issues to unsubstantiated accusations. Managing such matters may be expensive, time-consuming and difficult. As described in the section entitled "Management Involvement in Certain Legal Proceedings," Michael Steinhardt, who currently serves as the chairman of our Board of Directors and beneficially owns approximately 29.9% of our common stock (and will beneficially own approximately 26.3% of our common stock after this offering), was sanctioned in civil litigation by the Court of Chancery of the State of Delaware and is required to, among other things, self-report certain trading activity not involving the Company's securities to the SEC. Mr. Steinhardt's actions did not involve the Company and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business, although there can be no assurance that this will be the case or that these matters, and any investigations or actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock. For more details, see the section entitled "Management Involvement in Certain Legal Proceedings."

Abnormally wide bid/ask spreads and market disruptions that halt or disrupt trading or create extreme volatility could undermine investor confidence in the ETF investment structure and limit investor acceptance of ETFs.

The shares of the WisdomTree ETFs, like the shares of all ETFs, trade on exchanges in market transactions that generally approximate the value of the underlying portfolio of securities held by the particular ETF. Trading involves risks including the potential lack of an active market for fund shares, abnormally wide bid/ask spreads (the difference between the prices at which shares of an ETF can be bought and sold) that can exist for a variety of reasons and losses from trading. These risks can be exacerbated during periods when there is low demand for an ETF, when the markets in the underlying basket of securities are closed, when markets conditions are extremely volatile or when trading is disrupted. For example, during the so-called "flash crash" that occurred in May 2010, the shares of some ETFs traded with extreme volatility that did not correspond with the underlying value of their portfolio investments. Similar market conditions could undermine investor confidence in the ETF structure as an investment vehicle and limit further investor acceptance of ETFs. This could result in limited growth or a reduction in the overall ETF market and result in our revenue not growing as rapidly as it has in the recent past or even in a reduction of revenue.

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We have experienced significant growth in recent years, and if we were unable to manage this growth it could have a material adverse effect on our business.

We have experienced significant growth in recent years, which has placed increased demands on our management and other resources and will continue to do so in the future. We may not be able to maintain or accelerate our current growth rate, manage our expanding operations effectively or achieve planned growth on a timely or profitable basis. Managing our growth effectively will involve, among other things:

continuing to retain, motivate and manage our existing employees and attract and integrate new employees;

developing, implementing and improving our operational, financial, accounting, reporting and other internal systems and controls on a timely basis; and

maintaining and developing our various support functions including human resources, information technology, legal and corporate communications.

If we are unable to manage our growth effectively, there could be a material adverse effect on our ability to maintain or increase revenue and profitability.

Continued growth will require continued investment in personnel, information technology infrastructure and marketing activities, as well as further development and implementation of financial, operational and compliance systems and controls. We may not be successful in implementing all of the processes that are necessary to support our growth. Unless our growth results in an increase in our revenue that is at least proportionate to the increase in our costs associated with this growth, our gross margins and our future profitability will be adversely affected.

Our growth strategy also involves, among other things, diversifying our product line to include more ETFs in non-equity asset classes, including fixed income and alternative investment strategies. This will require us to develop products in areas in which we do not have significant prior experience. We may not be successful in developing new products and if developed and launched, we may not be successful in marketing these new products.

Our ability to operate effectively could be impaired if we fail to retain or recruit key personnel.

The success of our business and the implementation of our growth strategy are highly dependent on our ability to attract, retain and motivate highly skilled, and sometimes highly specialized, employees, including in particular, operations, product development, research and sales personnel. The market for these individuals is extremely competitive and is likely to become more so as additional investment management firms enter the ETF industry. Our compensation methods may not enable us to recruit and retain required personnel. In particular, our use of equity grants as a component of total employee compensation may be ineffective if the market price of our common stock declines. Also, we may need to increase compensation levels, which would decrease our net income or increase our losses. If we are unable to retain and attract key personnel, it could have an adverse effect on our business, results of operations and financial condition.

Changes in U.S. federal income tax law could make some of our products less attractive to investors.

Many of the WisdomTree ETFs seek to obtain the investment return achieved by our proprietary indexes that weigh index components based upon dividends. Corporate dividends currently enjoy favorable tax treatment under current U.S. federal income tax law. If the tax rates imposed on dividends were to be increased, it may make these WisdomTree ETFs less attractive to investors.

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Our expenses are subject to fluctuations that could materially affect our operating results.

Our results of operations are also dependent on the level of expenses, which can vary from quarter to quarter. Our expenses may fluctuate primarily as a result of discretionary spending, including marketing, advertising and sales expenses we incur to support our growth initiatives. Accordingly, our results of operation may vary from quarter to quarter.

Any significant limitation or failure of our technology systems that are critical to our operations could interrupt or damage our operations and result in material financial loss, regulatory violations, reputational harm or legal liability.

We are dependent upon the effectiveness of our information security policies, procedures and capabilities to protect the technology systems that we use to operate our business and to protect the data that reside on or are transmitted through them. Although we take protective measures to secure information, our technology systems may still be vulnerable to unauthorized access, computer viruses or other events that could result in inaccuracies in our information or system disruptions or failures, which could materially interrupt or damage our operations. Any inaccuracies, delays or system failures could subject us to client dissatisfaction and losses or result in material financial loss, regulatory violations, reputational harm or legal liability, which, in turn, could cause a decline in our earnings or stock price.

We are currently, and may from time to time in the future be, involved in legal proceedings that could require significant management time and attention, possibly resulting in significant expense or in an unfavorable outcome, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

From time to time, we may be subject to litigation. In connection with any litigation in which we are involved, we may be forced to incur costs and expenses in connection with defending ourselves or in connection with the payment of any settlement or judgment or compliance with any injunctions in connection therewith if there is an unfavorable outcome. The expense of defending litigation may be significant. The amount of time to resolve lawsuits is unpredictable and defending ourselves may divert management's attention from the day-to-day operations of our business, which could adversely affect our business, results of operations, financial condition and cash flows. In addition, an unfavorable outcome in any such litigation could have a material adverse effect on our business, results of operations, financial condition and cash flows.

For example, on December 1, 2011, Research Affiliates, LLC filed suit against us in the United States District Court for the Central District of California, alleging that the fundamentally weighted investment methodology we employ infringes three of plaintiff's patents, and seeking both unspecified monetary damages in an amount to be determined and an injunction to prevent further infringement. For more details, see the section entitled Business Legal Proceedings.

Sanctions recently imposed on the Chairman of our Board and one of our major stockholders, Michael Steinhardt, by the Delaware Court of Chancery could adversely affect us.

As described in the section entitled Management Involvement in Certain Legal Proceedings, Michael Steinhardt, who currently serves as the chairman of our Board of Directors and beneficially owns approximately 29.9% of our common stock (and will beneficially own approximately 26.3% of our common stock after this offering), was sanctioned in civil litigation by the Court of Chancery of the State of Delaware and is required to, among other things, self-report certain trading activity not involving the Company's securities to the SEC. It is possible that the SEC, NASDAQ and/or other authorities may initiate an investigation into Mr. Steinhardt's conduct. If the SEC, NASDAQ or other authorities were to initiate an investigation and conclude that Mr. Steinhardt's actions violated federal securities law or other rules, the SEC or NASDAQ could seek remedies including, among other things, barring Mr. Steinhardt from serving on our Board of Directors.

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NASDAQ could also seek to delist shares of our common stock from the NASDAQ Global Market. Investigations or actions by these and/or other authorities or our Board's determination that Mr. Steinhardt violated our internal policies may also affect, among other things, Mr. Steinhardt's continued tenure on our Board of Directors. Mr. Steinhardt's actions did not involve the Company and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business. However, there can be no assurance that this will be the case or that these matters, and any investigation by the SEC, NASDAQ and/or other authorities or any actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock.

Catastrophic and unpredictable events could have a material adverse effect on our business.

A terrorist attack, war, power failure, cyber-attack, natural disaster or other catastrophic or unpredictable event could adversely affect our future revenue, expenses and operating results by: interrupting our normal business operations; sustaining employee casualties, including loss of our key employees; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence. We have a disaster recovery plan to address certain contingencies, but this plan may not be sufficient in responding or ameliorating the effects of all disaster scenarios. Similarly, these types of events could also affect the ability of the third-party vendors that we rely upon to conduct our business—e.g., BNY Mellon, which provides us with sub-advisory portfolio management services as well as custodial, fund accounting and administration services, or Standard & Poor's, which provide us with index calculation services—to continue to provide these necessary services to us, even though they may also have disaster recovery plans to address these contingencies. If we or our third-party vendors are unable to respond adequately or in a timely manner, this failure may result in a loss of revenue and/or increased expenses, either of which would have a material adverse effect on our operating results.

A change of control of our Company would automatically terminate our investment management agreements relating to the WisdomTree ETFs unless the Board of Trustees of the WisdomTree Trust and shareholders of the WisdomTree ETFs voted to continue the agreements. A change in control could occur if a third party were to acquire controlling interest in our Company, if Michael Steinhardt were to sell or otherwise transfer a certain portion of his shares or if we were to issue additional shares such that Steinhardt's beneficial ownership were diluted.

Under the Investment Company Act, an investment management agreement with a fund must provide for its automatic termination in the event of its assignment. The fund's board and shareholders must vote to continue the agreement following its assignment, the cost of which can be significant and which ordinarily would be borne by us in order to avoid dissatisfaction by the shareholders of the WisdomTree ETFs. Under the Investment Advisers Act, a client's investment management agreement may not be assigned by the investment advisor without the client's consent.

An investment management agreement is considered under both acts to be assigned to another party when a controlling block of the advisor's securities is transferred. Under both acts, there is a presumption that a stockholder beneficially owning 25% or more of an advisor's voting stock controls the advisor and conversely a stockholder beneficially owning less than 25% is presumed not to control the advisor. In our case, an assignment of our investment management agreements may occur if Michael Steinhardt, who currently beneficially owns 29.9% of our common stock (and will beneficially own 26.3% of our common stock after this offering) sells shares of common stock such that his beneficial ownership drops below 25%, or if we sell or issue a certain number of additional shares of common stock in the future that dilutes his beneficial ownership or if a third party were to acquire a controlling interest in our Company. We cannot be certain that the Trustees and the shareholders of the WisdomTree ETFs would consent to assignments of our investment management agreements or approve new agreements with us if a change of control occurs. This restriction may discourage potential purchasers from acquiring a controlling interest in our Company.

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We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business.

Third parties may assert against us alleged patent, copyright, trademark or other intellectual property rights to intellectual property that is important to our business. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending and resolving such claims, and may divert the efforts and attention of our management from our business. As a result of such intellectual property infringement claims, we could be required or otherwise decide that it is appropriate to:

pay third-party infringement claims;

discontinue selling the particular funds subject to infringement claims;

discontinue using the processes subject to infringement claims;

develop other intellectual property or products not subject to infringement claims, which could be time-consuming and costly or may not be possible; or

license the intellectual property from the third party claiming infringement, which license may not be available on commercially reasonable terms.

The occurrence of any of the foregoing could result in unexpected expenses, reduce our revenue and adversely affect our business and financial results. In addition, we are currently covered by a relatively small number of equity research analysts, whose views on the merits or impact of any claim of infringement of third-party intellectual property rights may differ from ours and result in the issuance of unfavorable commentaries by such analysts, which could have an adverse effect on the price and trading volume of our common stock.

For example, on December 1, 2011, Research Affiliates, LLC filed suit against us in the United States District Court for the Central District of California, alleging that the fundamentally weighted investment methodology we employ infringes three of plaintiff's patents, and seeking both unspecified monetary damages to be determined and an injunction to prevent further infringement. For more details, see the section entitled Business Legal Proceedings.

We have applied for patents, but they may not be issued and we may not be able to enforce or protect our patents and other intellectual property rights, which may harm our ability to compete and harm our business.

Although we have applied for patents relating to our index methodology and the operation of our equity ETFs, these patents may not be issued to us. In addition, even if issued, our ability to enforce our patents and other intellectual property rights is subject to general litigation risks. While we have been competing without the benefit of these patents being issued, if they are not issued or we cannot successfully enforce them, we may lose the benefit of a future competitive advantage that they would otherwise provide to us. If we seek to enforce our rights, we could be subject to claims that the intellectual property right is invalid or is otherwise not enforceable. Furthermore, our assertion of intellectual property rights could result in the other party seeking to assert alleged intellectual property rights of its own or assert other claims against us, which could harm our business. If we are not ultimately successful in defending ourselves against these claims in litigation, we may be subject to the risks described in the immediately preceding risk factor entitled We may be subject to claims of infringement of third-party intellectual property rights, which could harm our business.

Fulfilling our public company financial reporting and other regulatory obligations will be expensive and time consuming.

As a company whose common stock was recently registered under the Exchange Act of 1934, as amended, or Exchange Act, and listed on a national securities exchange, we are required to maintain specific

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corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules under the Sarbanes-Oxley Act of 2002, or SOX, and the related rules and regulations of the SEC, as well as the rules of the securities exchange. We anticipate that compliance with these requirements will cause us to continue to incur significant legal and accounting compliance costs, and place significant demands on our accounting and legal staff, and on our accounting and information systems. We expect to hire additional staff with appropriate public company experience and technical knowledge, which will increase our compensation expense.

Beginning with the fiscal year ending December 31, 2012, our management will be required to conduct an annual assessment of the effectiveness of our internal controls over financial reporting and include a report on our internal controls in our annual reports on Form 10-K pursuant to Section 404 of SOX. In addition, we are required to have our independent registered public accounting firm attest to and report on the effectiveness of our internal controls over financial reporting. We will incur significant costs in order to implement and maintain our internal controls over financial reporting and comply with Section 404 of SOX, including necessary auditing and legal fees, and costs associated with accounting, internal audit, information technology, compliance and administrative staff.

Future strategic transactions, including business combinations, mergers and acquisitions, may occur at any time, be significant in size relative to our assets and operations, result in significant changes in our business and materially and adversely affect our stock price. Additionally, we may expend significant financial, management time and other resources without the consummation of such transactions or the realization of the anticipated benefits.

We believe attractive opportunities for strategic transactions exist, some of which may be material to our operations and financial condition if consummated. We have engaged in the past and expect to continue to engage in the future in strategic discussions that we believe may enable us to strengthen our business, expand and diversify our product offering, increase our AUM or enter into new markets. Such transactions may result in our issuing a significant amount of our common stock or other security that could be dilutive to our stockholders, result in substantial borrowings, result in changes in our board composition and/or management team, constitute a change of control of our Company, lead to significant changes in our product offering, business operations and earning and risk profiles, and/or result in a decline in the price of our common stock.

Even if consummated, such transactions may involve numerous risks, including, among others:

failure to achieve financial or operating objectives;

failure to integrate successfully and in a timely manner any operations, products, services or technology;

diversion of the attention of management and other personnel;

failure to obtain necessary regulatory, shareholder or other approvals;

failure to retain personnel;

failure to obtain any necessary financing on acceptable terms or at all;

unforeseen liabilities or expenses;

failure of counterparties to indemnify us against liabilities arising from such transactions;

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potential loss of, or harm to, our relationship with our and the counterparties employees, customers and suppliers as a result of integration of new businesses;

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accounting charges;

unfavorable market conditions that could negatively impact the acquired or combined businesses; and

legal proceedings, including lawsuits brought by stockholders of us or the counterparties which may result in expenses and/or have a material adverse effect on our business.

We could be prevented from, or significantly delayed in, achieving our strategic goals if we are unable to successfully integrate acquired businesses. Our ability to complete future strategic transactions depends upon a number of factors that are not entirely within our control, including our ability to identify suitable merger or acquisition candidates, negotiate acceptable terms, conclude satisfactory agreements and secure financing. Our failure to complete strategic transactions or to integrate and manage acquired or combined businesses successfully could materially and adversely affect our business, results of operations and financial conditions.

Risks Relating to our Common Stock and this Offering

The market price of our shares may fluctuate significantly, and you could lose all or part of your investment.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

decreases in our assets under management;

variations in our quarterly operating results;

differences between our actual financial operating results and those expected by investors and analysts;

publication of research reports about us or the investment management industry;

changes in expectations concerning our future financial performance and the future performance of the ETF industry and the asset management industry in general, including financial estimates and recommendations by securities analysts;

our strategic moves and those of our competitors, such as acquisitions or consolidations;

changes in the regulatory framework of the ETF industry and the asset management industry in general and regulatory action, including action by the SEC to lessen the regulatory requirements or shortening the process to obtain regulatory relief under the Investment Company Act that is necessary to become an ETF sponsor;

changes in general economic or market conditions; and

realization of any other of the risks described elsewhere in this section.

In addition, stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. Furthermore, in the past, market

fluctuations and price declines in a company's stock have led to securities class action litigations or other derivative shareholder lawsuits. If such a suit were to arise, it could cause substantial costs to us and divert our resources regardless of the outcome.

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Future sales of our common stock in the public market by management or our large stockholders could lower our stock price.

Immediately after this offering, our two largest stockholders (each of whom has a representative on our Board of Directors), together with the other members of our Board of Directors and our executive officers, will beneficially own approximately 50.7% of our outstanding common stock. Our officers, directors and the selling stockholders in this offering (except for the Judy and Michael Steinhardt Foundation, or the Foundation, which is not expected to hold any shares of our common stock following this offering) have executed lock-up agreements preventing them from selling any stock they hold for a period of 90 days from the date of this prospectus, subject to certain limited exceptions and extensions described under the section entitled "Underwriting." The representatives of the underwriters may, in their sole discretion, permit our officers, directors and current stockholders to sell shares prior to the expiration of these lock-up agreements. If our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market after the 90-day contractual lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock may decline significantly and may decline below the public offering price. We cannot predict the effect, if any, that future public sales of these shares or the availability of these shares for sale will have on the market price of our common stock.

We will have broad discretion in how we use the net proceeds of this offering. We may not use these proceeds effectively, which could affect our results of operations and cause our stock price to decline.

We will have considerable discretion in the application of the net proceeds of this offering. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for the use of the net proceeds of this offering. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our stockholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price and trading volume of our common stock could decline if one or more equity analysts downgrade our common stock or if analysts issue other unfavorable commentary or cease publishing reports about us or our business.

Future issuance of our common stock could lower our stock price and dilute the interests of existing stockholders.

We may issue additional shares of our common stock in the future, either in connection with an acquisition or for other business reasons. The issuance of a substantial amount of common stock could have the effect of substantially diluting the interests of our current stockholders. In addition, the sale of a substantial amount of common stock in the public market, either in the initial issuance or in a subsequent resale by the target company in an acquisition which received such common stock as consideration or by investors who acquired such common stock in a private placement could have an adverse affect on the market price of our common stock.

The members of our Board of Directors, their affiliates and our executive officers, as stockholders, control our Company.

Immediately after this offering, our two largest stockholders (each of whom has a representative on our Board of Directors) together with the other members of our Board of Directors and our executive officers, as stockholders, will collectively beneficially own 50.7% of our outstanding common stock. As a result of this

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ownership, they have the ability to significantly influence all matters requiring approval by stockholders of our Company, including the election of directors. In particular, Michael Steinhardt, chairman of our Board of Directors, beneficially will own 26.3% of our outstanding common stock and James D. Robinson, IV, a director of our Company, serves as a general partner of three venture capital funds that together will beneficially own 15.2% of our outstanding common stock. As a result, Messrs. Steinhardt and Robinson will beneficially own an aggregate of 41.5% of our outstanding stock and have the ability to significantly influence all matters requiring approval by stockholders of our Company. This concentration of ownership also may have the effect of delaying or preventing a change in control of our Company that may be favored by other stockholders. This could prevent transactions in which stockholders might otherwise receive a premium for their shares over current market prices.

Although our directors and officers have a duty of loyalty to us under Delaware law and our amended and restated certificate of incorporation, transactions that we enter into in which a director or officer has a conflict of interest are generally permissible so long as (1) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our Board of Directors and a majority of our disinterested directors, or a committee consisting solely of disinterested directors, approves the transaction, (2) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our stockholders and a majority of our disinterested stockholders approves the transaction, or (3) the transaction is otherwise fair to us. Under our certificate of incorporation, representatives of our stockholders are not required to offer to us any transaction opportunity of which they become aware and could take any such opportunity for themselves or offer it to other companies in which they have an investment, unless such opportunity is expressly offered to them solely in their capacity as a director of ours.

A provision in our certificate of incorporation and by-laws may prevent or delay an acquisition of our Company, which could decrease the market value of our common stock.

Provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our Board of Directors. These provisions include:

a classified Board of Directors;

limitations on the removal of directors;

advance notice requirements for stockholder proposals and nominations;

the inability of stockholders to act by written consent or to call special meetings;

the ability of our Board of Directors to make, alter or repeal our amended and restated by-laws; and

the authority of our Board of Directors to issue preferred stock with such terms as our Board of Directors may determine. In addition, with the listing of our common stock on the NASDAQ Global Market on July 26, 2011, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our Board of Directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

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We do not intend to pay dividends in the foreseeable future.

We have never paid dividends on our common stock and we intend to invest our available cash flow into our growth strategy for the foreseeable future. Thus, the shares of common stock may not realize a return in the form of dividends in the foreseeable future. Investors who anticipate the need for immediate dividends from shares of common stock should refrain from purchasing our common stock. In addition, our Board of Directors is authorized, without stockholder approval, to issue preferred stock with such terms as our Board of Directors may, in its discretion, determine. Our Board of Directors could, therefore, issue preferred stock with dividend rights superior to that of the common stock, which could also limit the payment of dividends on the common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipate, believes, estimates, predicts, potential, continue or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the section entitled Risk Factors and elsewhere in this prospectus. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

In particular, forward-looking statements in this prospectus include statements about:

anticipated trends, conditions and investor sentiment in the global markets;

anticipated levels of inflows into and outflows out of our exchange traded funds;

our ability to deliver favorable rates of return to investors;

our ability to develop new products and services;

our ability to maintain current vendors or find new vendors to provide services to us at favorable costs;

competition in our business; and

the effect of laws and regulations that apply to our business.

The forward-looking statements in this prospectus represent our views as of the date of this prospectus. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this prospectus.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 1,000,000 shares of our common stock in this offering by us will be approximately \$5,155,000 based upon the public offering price of \$5.61 per share, including proceeds of approximately \$388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders, except for the aggregate exercise price of the selling stockholder options, as noted above.

We currently intend to use the net proceeds of this offering for working capital and other general corporate purposes, including for selling, operating and marketing our ETFs. We may also use net proceeds for possible investments in, or acquisitions of, complementary businesses, services or technologies. We have no current agreements or commitments with respect to any investment or acquisition and we currently are not engaged in negotiations with respect to any investment or acquisition. In addition, the amount of what, and timing of when, we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in the section entitled "Risk Factors" in this prospectus. Accordingly, our management will have broad discretion in applying the net proceeds of this offering. Pending specific application of our net proceeds, we intend to invest the net proceeds in high-quality, investment-grade, short-term fixed income instruments which include corporate, financial institution, federal agency or U.S. government obligations.

DIVIDEND POLICY

We have never declared or paid dividends on our common stock. We do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare dividends will be subject to the discretion of our Board of Directors and will depend on various factors, including applicable laws, our results of operations, financial condition, future prospects and any other factors deemed relevant by our Board of Directors. Investors should not purchase our common stock with the expectation of receiving cash dividends.

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The following table sets forth our cash, cash equivalents and short-term investments, and capitalization as of September 30, 2011:

on an actual basis; and

on a pro forma basis to give effect to (1) our sale in this offering of 1,000,000 shares of our common stock at the public offering price of \$5.61 per share, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, (2) the issuance of 3,577,826 shares of common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt of the aggregate exercise price for such options and (3) the application of the net proceeds we will receive from this offering in the manner described under Use of Proceeds.

You should read this table in conjunction with the sections entitled Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2011	
	(Unaudited)	
	(in thousands)	
	Actual	Pro Forma
Cash, cash equivalents and short-term investments	\$ 21,052	\$ 26,207
Stockholders' equity (deficit):		
Preferred stock, \$0.01 par value, 2,000,000 authorized:		
Common stock; \$0.01 par value, 250,000,000 shares authorized, actual; 250,000,000 shares authorized, pro forma; 115,962,511 shares issued and outstanding (including unvested restricted stock), actual;		
120,540,337 shares issued and outstanding, pro forma	\$ 1,159	\$ 1,205
Additional paid-in capital	161,847	166,956
Accumulated deficit	(139,950)	(139,950)
Total stockholders' equity	23,056	28,211
Total capitalization	\$ 37,905	\$ 43,060

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You should read the selected consolidated financial data presented below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated statements of operations data presented below under the heading "Consolidated Statements of Operations Data" for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data presented below under the heading "Consolidated Balance Sheet Data" as of December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data presented below under the headings "Consolidated Statements of Operations Data" for the years ended December 31, 2006 and 2007 and under "Consolidated Balance Sheet Data" as of December 31, 2006 and 2007, have been derived from our consolidated financial statements not included in this prospectus. The selected consolidated statements of operations data presented below under the heading "Consolidated Statements of Operations Data" for the nine months ended September 30, 2010 and 2011 and the selected consolidated balance sheet data presented below under the heading "Consolidated Balance Sheet Data" as of September 30, 2011, have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

The historical results presented below are not necessarily indicative of the financial results to be expected for future periods, and the results for the nine months ended September 30, 2011 are not necessarily indicative of results to be expected for the full year or for any other period.

	2006	Years Ended December 31,				Nine Months Ended	
		2007	2008	2009	2010	2010	2011
		(in thousands, except share and per share data)					
Consolidated Statements of Operations Data:							
Revenues:							
ETF advisory fees	\$ 1,740	\$ 18,158	\$ 21,643	\$ 20,812	\$ 40,567	\$ 27,456	\$ 48,341
Other income	435	2,761	1,968	1,283	1,045	743	644
Total revenues	2,175	20,919	23,611	22,095	41,612	28,199	48,985
Expenses:							
Compensation and benefits	11,971	21,465	20,338	18,943	19,193	14,260	14,912
Fund management and administration	3,178	11,082	14,772	13,387	14,286	10,272	14,991
Marketing and advertising	2,788	6,434	5,875	2,762	3,721	2,331	3,240
Sales and business development	717	1,611	3,642	2,495	2,730	1,972	2,612
Professional and consulting fees	1,822	3,249	1,871	1,780	3,779	2,526	3,922
Occupancy, communication and equipment	525	1,010	1,564	1,087	1,118	829	846
Depreciation and amortization	36	78	337	360	314	235	200
Third party sharing arrangements			(320)	89	2,296	1,485	4,434
Other	481	1,120	2,577	2,420	1,724	1,258	1,625
Total expenses	21,518	46,049	50,656	43,323	49,161	35,168	46,782
Income/(loss) before provision for income taxes	(19,343)	(25,130)	(27,045)	(21,228)	(7,549)	(6,969)	2,203
Provision for income taxes							1,013
Tax benefit							(1,013)
Net income/(loss)	\$ (19,343)	\$ (25,130)	\$ (27,045)	\$ (21,228)	\$ (7,549)	\$ (6,969)	\$ 2,203

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	2006	Years Ended December 31,				Nine Months Ended	
		2007	2008	2009	2010	September 30,	2011
(in thousands, except share and per share data)							
Net income/(loss) per share basic	\$ (0.25)	\$ (0.26)	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Net income/(loss) per share diluted	\$ (0.25)	\$ (0.26)	\$ (0.27)	\$ (0.21)	\$ (0.07)	\$ (0.06)	\$ 0.02
Weighted average common shares basic:	78,482	98,518	100,236	100,397	111,981	111,675	113,886
Weighted average common shares diluted:	78,482	98,518	100,236	100,397	111,981	111,675	135,615

	As of December 31,					As of September 30,	
	2006	2007	2008	2009	2010	2011	
(in thousands)							
Consolidated Balance Sheet Data:							
Cash and cash equivalents	\$ 57,734	\$ 15,138	\$ 13,275	\$ 11,476	\$ 14,233	\$	21,052
Total assets	\$ 59,032	\$ 52,303	\$ 34,856	\$ 25,703	\$ 29,142	\$	37,905
Total liabilities	\$ 5,626	\$ 12,998	\$ 12,800	\$ 9,675	\$ 11,907	\$	14,849
Stockholders equity	\$ 53,406	\$ 39,304	\$ 22,056	\$ 16,028	\$ 17,235	\$	23,056

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below. For a more complete description of the risks noted above and other risks that could cause our actual results to materially differ from our current expectations, please see the section titled "Risk Factors" above. We assume no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

Executive Summary

We are the seventh largest sponsor of ETFs in the United States based on AUM, with AUM of approximately \$13.6 billion as of January 27, 2012. An ETF is an investment fund that holds securities such as stocks or bonds and trades at approximately the same price as the net asset value of its underlying assets. ETFs offer exposure to a wide variety of investment themes, including domestic, international and global equities, fixed income securities, currencies or commodities, as well as securities in specific industries and countries. We currently offer a comprehensive family of 47 ETFs, which includes 34 international and domestic equity ETFs, seven currency ETFs, four international fixed income ETFs and two alternative strategy ETFs.

Through our operating subsidiary, we provide investment advisory and other management services to the WisdomTree ETFs. In exchange for providing these services, we receive advisory fee revenues based on a percentage of the ETFs average daily net assets under management.

Our expenses are predominantly related to selling, operating and marketing our ETFs. We have contracted with third parties to provide certain operational services for the ETFs. We have contracted with BNY Mellon to act as sub-advisor and provide portfolio management services, fund administration, custody, accounting and other related services for the WisdomTree ETFs.

We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers. We do not target our ETFs for sale directly to the retail segment but rather to the financial advisor who acts as the intermediary between the end-client and us.

Our revenues have increased since we launched in June 2006 and reached a record of \$65.2 million for 2011 compared to \$41.6 million in 2010, \$22.1 million in 2009 and \$23.6 million in 2008. Our expenses have been \$62.1 million in 2011, \$49.2 million in 2010, \$43.3 million in 2009, and \$50.7 million in 2008. We had net income of \$3.1 million in 2011, a loss of \$7.5 million in 2010, a loss of \$21.2 million in 2009 and a loss of \$27.0 million in 2008.

Our revenues are highly correlated to the level and relative mix of our AUM, as well as the fee rate associated with our ETFs. While our AUM has increased on an annual basis, we have experienced fluctuations on a quarterly basis due to changes in net inflows and, most significantly, market movement. A significant portion of our AUM is invested in securities issued outside of the United States. Therefore, our AUM and our revenues are affected by movements in global capital market levels and the strengthening or weakening of the U.S. dollar against other currencies. Another factor impacting our revenues is the fees associated with our ETFs. Our overall average fee rate is affected by the mix of flows into our ETFs. With a significant portion of our AUM invested in securities issued outside of the U.S., favorable market sentiment to emerging markets, currencies and

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international fixed income is likely to have a positive effect on our overall revenue. In addition, we currently compete within the ETF market against several large ETF sponsors, many smaller sponsors, as well as new entrants to the marketplace, and will compete against large asset management companies who have recently launched or announced intentions to launch ETF products. However, it is our belief that our ability to gather inflows into our ETFs, coupled with general stock market trends, will have the greatest impact on our business.

Market Environment

We have been and continue to operate in an extremely challenging and highly competitive business environment. Since we launched our first ETFs in June 2006, the global equity markets have experienced significant volatility. The following chart reflects our ETF assets under management and major market equity indexes since we launched our ETFs:

Equity markets worldwide were in a general upward trend when we launched our ETFs; however, the U.S. equity markets started to significantly decline in the second half of 2008 for many reasons, including concerns over home values and mortgage-related financial products, the safety of major financial institutions and the resulting freeze in the credit markets. The decline then spread worldwide. Investors sold their investments in equities and corporate debt and invested in U.S. government securities and commodities, particularly gold, a trend that continues today. The response from governments and central banks around the world to the financial crisis in 2008 was to provide an unprecedented amount of monetary and fiscal stimulus. Many central banks lowered interest rates to near zero, issued a number of debt guarantees for banks and other non-bank financial institutions, and began to increase the supply of money through open market asset purchases. Additionally, many governments passed legislation that increased spending and added billions of dollars into the global economy. The major global equity market indexes ended 2008 lower with the S&P 500, MSCI EAFE and MSCI Emerging Market indexes all significantly declining. Our AUM in turn also significantly declined as a result of decreases in the market value of the securities our ETFs hold, not as result of outflows from our ETFs.

After reaching a market bottom in March 2009, global financial markets staged a dramatic recovery, with major global market indexes rebounding strongly off of significant declines. As general market conditions improved, financial markets rallied, investor sentiment turned more positive and share prices rose. Our AUM also increased due to strong inflows into our ETFs.

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This positive momentum continued into 2010 and first half of 2011 and we continued to experience robust growth and expansion. However, despite the recovery, concerns remained regarding high unemployment and the rate of economic recovery in the United States, the stability of European economies and their banks, and rising inflation in the emerging market countries. These concerns came to the forefront recently as the U.S. equity markets together with other equity markets worldwide again experienced significant volatility. This recent volatility was led by the U.S. debt ceiling debates in Congress and the subsequent downgrade of U.S. government debt by Standard and Poor's coupled with significant concerns over stability of European banks and the possibility of Greece defaulting on its debt.

The severe downturns in the global financial markets, especially during the second half of 2008 and early 2009, caused significant declines in our assets under management, impacting our financial results and operating cash flows. As a result, we took steps to lower our cost structure to respond to the deteriorating market conditions. We began a series of cost reduction initiatives including decreasing marketing, advertising and business-development related spending, renegotiating fees or changing third party service providers, initiating headcount reductions and deferring non-business critical initiatives and hiring, and lastly, closing 10 of our ETFs in March 2010. In addition, in October 2009, we raised \$5 million predominantly from existing investors through the issuance of common stock.

We also took initiatives to address the decline in our revenues as a result of the deteriorating markets, principally through diversifying our product offering and revenue stream, which were predominantly equity based. In 2008, we launched the industry's first 1940 Act currency ETFs. In August 2010, we launched our first international fixed income ETF and in March 2011, we launched another international fixed income ETF. In January 2011, we launched the industry's first managed futures strategy ETF and in July 2011, we launched our second alternative strategy ETF. We believe expanding our product offering into different asset classes will better diversify our revenue stream and sustain our operating results and financial condition across various market conditions.

We expect challenging and volatile market conditions, and competition from other ETF sponsors and new entrants to the marketplace, to continue in the foreseeable future. As we confront these challenges, we expect to continue to focus on executing our growth strategy and leveraging our core strengths as described in the section entitled "Business" in this prospectus.

Table of Contents**Recent Developments**

On January 30, 2012, we announced our unaudited preliminary results for the fourth quarter and full year of 2011. The following presents an overview of those results, which are preliminary and subject to change.

(in thousands)	Three Months	
	Ended Dec. 31, 2011	Year Ended Dec. 31, 2011
Revenues		
ETF advisory fees	\$ 16,025	\$ 64,366
Other income	150	794
Total revenues	16,175	65,160
Expenses		
Compensation and benefits	4,722	19,634
Fund management and administration	4,891	19,882
Marketing and advertising	1,235	4,475
Sales and business development	991	3,603
Professional and consulting fees	1,264	5,186
Occupancy, communication and equipment	281	1,127
Depreciation and amortization	67	267
Third party sharing arrangements	1,217	5,651
Other	618	2,243
Total expenses	15,286	62,068
Income before provision for income taxes	889	3,092
Provision for income taxes		
Net income	\$ 889	\$ 3,092

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	Year Ended December 31, 2011
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25,630
Accounts receivable	5,625
Other current assets	1,601
Total current assets	32,856
Fixed assets, net	597
Investments	9,056
Other noncurrent assets	58
Total assets	\$ 42,567
LIABILITIES AND STOCKHOLDERS EQUITY	
LIABILITIES	
Current liabilities:	
Fund management and administration payable	\$ 10,035
Compensation and benefits payable	4,168
Accounts payable and other liabilities	2,360
Total current liabilities	16,563
Other noncurrent liabilities	151
Total liabilities	16,714
STOCKHOLDERS EQUITY	25,853
Total liabilities and stockholders equity	\$ 42,567

We reported net income of \$0.9 million for the fourth quarter of 2011 as compared to a net loss of \$0.6 million in the fourth quarter of the prior year and net income of \$1.4 million in the third quarter of 2011. Revenues for the fourth quarter increased 21% to \$16.2 million from \$13.4 million in the fourth quarter of the prior year primarily due to higher average assets under management. Despite positive market movement and net inflows experienced in the fourth quarter of 2011, total revenues decreased 8.8% compared to the third quarter of 2011 primarily due to a 7.3% decline in our average AUM. This average AUM decline in the fourth quarter resulted from \$1.9 billion of negative market movement and outflows from our emerging market currency and fixed income ETFs in the third quarter. Expenses increased 9.2% to \$15.3 million from \$14.0 million in the fourth quarter of last year primarily as a result of higher fund management and administration expenses and third party sharing arrangements due to higher assets under management. As compared to the third quarter of 2011, expenses decreased 6.7% primarily as a result of lower fund management and administration expenses and third party sharing arrangements due to lower assets under management.

For the full year of 2011, we reported net income of \$3.1 million as compared to a loss of \$7.5 million in 2010. Revenues increased 56.6% to \$65.2 million from \$41.6 million for the full year 2010 primarily due to higher average assets under management. Expenses increased 26.3% to \$62.1 million from \$49.2 million in 2010 primarily as a result of higher fund management and administration expenses and third party sharing arrangements due to higher assets under management as well as higher professional fees, sales and marketing related expenses.

Our AUM was \$12.2 billion as of December 31, 2011, up from \$11.2 billion at September 30, 2011, due in large part to \$756 million in net inflows primarily into our dividend-based U.S. equity strategies and emerging market equity ETFs. Our AUM has further increased to a record \$13.6 billion as of January 27, 2012. Our month to date net inflows as of that same date is approximately \$665 million.

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Historical Net ETF Inflows and AUM

The following charts reflect our market share of ETF industry inflows, historical net ETF inflows and ETF AUM in and as of the years ended 2008, 2009 and 2010 and as of and for the nine months ended September 30, 2010 and 2011:

We have experienced positive net inflows each year since we launched our first ETFs in June 2006. While we have experienced significant fluctuations in our net inflows quarter to quarter, we have only experienced one quarter of net outflows approximately \$15.5 million of net outflows in the third quarter of 2008 when the overall market sentiment was extremely negative.

Over the last several quarters, our market share of net ETF inflows has been increasing. We believe this trend is a result of our strong product offering in emerging market equities, new product launches to further

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diversify our product offering, as well as a longer track record for the funds we launched in 2006 and 2007. Our growth strategy seeks to increase our market share of ETF industry inflows through continued product diversification and execution of our marketing and sales strategies.

Components of Revenue*ETF advisory fees*

Approximately 98% of our revenues are comprised of advisory fees we earn from our ETFs. We earn this revenue based on a percentage of the average daily value of AUM. Our average daily value of AUM is the average of the daily aggregate AUM of our ETFs as determined by the then current net asset value (as defined under Investment Company Act Rule 2a-4) of such ETFs as of the close of business each day. Our fee percentages for individual ETFs range from 0.28% to 0.95%. A summary of the average advisory fee we earn and AUM as of January 27, 2012 by asset class is as follows:

	Average Advisory Fee	AUM (in millions)
Emerging Markets Equity ETFs	0.67%	\$ 4,358
International Developed Equity ETFs	0.54%	\$ 2,368
U.S. Equity ETFs	0.34%	\$ 3,885
Currency ETFs	0.49%	\$ 974
International Sector Equity ETFs	0.58%	\$ 209
International Fixed Income ETFs	0.55%	\$ 1,575
Alternative Strategy ETFs	0.94%	\$ 239
Total Average Advisory Fee and AUM	0.53%	\$ 13,608

We determine the appropriate advisory fee to charge for our ETFs based on the cost of operating each particular ETF taking into account the types of securities the ETFs will hold, fees third party service providers will charge us for operating the ETFs and our competitors' fees for similar ETFs. Generally, our actively managed ETFs, such as our Alternative Strategy and Currency ETFs, along with our Emerging Market ETFs, are priced higher than our other index based ETFs as the former are more costly to operate.

Each of our ETFs has a fixed advisory fee. In order to increase the advisory fee, we would need to obtain the approval from a majority of the ETF shareholder which may be difficult or not possible to achieve. There may also be a significant cost in obtaining such ETF shareholder approval. We do not need ETF shareholder approval to lower our advisory fee.

The advisory fee charged for our Currency ETFs and one Fixed Income ETF is subject to a mutual participation agreement that we entered into with Mellon Capital Management Corporation and The Dreyfus Corporation. We have determined that we are the principal participant for transactions under this collaborative arrangement and as such, the advisory fee above reflects the gross fee under this arrangement see Notes to the Consolidated Financial Statements included in this prospectus.

Our ETF advisory fee revenue may fluctuate based on general stock market trends which include market value appreciation or depreciation, currency fluctuations against the U.S. dollar and level of inflows or outflows from our ETFs. In addition, these revenues may fluctuate due to increased competition or a determination by the independent trustees of the WisdomTree ETFs to terminate or significantly alter the funds investment management agreements with us.

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Other income

Other income includes fees from licensing our indexes to third parties and interest income from investing our corporate cash. These revenues are immaterial to our financial results and we do not expect them to be material in the near term.

Components of Expenses

Our operating expenses consist primarily of costs related to selling, operating and marketing our ETFs as well as the infrastructure needed to run our business.

Compensation and benefits

Employee compensation and benefits expenses are expensed when incurred and include salaries, incentive compensation, and related benefit costs. Virtually all our employees receive incentive compensation which is based on our operating results as well as their individual performance. Therefore, a portion of this expense will fluctuate with our business results. In order to attract and retain qualified personnel, we must maintain competitive employee compensation and benefit plans. In normal circumstances, we expect to experience a general rise in employee compensation and benefit expenses over the long term as we grow; however the rate of increase should be less than the rate of increase in our revenues.

Also included in compensation and benefits are costs related to equity awards granted to our employees. We generally grant restricted stock and/or options when employees are hired and in intervals thereafter. In addition, we grant restricted stock and options to our employees as part of year end incentive compensation. Our executive management and Board of Directors believes very strongly that equity awards are an important part of our employees overall compensation package and that incentivizing our employees with equity in the Company aligns the interest of our employees with that of our stockholders. We use the fair value method in recording compensation expense for restricted stock and options grants. Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award and is recognized as an expense over the vesting period. Fair value is determined on the date granted using the Black-Scholes option pricing model for the stock options and is determined by the market value of our common stock for restricted stock awards.

Fund management and administration

Fund management and administration expenses are expensed when incurred and are comprised of costs we pay third-party service providers to operate our ETFs. Under our advisory agreement with the WisdomTree Trust, the Trustees have approved us and other third parties to provide essential management and administrative services to the Trust and each ETF in exchange for an advisory fee. The costs include:

portfolio management of our ETFs (sub-advisory);

fund accounting and administration;

custodial services;

accounting and tax services;

printing and mailing of stockholder materials;

index calculation;

distribution fees;

legal and compliance services;

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exchange listing fees;

trustee fees and expenses;

preparation of regulatory reports and filings;

insurance; and

other administrative services.

Of significance, we have contracted with BNY Mellon to act as sub-advisor and provide portfolio management, fund administration, custody and accounting related services for the WisdomTree ETFs. The fees we pay BNY Mellon have minimums per fund which range from \$25,000 to \$60,000 depending on the nature of the ETF. In addition, we pay additional fees ranging between 0.015% and 0.15% of average daily AUM at various breakpoint levels. The fees we pay for accounting, tax, index calculation and exchange listing are based on the number ETFs we have. The remaining fees are based on a combination of both assets under management and number of funds, or as incurred.

Marketing and advertising

Marketing and advertising expenses are recorded when incurred and include the following costs:

advertising, public relations and product promotion campaigns that are initiated to promote our existing and new ETFs as well as brand awareness;

development and maintenance of our website; and

creation and preparation of marketing materials.

Our discretionary advertising comprises the largest portion of this expense and we expect these costs to increase in the future as we continue to execute our growth strategy and compete against other ETF sponsors and new market entrants. In the past, we have advertised primarily in the first and fourth quarters of the year but we may change that strategy going forward based on our financial results, competitive pressures and market conditions. Therefore, we may incur expenditures in certain periods to attract inflows, the benefit of which may or may not be recognized from increases to our assets under management in future periods. However, due to the discretionary nature of some of these costs, they can generally be reduced if there were a decline in the markets.

Sales and business development

Sales and business development expenses are recorded when incurred and includes the following costs:

travel and entertainment or conference related expenses for our sales force;

market data services for our research team;

sales related software tools; and

legal and other advisory fees associated with the development of new funds.

Professional and consulting fees

Professional fees are expensed when incurred and consist of fees we pay to corporate advisors including accountants, tax advisors, legal counsel, investment bankers or other consultants. These expenses fluctuate based on our needs or requirements at the time. Certain of these costs are at our discretion and can fluctuate year to year. In future periods we expect our professional fees to increase in absolute dollars as we incur additional personnel and professional services costs to meet the compliance requirements of operating as a public company, including those costs incurred in connection with Section 404 of the Sarbanes-Oxley Act.

Also included in professional fees is stock based compensation related to restricted stock or option awards we granted to senior advisers to our Board of Directors. Under generally accepted accounting principles,

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these awards are considered variable expenses and are re-measured each reporting period with a corresponding impact to stockholders' equity. As such, this expense may fluctuate based upon the market price of our common stock.

Occupancy, communications and equipment

Occupancy, communications and equipment expense includes costs for our corporate headquarters in New York City. Our office space lease expires in January 2014. We have sub-leased a portion of our office space to an unrelated third party until March 2012. We expect our office space costs to increase as we assume the sub-leased space.

Depreciation and amortization

Depreciation and amortization expense results primarily from amortization of leasehold improvements to our office space as well as depreciation on fixed assets we purchase which is depreciated over three or seven years.

Third-party sharing arrangements

Included in third-party sharing arrangements expense are payments from and reimbursements to us with respect to (i) a collaborative arrangement with Mellon Capital Management Corporation and The Dreyfus Corporation and (ii) marketing agreements with Advisors Asset Management, Inc. and Compass Group Holdings S.A. The material terms of these arrangements are:

Collaborative Arrangement: In 2008, we entered into a mutual participation agreement with Mellon Capital Management Corporation and Dreyfus Corporation in which the parties agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under this agreement, we are responsible for operating the ETFs and providing sales, marketing and research support at our own cost. Each of Mellon Capital and Dreyfus are responsible for providing sub-advisory, fund administration and accounting services for these collaborated ETFs at its own cost. Any revenues, less third party costs such as marketing, legal, accounting or fund management, related to these collaborative products are shared equally, including any losses (net profit/loss). We are responsible for arranging any third party costs related to this collaborative arrangement. This agreement expires in March 2013. We have determined we are the principal participant for transactions under this collaborative arrangement and as such we record these transactions on a gross basis reflecting all of the revenues and third party expenses on our financial statements in accordance with the nature of the revenue or expense. Any net profit/loss payments are reflected in the Third Party Sharing Arrangement expense line.

Marketing agreements: In 2010, we entered into marketing agreements with Advisors Asset Management, Inc. and Compass Group Holdings, S.A. to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America, respectively. Under these agreements, we pay a percentage of our advisory fee revenue to the marketing agents based on incremental growth in assets under management in the respective sales channel. Since inception we have incurred in total approximately \$0.4 million in expenses as of September 30, 2011 related to these marketing arrangements and we may enter into additional marketing agreements in the future. We are currently evaluating our relationship with Advisors Asset Management and will likely terminate the arrangement and handle the function with our own sales force.

Other

Other expenses consist primarily of insurance premiums, general office related expenses, securities license fees for our sales force, public company related expenses, corporate related travel and entertainment and

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board of director fees, including stock-based compensation related to equity awards we granted to our directors. In 2008 and 2009, other expenses also included stock-based compensation related to common stock we issued to Treasury Equity, LLC.

Future Outlook on Expenses

We believe the ETF industry is still in its infancy and we have significant growth opportunities; therefore, it is important for us to strategically invest in our business. Our investment in strategic growth initiatives includes anticipated higher spending on marketing, advertising and sales efforts, as well as conservative increases to our headcount, in both sales and operational support. We also intend to launch additional ETFs and may close some ETFs in the future, which will have an effect on our fund related costs. We also have established an international fund company to capitalize on growth opportunities outside of the United States. The investment in strategic growth initiatives is an estimate of planned expenses and some of these costs may or may not be incurred depending on the nature of the growth initiatives or market conditions.

Along with expenses for our strategic growth initiatives, we expect to incur approximately \$1.5 million to \$2.0 million in costs in 2012 for obtaining approval from the shareholders of the WisdomTree ETFs for us to continue as investment advisor for the WisdomTree ETFs if our largest stockholder, Michael Steinhardt, who will beneficially own 26.3% of our common stock after this offering, were to sell or otherwise transfer shares of common stock in the future such that his beneficial ownership would fall below 25%. We intend to commence this approval process on a proactive basis as the Investment Company Act presumes a change in control of our Company if Mr. Steinhardt's ownership falls below the 25% threshold. A change in control of our Company would trigger an automatic termination of our investment advisory agreements with the WisdomTree Trust. We also intend to seek approval from the WisdomTree ETF shareholders to give us the option to change sub-advisors in the future from BNY-Mellon.

In addition, we will incur legal expenses in connection with our litigation with Research Affiliates, LLC. These legal costs could potentially be between \$4.0 to \$7.5 million over the next eighteen months. While at this early stage of this litigation, it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position.

Our current gross margin, which we define as our total revenues less our fund management and administration expenses and less third-party sharing arrangements, was approximately 61% as of September 30, 2011. Based on our current AUM levels and mix, we currently do not expect any significant deviation from this metric in the near term.

We estimate the cost of new equity awards in 2012 to be approximately \$1.6 million. Lastly, we have sub-leased a portion of our office space to an unrelated third party until March 2012. We expect our office space costs to increase as we take back the subleased space. With the exception of marketing and sales related expenses which are subject to seasonal fluctuations, we expect our operating expenses to decline as a percent of our revenues as we mature.

Seasonality

We believe seasonal fluctuations in the asset management industry are common. However, since we began our operations, we believe these seasonal trends may have been masked by the unprecedented volatility and negative market conditions in the global equity markets. Therefore, period to period comparisons of ours or the industry's net inflows may not be meaningful and not indicative of results in future periods.

Table of Contents**Key Operating Statistics**

The following table presents key operating statistics that serve as indicators for the performance of our business:

	As of and for the Years Ended			As of and for the	
	2010	December 31, 2009	2008	Nine Months Ended September 30, 2011	2010
Total ETF Assets Under Management (in millions):					
Beginning of period assets	\$ 5,979	\$ 3,180	\$ 4,559	\$ 9,891	\$ 5,979
Inflows/(outflows)	3,134	1,773	907	3,142	1,864
Market appreciation/(depreciation)	778	1,026	(2,286)	(1,849)	417
End of period assets	\$ 9,891	\$ 5,979	\$ 3,180	\$ 11,184	\$ 8,260
Average assets during the period	\$ 7,308	\$ 3,964	\$ 4,327	\$ 11,706	\$ 6,709
ETF Industry and Market Share (in billions):					
ETF industry net inflows	\$ 115	\$ 116	\$ 178	\$ 77	\$ 73
WisdomTree market share of inflows	2.7%	1.5%	0.5%	4.1%	2.6%
International Developed Equity ETFs (in millions):					
Beginning of period assets	\$ 1,953	\$ 1,339	\$ 2,813	\$ 2,062	\$ 1,953
Inflows/(outflows)	29	281	(235)	564	(32)
Market appreciation/(depreciation)	81	333	(1,239)	(327)	(21)
End of period assets	\$ 2,063	\$ 1,953	\$ 1,339	\$ 2,299	\$ 1,900
Average assets during the period	\$ 1,902	\$ 1,471	\$ 2,113	\$ 2,434	\$ 1,957
Emerging Markets Equity ETFs (in millions):					
Beginning of period assets	\$ 1,431	\$ 384	\$ 172	\$ 3,780	\$ 1,431
Inflows/(outflows)	1,911	650	520	506	1,043
Market appreciation/(depreciation)	438	397	(308)	(1,056)	322
End of period assets	\$ 3,780	\$ 1,431	\$ 384	\$ 3,230	\$ 2,796
Average assets during the period	\$ 2,202	\$ 793	\$ 439	\$ 3,733	\$ 1,741
International Sector Equity ETFs (in millions):					
Beginning of period assets	\$ 358	\$ 247	\$ 547	\$ 249	\$ 358
Inflows/(outflows)	(117)	58	(47)	1	(105)
Market appreciation/(depreciation)	8	53	(253)	(48)	(6)
End of period assets	\$ 249	\$ 358	\$ 247	\$ 202	\$ 247
Average assets during the period	\$ 259	\$ 257	\$ 453	\$ 246	\$ 259
U.S. Equity ETFs (in millions):					
Beginning of period assets	\$ 1,330	\$ 987	\$ 1,027	\$ 2,057	\$ 1,330
Inflows/(outflows)	486	137	409	668	368
Market appreciation/(depreciation)	241	206	(449)	(202)	81
End of period assets	\$ 2,057	\$ 1,330	\$ 987	\$ 2,523	\$ 1,779
Average assets during the period	\$ 1,592	\$ 1,084	\$ 984	\$ 2,352	\$ 1,484
Currency ETFs (in millions):					
Beginning of period assets	\$ 906	\$ 224		\$ 1,179	\$ 907
Inflows/(outflows)	253	646	\$ 260	87	328

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Market appreciation/(depreciation)	20	36	(36)	(72)	31
End of period assets	\$ 1,179	\$ 906	\$ 224	\$ 1,194	\$ 1,266
Average assets during the period	\$ 1,217	\$ 359	\$ 337	\$ 1,599	\$ 1,226

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	As of and for the Years Ended December 31,			As of and for the Nine Months Ended September 30,	
	2010	2009	2008	2011	2010
International Fixed Income ETF (in millions):					
Beginning of period assets				\$ 564	
Inflows/(outflows)	\$ 571			1,057	262
Market appreciation/(depreciation)	(7)			(128)	10
End of period assets	\$ 564			\$ 1,493	\$ 272
Average assets during the period	\$ 136			\$ 1,218	\$ 42
Alternative Strategy ETFs (in millions):					
Beginning of period assets				\$ 259	
Inflows/(outflows)					(16)
Market appreciation/(depreciation)					
End of period assets				\$ 243	
Average assets during the period				\$ 124	
Average ETF Asset Mix (during the period):					
International Developed Equity ETFs	26%	37%	49%	32%	26%
Emerging Markets Equity ETFs	30%	20%	10%	21%	29%
International Sector Equity ETFs	4%	7%	10%	20%	22%
U.S. Equity ETFs	22%	27%	23%	14%	18%
Currency ETFs	16%	9%	8%	10%	1%
International Fixed Income ETF	2%			2%	4%
Alternative Strategy ETFs				1%	0%
Total	100%	100%	100%	100%	100%
Average ETF Advisory Fee (during the period)	0.56%	0.52%	0.52%	0.55%	0.55%
Number of ETFs (end of the period):					
International Developed Equity ETFs	14	15	14	14	14
Emerging Markets Equity ETFs	4	4	4	4	4
International Sector Equity ETFs	4	11	11	4	4
U.S. Equity ETFs	12	13	13	12	12
Currency ETFs	9	9	8	9	9
International Fixed Income ETF	1			2	1
Alternative Strategy ETFs				2	
Total	44	52	50	47	44
Headcount	60	54	57	64	56

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	As of and for the Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
Assets Under Management (in millions)				
Beginning of period assets	\$ 9,891	\$ 5,979		
Net inflows	3,142	1,864	\$ 1,278	68.6%
Market appreciation/(depreciation)	(1,849)	417		
End of period assets	\$ 11,184	\$ 8,260	\$ 2,924	35.4%
Financial Results (in thousands)				
Total revenues	\$ 48,985	\$ 28,199	\$ 20,786	73.7%
Total expenses	46,782	35,168	11,614	33.0%
Net income/(loss)	\$ 2,203	(\$ 6,969)	\$ 9,172	

Our AUM in the nine months ended September 30, 2011 increased 13.1% primarily due to strong net inflows into our ETFs partly offset by negative market movement. We reported net income of \$2.2 million in the nine months ended September 30, 2011, compared to a loss of \$7.0 million in the comparable period in 2010.

Revenues

	Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
Average assets under management (in millions)	\$ 11,706	\$ 6,709	\$ 4,997	74.5%
Average ETF advisory fee	0.55%	0.55%		
ETF advisory fees (in thousands)	\$ 48,341	\$ 27,456	\$ 20,885	76.1%
Other income (in thousands)	644	743	(99)	(13.3%)
Total revenues (in thousands)	\$ 48,985	\$ 28,199	\$ 20,786	73.7%

Our total revenues for the nine months ended September 30, 2011 increased 73.7% to \$49.0 million as compared to \$28.2 million in the comparable period in 2010, primarily due to higher average assets under management from strong net ETF inflows.

ETF advisory fees

ETF advisory fees revenue increased 76.1% from \$27.5 million in the nine months ended September 30, 2010 to a record \$48.3 million in the comparable period in 2011. This increase was primarily due to higher average asset balances due to strong net inflows. The average fee earned remained unchanged at 0.55% during the nine months ended September 30, 2011 and September 30, 2010.

Other income

Other income decreased 13.3% from \$0.7 million in the nine months ended September 30, 2010 to \$0.6 million in the comparable period in 2011. This decline was primarily due to lower separate account revenues. Following the first quarter of 2011, we no longer managed separate accounts.

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(in thousands)	Nine Months Ended September 30,		Change	Percent Change
	2011	2010		
Compensation and benefits	\$ 14,912	\$ 14,260	\$ 652	4.6%
Fund management and administration	14,991	10,272	4,719	45.9%
Marketing and advertising	3,240	2,331	909	39.0%
Sales and business development	2,612	1,972	640	32.5%
Professional and consulting fees	3,922	2,526	1,396	55.3%
Occupancy, communications and equipment	846	829	17	2.1%
Depreciation and amortization	200	235	(35)	(14.9%)
Third-party sharing arrangements	4,434	1,485	2,949	198.6%
Other	1,625	1,258	367	29.2%
Total expenses	\$ 46,782	\$ 35,168	\$ 11,614	33.0%

As a Percent of Revenues:	Nine Months Ended September 30,	
	2011	2010
Compensation and benefits	30.4%	50.6%
Fund management and administration	30.6%	36.4%
Marketing and advertising	6.6%	8.3%
Sales and business development	5.3%	7.0%
Professional and consulting fees	8.0%	9.0%
Occupancy, communications and equipment	1.7%	2.9%
Depreciation and amortization	0.4%	0.8%
Third-party sharing arrangements	9.1%	5.3%
Other	3.3%	4.5%
Total expenses	95.5%	124.7%

For the nine months ended September 30, 2011, our total expenses increased \$11.6 million, or 33.0%, to \$46.8 million as compared to \$35.2 million in the comparable period in 2010. This increase was primarily due to higher fund management and administration expenses due to higher average asset balances, higher third-party sharing arrangements due to higher asset balances in our currency and fixed income ETFs, and higher marketing and advertising and sales and business development expenses to support our growth.

Compensation and benefits

Compensation and benefits expense increased 4.6% from \$14.3 million in the nine months ended September 30, 2010 to \$14.9 million in the comparable period in 2011 primarily due to higher accrued incentive compensation due to our strong year-to-date results, as well as costs associated with higher headcount. Our headcount increased from 56 at September 30, 2010 to 64 at September 30, 2011. Partly offsetting this increase was a decrease of \$2.0 million in stock-based compensation as equity awards granted to employees in prior years with higher fair values become fully vested and replaced with a lower number of awards at lower fair values.

Fund management and administration

Fund management and administration expense increased 45.9% from \$10.3 million in the nine months ended September 30, 2010 to \$15.0 million in the comparable period in 2011. Higher average assets under management led to an increase of \$3.3 million in portfolio management, fund administration and accounting, index licensing, and distribution fees. Included in the nine months ended September 30, 2011 is a one-time charge of \$0.7 million related to reimbursing the WisdomTree India ETF for excess fees we collected as a result

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of overestimating the operating expense recapture fees for the India ETF's fiscal year ended March 31, 2011. Lastly, printing related fees increased \$0.3 million due to an increase in the number of shareholders owning our ETFs. We had 47 ETFs at the end of September 2011 compared to 44 at the end of September 2010.

Marketing and advertising

Marketing and advertising expense increased 39.0% from \$2.3 million in the nine months ended September 30, 2010 to \$3.2 million in the comparable period in 2011 primarily due to higher levels of television, print and online advertising to support our growth.

Sales and business development

Sales and business development expense increased 32.5% from \$2.0 million in the nine months ended September 30, 2010 to \$2.6 million in the comparable period in 2011 primarily due to higher new product related spending and sales activities to support our growth.

Professional and consulting fees

Professional and consulting fees increased 55.3% from \$2.5 million in the nine months ended September 30, 2010 to \$3.9 million in the comparable period in 2011 primarily due to a \$0.8 million increase in variable stock based compensation expense from \$1.2 million to \$2.1 million, due to the higher price of our common stock. Legal and accounting fees associated with the preparation of our SEC registration statement on Form 10 in connection with the listing of our common stock onto the NASDAQ Global Market were \$0.7 million in the nine months ended September 30, 2011.

Occupancy, communications and equipment

Occupancy, communications and equipment expense remained relatively unchanged at \$0.8 million in the nine months ended September 30, 2010 and the comparable period in 2011.

Depreciation and amortization

Depreciation and amortization expense remained relatively unchanged at \$0.2 million in the nine months ended September 30, 2010 and the comparable period in 2011.

Third-party sharing arrangements

Third-party sharing arrangements increased \$2.9 million from \$1.5 million in the nine months ended September 30, 2010 to \$4.4 million in the comparable period in 2011. This increase was primarily due to a \$2.5 million increase in net profits in our currency and fixed income ETFs, which are subject to a profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs. In addition, fees paid to third parties for marketing our ETFs in the independent broker-dealer channel and Latin America increased by \$0.4 million.

Other

Other expenses increased 29.2% to \$1.6 million in the nine months ended September 30, 2011 from \$1.3 million in the comparable period in 2010 primarily due to higher corporate insurance and administrative related expenses.

Table of Contents**Year Ended December 31, 2010 Compared to December 31, 2009***Overview*

	At or For the Years Ended December 31,		Change	Percent Change
	2010	2009		
Assets Under Management (in millions)				
Beginning of period assets	\$ 5,979	\$ 3,180		
Net inflows	3,134	1,773	\$ 1,361	76.8%
Market appreciation/(depreciation)	778	1,026		
End of period assets	\$ 9,891	\$ 5,979	\$ 3,912	65.4%
Financial Results (in thousands)				
Total revenues	\$ 41,612	\$ 22,095	\$ 19,517	88.3%
Total expenses	49,161	43,323	5,838	13.5%
Net loss	(\$ 7,549)	(\$ 21,228)	\$ 13,679	(64.4%)

Our AUM increased 65.4% from \$6.0 billion in 2009 to \$9.9 billion in 2010 primarily from \$3.1 billion of net inflows. Our net loss narrowed to a loss of \$7.5 million for the year ended 2010 as compared to a loss of \$21.2 million in 2009 primarily due to higher average asset levels, cost reduction initiatives we initiated in 2008 and 2009 and higher average ETF advisory fee revenue.

Revenues

	Year Ended December 31,		Change	Percent Change
	2010	2009		
Average assets under management (in millions)	\$ 7,308	\$ 3,964	\$ 3,344	84.4%
Average ETF advisory fee	0.56%	0.52%	0.04%	7.7%
ETF advisory fees (in thousands)	\$ 40,567	\$ 20,812	\$ 19,755	94.9%
Other income (in thousands)	\$ 1,045	\$ 1,283	\$ (238)	(18.6%)
Total revenues (in thousands)	\$ 41,612	\$ 22,095	\$ 19,517	88.3%

ETF advisory fees

ETF advisory fee revenues increased 94.9% from \$20.8 million in 2009 to a record \$40.6 million in 2010. This increase was primarily due to higher average asset balances, which increased 84.4% due to strong net inflows, market appreciation and higher average ETF advisory fees, which increased from 0.52% to 0.56%. Approximately 61.0% of our ETF inflows were in our higher-priced emerging market equity ETFs, which contributed to the higher average ETF advisory fee we earned.

Other income

Other income decreased 18.6% from \$1.3 million in 2009 to \$1.0 million in 2010 primarily due to \$0.4 million of lower interest and investment income as a result of low market interest rates and lower average cash balances, partly offset by \$0.1 million of higher income from index licensing revenues.

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(in thousands)	Year Ended December 31,		Change	Percent Change
	2010	2009		
Compensation and benefits	\$ 19,193	\$ 18,943	\$ 250	1.3%
Fund management and administration	14,286	13,387	899	6.7%
Marketing and advertising	3,721	2,762	959	34.7%
Sales and business development	2,730	2,495	235	9.4%
Professional and consulting fees	3,779	1,780	1,999	112.3%
Occupancy, communications and equipment	1,118	1,087	31	2.9%
Depreciation and amortization	314	360	(46)	(12.8%)
Third-party sharing arrangements	2,296	89	2,207	nm
Other	1,724	2,420	(696)	(28.8%)
Total expenses	\$ 49,161	\$ 43,323	\$ 5,838	13.5%

As a Percent of Revenues:	Year Ended December 31,	
	2010	2009
Compensation and benefits	46.1%	85.7%
Fund management and administration	34.3%	60.6%
Marketing and advertising	8.9%	12.5%
Sales and business development	6.6%	11.3%
Professional and consulting fees	9.1%	8.1%
Occupancy, communications and equipment	2.7%	4.9%
Depreciation and amortization	0.8%	1.6%
Third-party sharing arrangements	5.5%	0.4%
Other	4.1%	11.0%
Total expenses	118.1%	196.1%

Compensation and benefits

Compensation and benefits expense increased 1.3% from \$18.9 million in 2009 to \$19.2 million in 2010. This increase was primarily due to an increase of \$1.2 million related to higher incentive compensation due to our strong net inflows and overall business results, as well as costs related to increased headcount. Our headcount increased from 54 at the end of 2009 to 60 at the end of 2010, primarily in our sales related functions. Partly offsetting this increase was a decrease of \$1.4 million in stock-based compensation as equity awards granted to employees in prior years become fully vested and replaced with a lower number of awards.

Fund management and administration

Fund management and administration expense increased 6.7% from \$13.4 million in 2009 to \$14.3 million in 2010. Higher average assets under management as well as fund processing expenses led to an increase of \$0.6 million in portfolio management and fund accounting, administration and custody related fees. We also incurred \$0.5 million in higher printing and legal related fees due to higher activity as well as \$0.2 million in higher exchange listing fees for our ETFs due to a fee increase at the exchange. Partly offsetting these increases was a decrease of \$0.8 million in fund related fees due to the closure of 10 of our ETFs in March 2010 along with lower costs from renegotiating vendor agreements. In addition, 2009 included a reduction of \$0.3 million related to resolution of a portfolio management fee disagreement with BNY Mellon. We ended 2010 with 44 ETFs, down from 52 at the end of 2009. We also launched two new funds during the year.

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Marketing and advertising

Marketing and advertising expense increased 34.7% from \$2.8 million in 2009 to \$3.7 million in 2010 primarily due to higher discretionary advertising related expenses to promote our ETFs on television and online.

Sales and business development

Sales and business development expense increased 9.4% from \$2.5 million in 2009 to \$2.7 million in 2010 primarily due to higher sales related spending to support our growth.

Professional and consulting fees

Professional fees increased \$2.0 million from \$1.8 million in 2009 to \$3.8 million in 2010. This increase was primarily due to \$0.9 million of higher stock-based compensation related to equity awards granted to special advisors to our Board which fluctuates based upon the value of our common stock. Our stock price increased from \$1.85 to \$4.15 at the end of 2010. We also incurred \$1.1 million in higher corporate advisory fees related to business strategy and related legal fees.

Occupancy, communications and equipment

Occupancy, communications and equipment expense remained relatively unchanged between 2009 and 2010.

Depreciation and amortization

Depreciation and amortization expense remained relatively unchanged between 2009 and 2010.

Third-party sharing arrangements

Third-party sharing arrangements increased \$2.2 from \$0.1 million in 2009 to \$2.3 million in 2010. This increase was primarily due to higher net profits in our currency and fixed income ETFs which are subject to profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs partly offset by higher marketing related costs. Average AUM for our currency funds increased from \$359 million in 2009 to \$1.2 billion in 2010.

Other

Other expense decreased 28.8% from \$2.4 million in 2009 to \$1.7 million in 2010. 2009 included a charge of \$1.0 million as a result of our final issuance of common stock to Treasury Equity, LLC for satisfaction of certain conditions related to our currency ETFs.

Table of Contents**Year Ended December 31, 2009 Compared to December 31, 2008***Overview*

	At or For the Years Ended December 31,		Change	Percent Change
	2009	2008		
Assets Under Management (in millions)				
Beginning of period assets	\$ 3,180	\$ 4,559		
Net inflows	1,773	907	\$ 866	95.5%
Market appreciation/(depreciation)	1,026	(2,286)		
End of period ETF assets	\$ 5,979	\$ 3,180	\$ 2,799	88.0%
Financial Results (in thousands)				
Total revenues	\$ 22,095	\$ 23,611	\$ (1,516)	(6.4%)
Total expenses	\$ 43,323	\$ 50,656	\$ (7,333)	(14.5%)
Net loss	\$ (21,228)	\$ (27,045)	\$ 5,817	21.5%

Assets under management increased 88.0% from \$3.2 billion in 2008 to \$6.0 billion in 2009 primarily from \$1.8 billion of net inflows and \$1.0 billion of market appreciation. Total revenues decreased 6.4% primarily due to a significant decline in the equity markets in the first quarter of 2009. However, our expenses decreased at a higher rate of 14.5% primarily due to cost reduction initiatives we initiated in 2008 and 2009. Our net loss narrowed to \$21.2 million for the year ended December 31, 2009 as compared to \$27.0 million for the year ended December 31, 2008 primarily due to these cost reduction initiatives.

Revenues

	Year Ended December 31,		Change	Percent Change
	2009	2008		
Average assets under management (in millions)	\$ 3,964	\$ 4,327	\$ (363)	(8.4%)
Average ETF advisory fee	0.52%	0.52%		
ETF advisory fees (in thousands)	\$ 20,812	\$ 21,643	\$ (831)	(3.8%)
Other income (in thousands)	\$ 1,283	\$ 1,968	\$ (685)	(34.8%)
Total revenues (in thousands)	\$ 22,095	\$ 23,611	\$ (1,516)	(6.4%)

ETF advisory fees

ETF advisory fee revenues decreased 3.8% from \$21.6 million in 2008 to \$20.8 million in 2009. This decrease was primarily a result of significant declines in our assets under management in the first quarter of 2009 due to overall equity market declines in the first quarter of 2009. Our assets under management decreased to a low of \$2.4 billion on March 9, 2009. Even though our assets under management increased from that low point, it did not cause a corresponding increase in our average assets under management at the same rate because of the severe decline during the first quarter of 2009.

Other income

Other income decreased 34.8% from \$2.0 million in 2008 to \$1.3 million in 2009 primarily due to lower interest and investment income of \$0.9 million as a result of low market interest rates and lower average cash balances. Partly offsetting this decrease was an increase of \$0.2 million from licensing and separate account revenues.

Table of Contents*Expenses*

(in thousands)	Year Ended December 31,		Change	Percent Change
	2009	2008		
Compensation and benefits	\$ 18,943	\$ 20,338	\$ (1,395)	(6.9%)
Fund management and administration	13,387	14,772	(1,385)	(9.4%)
Marketing and advertising	2,762	5,875	(3,113)	(53.0%)
Sales and business development	2,495	3,642	(1,147)	(31.5%)
Professional and consulting fees	1,780	1,871	(91)	(4.9%)
Occupancy, communications and equipment	1,087	1,564	(477)	(30.5%)
Depreciation and amortization	360	337	23	6.8%
Third-party sharing arrangements	89	(320)	409	nm
Other	2,420	2,577	(157)	(6.1%)
Total expenses	\$ 43,323	\$ 50,656	\$ (7,333)	(14.5%)

Percent of Revenue	Year Ended December 31,	
	2009	2008
Compensation and benefits	85.7%	86.1%
Fund management and administration	60.6%	62.6%
Marketing and advertising	12.5%	24.9%
Sales and business development	11.3%	15.4%
Professional and consulting fees	8.1%	7.9%
Occupancy, communications and equipment	4.9%	6.6%
Depreciation and amortization	1.6%	1.4%
Third-party sharing arrangements	0.4%	(1.4%)
Other	11.0%	10.9%
Total expenses	196.1%	214.5%

Compensation and benefits

Compensation and benefits expense decreased 6.9% from \$20.3 million in 2008 to \$18.9 million in 2009. This decrease was primarily due to savings of \$1.1 million from headcount related reductions in 2008 as well \$0.3 million in lower incentive compensation.

Fund management and administration

Fund management and administration expense decreased 9.4% from \$14.8 million in 2008 to \$13.4 million in 2009. Higher average assets under management as well as higher fund processing expenses led to an increase of \$0.6 million in portfolio management and fund accounting, administration and custody related fees. Offsetting this increase was a decrease of \$1.3 million in printing, legal, accounting and index calculation fees. In addition, 2008 included a charge of \$0.7 million related to portfolio management fees incurred in prior years due to a fee disagreement with BNY Mellon.

Marketing and advertising

Marketing and advertising expense decreased 53.0% from \$5.9 million in 2008 to \$2.8 million in 2009. This decrease in discretionary spending was a result of cost reduction initiatives implemented by management in reaction to the severe declines in the equity markets.

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Sales and business development

Sales and business development expenses decreased 31.5% from \$3.6 million in 2008 to \$2.5 million in 2009. This decrease in discretionary spending was a result of cost reduction initiatives.

Professional and consulting fees

Professional fees decreased 4.9% from \$1.9 million in 2008 to \$1.8 million in 2009. This decline was primarily due to a decrease of \$0.8 million in lower corporate related legal and other consulting expenses, partly offset by \$0.7 million in higher stock-based compensation related to equity awards granted to the senior advisors to our Board which fluctuates based upon the value of our common stock.

Occupancy, communications and equipment

Occupancy, communications and equipment expense decreased 30.5% from \$1.6 million in 2008 to \$1.1 million in 2009 primarily due to sub-leasing excess office space in our corporate offices.

Depreciation and amortization

Depreciation and amortization expense remained relatively unchanged between 2008 and 2009.

Third-party sharing arrangements

Third-party sharing arrangements increased from a reimbursement of \$0.3 million to us in 2008 to a payment of \$0.1 million from us in 2009. This change was primarily due to higher net profits in our currency ETFs which are subject to a profit sharing agreement with Mellon Capital and Dreyfus. Under the agreement, we share revenues and third party costs equally. This expense increased due to the higher average asset balances in these ETFs and lower third party costs. Average assets under management for our currency funds increased 6.4% from 2008 to 2009.

Other

Other expense decreased 6.1% from \$2.6 million in 2008 to \$2.4 million in 2009. In 2008, we recorded a \$0.2 million charge related to a loss on our sub-leased space.

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The following tables set forth our unaudited consolidated quarterly statement of operations data, both in dollar amounts and as a percentage of total revenues, and our unaudited consolidated quarterly operating data for the nine quarters ended September 30, 2011. In our opinion, this unaudited information has been prepared on substantially the same basis as the consolidated financial statements appearing elsewhere in this prospectus and includes all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the unaudited consolidated quarterly data. The unaudited consolidated quarterly data should be read together with the consolidated financial statements and related notes included elsewhere in this prospectus. The results for any quarter are not necessarily indicative of results for any future period, and you should not rely on them as such.

(in thousands)	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Revenues									
ETF advisory fees	\$ 5,536	\$ 7,428	\$ 8,467	\$ 9,129	\$ 9,860	\$ 13,111	\$ 14,273	\$ 16,514	\$ 17,554
Other income	285	303	247	226	270	302	260	202	182
Total revenues	5,821	7,731	8,714	9,355	10,130	13,413	14,533	16,716	17,736
Expenses									
Compensation and benefits	5,153	4,775	5,255	4,600	4,405	4,933	5,217	4,610	5,085
Fund management and administration	3,317	3,674	3,397	3,306	3,569	4,014	4,162	5,736	5,093
Marketing and advertising	452	1,288	1,160	426	745	1,390	972	1,357	911
Sales and business development	661	813	460	746	766	758	745	913	954
Professional and consulting fees	432	631	1,024	707	795	1,253	1,359	1,090	1,473
Occupancy, communication and equipment	283	249	267	289	273	289	273	285	288
Depreciation and amortization	88	88	77	78	80	79	65	67	68
Third party sharing arrangements	62	(36)	240	636	609	811	1,128	1,512	1,794
Other	361	1,281	426	427	405	466	457	457	711
Total expenses	10,809	12,763	12,306	11,215	11,647	13,993	14,378	16,027	16,377
Net income/(loss)	(\$ 4,988)	(\$ 5,032)	(\$ 3,592)	(\$ 1,860)	(\$ 1,517)	(\$ 580)	\$ 155	\$ 689	\$ 1,359
	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Percent of Revenues									
Revenues									
ETF advisory fees	95.1%	96.1%	97.2%	97.6%	97.3%	97.7%	98.2%	98.8%	99.9%
Other income	4.9%	3.9%	2.8%	2.4%	2.7%	2.3%	1.8%	1.2%	0.1%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses									
Compensation and benefits	88.5%	61.8%	60.3%	49.2%	43.5%	36.8%	35.9%	27.6%	28.7%
Fund management and administration	57.0%	47.5%	39.0%	35.3%	35.2%	29.9%	28.6%	34.3%	28.7%
Marketing and advertising	7.8%	16.7%	13.3%	4.6%	7.4%	10.4%	6.7%	8.1%	5.1%
Sales and business development	11.4%	10.5%	5.3%	8.0%	7.6%	5.7%	5.1%	5.5%	5.4%
Professional and consulting fees	7.4%	8.2%	11.8%	7.6%	7.8%	9.3%	9.4%	6.5%	8.3%
Occupancy, communication and equipment	4.9%	3.2%	3.1%	3.1%	2.7%	2.2%	1.9%	1.7%	1.6%
Depreciation and amortization	1.5%	1.1%	0.9%	0.8%	0.8%	0.6%	0.4%	0.4%	0.4%
Third party sharing arrangements	1.1%	(0.5%)	2.8%	6.8%	6.0%	6.0%	7.8%	9.0%	10.1%
Other	6.2%	16.6%	4.9%	4.6%	4.0%	3.5%	3.1%	2.7%	4.0%
Total expenses	185.7%	165.1%	141.2%	119.9%	115.0%	104.3%	98.9%	95.9%	92.3%
Net income/(loss)	(85.7%)	(65.1%)	(41.2%)	(19.9%)	(15.0%)	(4.3%)	1.1%	4.1%	7.7%

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	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Operating Statistics									
Total ETF AUM (in millions)									
Beginning of period assets	\$ 3,663	\$ 4,902	\$ 5,979	\$ 6,713	\$ 6,240	\$ 8,260	\$ 9,891	\$ 11,284	\$ 12,934
Inflows/(outflows)	559	911	582	121	1,161	1,271	1,264	1,699	179
Market appreciation/(depreciation)	680	166	152	(594)	859	360	129	(49)	(1,929)
End of period assets	\$ 4,902	\$ 5,979	\$ 6,713	\$ 6,240	\$ 8,260	\$ 9,891	\$ 11,284	\$ 12,934	\$ 11,184
Average assets during the period	\$ 4,182	\$ 5,439	\$ 6,311	\$ 6,760	\$ 7,055	\$ 9,104	\$ 10,294	\$ 12,062	\$ 12,762
International Developed Markets Equity ETFs (in millions)									
Beginning of period assets	\$ 1,324	\$ 1,794	\$ 1,953	\$ 1,994	\$ 1,674	\$ 1,900	\$ 2,062	\$ 2,613	\$ 2,619
Inflows/(outflows)	204	136	26	(38)	(20)	61	481	33	50
Market appreciation/(depreciation)	266	23	15	(282)	246	101	70	(27)	(370)
End of period assets	\$ 1,794	\$ 1,953	\$ 1,994	\$ 1,674	\$ 1,900	\$ 2,062	\$ 2,613	\$ 2,619	\$ 2,299
Average assets during the period	\$ 1,510	\$ 1,896	\$ 2,169	\$ 1,907	\$ 1,794	\$ 1,981	\$ 2,217	\$ 2,596	\$ 2,488

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	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Emerging Markets Equity ETFs (in millions)									
Beginning of period assets	\$ 759	\$ 1,119	\$ 1,431	\$ 1,738	\$ 1,728	\$ 2,796	\$ 3,780	\$ 3,759	\$ 3,988
Inflows/(outflows)	197	232	230	106	707	869	60	344	102
Market appreciation/(depreciation)	163	80	77	(116)	361	115	(81)	(115)	(860)
End of period assets	\$ 1,119	\$ 1,431	\$ 1,738	\$ 1,728	\$ 2,796	\$ 3,780	\$ 3,759	\$ 3,988	\$ 3,230
Average assets during the period	\$ 887	\$ 1,297	\$ 1,308	\$ 1,763	\$ 2,153	\$ 3,342	\$ 3,617	\$ 3,863	\$ 3,719
International Sector Equity ETFs (in millions)									
Beginning of period assets	\$ 222	\$ 322	\$ 358	\$ 228	\$ 190	\$ 247	\$ 249	\$ 252	\$ 248
Inflows/(outflows)	52	34	(124)	(1)	20	(11)	(7)	1	7
Market appreciation/(depreciation)	48	2	(6)	(37)	37	13	10	(5)	(53)
End of period assets	\$ 322	\$ 358	\$ 228	\$ 190	\$ 247	\$ 249	\$ 252	\$ 248	\$ 202
Average assets during the period	\$ 269	\$ 338	\$ 345	\$ 214	\$ 218	\$ 258	\$ 246	\$ 258	\$ 234
U.S. Equity ETFs (in millions)									
Beginning of period assets	\$ 1,039	\$ 1,271	\$ 1,330	\$ 1,468	\$ 1,406	\$ 1,779	\$ 2,057	\$ 2,218	\$ 2,612
Inflows/(outflows)	43	(2)	72	85	211	118	53	374	241
Market appreciation/(depreciation)	189	61	66	(147)	162	160	108	20	(330)
End of period assets	\$ 1,271	\$ 1,330	\$ 1,468	\$ 1,406	\$ 1,779	\$ 2,057	\$ 2,218	\$ 2,612	\$ 2,523
Average assets during the period	\$ 1,164	\$ 1,273	\$ 1,406	\$ 1,506	\$ 1,540	\$ 1,917	\$ 2,165	\$ 2,364	\$ 2,528
Currency ETFs (in millions)									
Beginning of period assets	\$ 319	\$ 396	\$ 906	\$ 1,284	\$ 1,242	\$ 1,266	\$ 1,179	\$ 1,467	\$ 1,896
Inflows/(outflows)	62	511	379	(31)	(19)	(75)	271	382	(566)
Market appreciation/(depreciation)	15	(1)	(1)	(11)	43	(12)	17	47	(136)
End of period assets	\$ 396	\$ 906	\$ 1,284	\$ 1,242	\$ 1,266	\$ 1,179	\$ 1,467	\$ 1,896	\$ 1,194
Average assets during the period	\$ 352	\$ 634	\$ 1,084	\$ 1,370	\$ 1,224	\$ 1,189	\$ 1,335	\$ 1,677	\$ 1,786
International Fixed Income ETFs (in millions)									
Beginning of period assets					\$ 0	\$ 272	\$ 564	\$ 902	\$ 1,379
Inflows/(outflows)					262	309	335	442	280
Market appreciation/(depreciation)					10	(17)	3	35	(166)
End of period assets					\$ 272	\$ 564	\$ 902	\$ 1,379	\$ 1,493
Average assets during the period					\$ 126	\$ 417	\$ 679	\$ 1,195	\$ 1,780
Alternative Strategy ETFs (in millions)									
Beginning of period assets							\$ 73	\$ 192	\$ 192
Inflows/(outflows)							71	123	65
Market appreciation/(depreciation)							2	(4)	(14)
End of period assets							\$ 73	\$ 192	\$ 243
Average assets during the period							\$ 35	\$ 109	\$ 227
Average ETF Asset Mix (during the period)									
International Developed Markets Equity ETFs	37%	35%	34%	29%	25%	22%	22%	21%	29%
Emerging Markets Equity ETFs	21%	24%	21%	26%	31%	37%	35%	32%	20%
International Sector Equity ETFs	6%	6%	5%	3%	3%	3%	2%	2%	20%
U.S. Equity ETFs	28%	23%	22%	22%	22%	21%	21%	20%	14%
Currency ETFs	8%	12%	18%	20%	17%	13%	13%	14%	14%
International Fixed Income ETFs					2%	4%	7%	10%	2%
Alternative Strategy ETFs							0%	1%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

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Average ETF Advisory Fee (during the period)	0.53%	0.54%	0.54%	0.54%	0.56%	0.57%	0.56%	0.55%	0.55%
Number of ETFs (end of the period)									
International Developed Markets Equity ETFs	14	15	14	14	14	14	14	14	14
Emerging Markets Equity ETFs	4	4	4	4	4	4	4	4	4
International Sector Equity ETFs	11	11	4	4	4	4	4	4	4
U.S. Equity ETFs	13	13	12	12	12	12	12	12	12
Currency ETFs	9	9	8	8	9	9	9	9	9
International Fixed Income ETFs					1	1	2	2	2
Alternative Strategy ETFs							1	1	2
Total	51	52	42	42	44	44	46	46	47
Headcount	55	54	55	54	56	60	61	61	64

Table of Contents**Liquidity and Capital Resources**

The following table summarizes key data regarding our liquidity, capital resources and use of capital to fund our operations:

	September 30, 2011	December 31, 2010	December 31, 2009
<u>Balance Sheet Data (in thousands):</u>			
Cash and cash equivalents	\$ 21,052	\$ 14,233	\$ 11,476
Investments	9,233	8,595	9,320
Accounts receivable	5,737	4,825	2,884
Total liabilities	(14,849)	(11,907)	(9,675)
	\$ 21,173	\$ 15,746	\$ 14,005

	Nine Months Ended September 30, 2011	2010	Year Ended December 31, 2009	2008
<u>Cash Flow Data (in thousands):</u>				
Operating cash flows	\$ 9,429	\$ 2,128	\$ (15,027)	\$ (15,615)
Investing cash flows	(801)	628	8,240	13,748
Financing cash flows	(1,809)	1	4,988	4
Increase/(decrease) in cash and cash equivalents	\$ 6,819	\$ 2,757	\$ (1,799)	\$ (1,863)

Liquidity

We consider our available liquidity to be our liquid assets less our liabilities. Liquid assets consist of cash and cash equivalents, current receivables, and investments. Cash and cash equivalents include cash on hand and non-interest-bearing and interest-bearing deposits with financial institutions. Accounts receivable primarily represents advisory fees we earn from the WisdomTree ETFs which is collected by the fifth business day of the month following the month earned. Investments represent debt instruments of U.S. government and agency securities. Our liabilities consist primarily of payments owed to vendors and third parties in the normal course of business as well as accrued year end incentive compensation for employees.

Cash and cash equivalents increased \$6.8 million in the nine months ended September 30, 2011 primarily due to \$9.4 million of cash flows generated by our operating activities as a result of higher revenues from higher AUM offset by \$1.8 million of cash flows used to repurchase our common stock and \$0.8 million to purchase investments with our excess cash.

Cash and cash equivalents increased \$0.3 million in the nine months ended September 30, 2010 primarily due to \$1.0 million of proceeds from net redemptions of our investments offset by \$0.7 million of cash used to operate our business as we incurred a loss during the period.

Cash and cash equivalents increased \$2.8 million in 2010 primarily due to \$2.1 million of cash flows generated by our operating activities due to higher revenues from higher assets under management as well as proceeds from net redemptions of our investments.

Cash and cash equivalents decreased \$1.8 million in 2009 primarily due to \$15.0 million of cash used to fund our operations as a result of losses we incurred during the year. We received \$5.0 million in financing during 2009 from investors in a private placement of our common stock in order to increase our liquidity. We also received proceeds from net redemptions of our investments.

Cash and cash equivalents decreased \$1.9 million in 2008 primarily due to \$15.6 million of cash used to fund our operations as a result of losses we incurred during the year. We also received proceeds from net redemptions of our investments.

Table of Contents**Capital Resources**

Currently, our principal source of financing is our operating cash flow, though historically, our principal source of financing was through the private placement of our common stock. We believe that current cash flows generated by our operating activities and the net proceeds raised through this offering should be sufficient for us to fund our operations for at least the next 12 months. The table below reflects the capital contributions we have received from our private placements:

(\$ in millions)	
November 2004	\$ 9.0
July 2005	7.5
December 2006	56.5
October 2009	5.0
Total	\$ 78.0

Use of Capital

Our business does not require us to maintain a significant cash position. We expect that our main uses of cash will be to fund the ongoing operations of our business, invest in strategic growth initiatives, re-acquire shares of our common stock issued to our employees as incentive compensation as discussed below or expand our business through strategic acquisitions.

During the nine months ended September 30, 2011, we repurchased approximately 383,000 shares from our employees at then current market prices at a cost of \$2.1 million in connection with vesting of restricted stock. The amount repurchased represented the estimated tax liability the employees owed to the various taxing authorities related to the income they earned from vested shares. We expect to continue purchasing shares for similar reasons.

Contractual Obligations

The following table summarizes our future cash payments associated with contractual obligations as of September 30, 2011.

	Total	Payments Due by Period (in thousands)		
		Less than 1 year	1 to 3 years	3 to 5 years More than 5 years
Operating lease	\$ 3,096	\$ 352	\$2,744	

Off-Balance Sheet Arrangements

Other than operating leases, which are included in the table above, we do not have any off-balance sheet financing or other arrangements. We have neither created nor are party to any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business.

Business Transactions**Joint Venture with Mellon Capital Management Corporation and The Dreyfus Corporation**

In 2008, we entered into a mutual participation agreement with Mellon Capital Management Corporation and The Dreyfus Corporation in which we agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under the agreement, we contribute our expertise in operating the ETFs, sales, marketing and research, and Mellon Capital and Dreyfus contributed sub-advisory, fund administration and accounting services for these collaborated ETFs. All third-party costs and profits and losses

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are shared equally. This agreement expires in March 2013. As of September 30, 2011, approximately \$2.3 billion of our AUM is related to this agreement. If this agreement were to expire, we would be required to contract separately with Mellon Capital and Dreyfus, or pay another third party to provide for these services. Although we would then have to pay for these services, we would not have to share any profits or losses related to these ETFs. At this time, we have no information whether this agreement will expire or be renewed.

Treasury Equity, LLC

In 2007, we acquired the rights to an application pending with the SEC for exemptive relief to operate currency funds from Treasury Equity, LLC, a private company. Following this purchase we continued to pursue the application for the exemptive relief and ultimately it formed the basis for our regulatory ability to operate currency ETFs. In exchange, we issued approximately 1.2 million shares of common stock valued at approximately \$2.3 million during 2008 and 2009. In addition, until March 2017, we will pay Treasury Equity, LLC a quarterly fee which is calculated as the lesser of 0.03% of the average daily assets under management for our currency ETFs or 10% of revenues we earn from our currency ETFs. We have paid in total \$0.2 million in trailer fees as of September 30, 2011.

Critical Accounting Policies

Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at grant date and is recognized over the relevant service period. The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model we use includes the input of certain variables that are dependent on future expectations, including the expected lives of our options from grant date to exercise date, the volatility of our underlying common shares in the market over that time period, the rate of dividends that we may pay during that time and an appropriate risk-free interest rate. Many of these assumptions require management's judgment. If actual experience differs significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

Income and Deferred Taxes

We recognize an asset or liability for the deferred tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets are recovered or liabilities are settled. A valuation allowance is recorded to reduce the carrying values of deferred tax assets and liabilities to the amount that is more likely than not to be realized. As of September 30, 2011, we have net operating loss carry forwards and we have recognized a deferred tax asset for such carry forwards. Given the significant losses we have incurred since we began our operations, a valuation allowance has been recorded for the full amount of the deferred tax asset.

Recently Issued Accounting Pronouncements

In January 2010, ASU No. 2010-6, *Improving Disclosures About Fair Value Measurement*, adds required disclosures about items transferring into and out of Levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to Level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. ASU No. 2010-6 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to provide Level 3 purchases, sales, issuances, and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. This standard impacts disclosure requirements only and did not have a material impact on our consolidated financial statements.

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In May 2011, the Financial Accounting Standards Board, or FASB, issued ASU No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the Company's financial statements.

Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, our financial results are subject to market risk. Market risk to us generally represents the risk of changes in the value of financial instruments held in the portfolios of the WisdomTree ETFs that generally results from fluctuations in equity prices, foreign currency exchange rates against the U.S. dollar, and interest rates. Nearly all (in excess of 90%) of our revenue for the years ended December 31, 2008, 2009 and 2010, and the nine months ended September 30, 2011, respectively is derived from advisory agreements for the WisdomTree ETFs. Under these agreements, the advisory fee we receive is based on the market value of the assets in the WisdomTree ETF portfolios we manage.

Fluctuations in the value of these securities are common and are generated by numerous factors such as market volatility, the overall economy, inflation, changes in investor strategies, availability of alternative investment vehicles, government regulations and others. Accordingly changes in any one or a combination of these factors may reduce the value of investment securities and, in turn, the underlying assets under management on which our revenues are earned. These declines may cause investors to withdraw funds from our ETFs in favor of investments that they perceive as offering greater opportunity or lower risk, thereby compounding the impact on our revenues. Beginning in the second half of 2008 and into 2009, global equity markets experienced unprecedented volatility which caused significant declines in our assets under management and revenues during the quarters in that time period. Challenging and volatile market conditions might continue to be present in the foreseeable future.

In order to maximize yields, we invest our corporate cash in short-term interest earning assets, primarily money market instruments at a commercial bank and U.S. government and agency debt instruments which totaled \$9.3 million, \$8.6 million and \$9.2 million as of December 31, 2009, 2010 and as of September 30, 2011, respectively. We do not anticipate that changes in interest rates will have a material impact on our financial condition, operating results or cash flows.

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CORPORATE AND FUND STRUCTURE

WisdomTree Investments, Inc. is a New York-based exchange traded fund sponsor and asset manager. Through its operating subsidiary, WisdomTree Investments, Inc. provides investment advisory and other management services to the WisdomTree Trust, or WTT, and the WisdomTree ETFs. WisdomTree Investments, Inc. also licenses its indexes to third parties and promotes the use of WisdomTree ETFs in 401(k) plans. WisdomTree Asset Management, Inc., or WTAM, which is a wholly owned subsidiary of WisdomTree Investments, Inc. formed in February 2005, is an investment advisor registered with the SEC. WTAM provides investment advisory and other management services to WTT and the WisdomTree ETFs. In exchange for providing these services, the Company receives advisory fee revenues based on a percentage of the ETFs average daily net assets under management.

The following diagram depicts our corporate and fund structure:

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The WisdomTree ETFs are issued by the WisdomTree Trust. The WisdomTree Trust is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Board of the WisdomTree Trust, or the Trustees, is separate from the Board of Directors of our Company, WisdomTree Investments, Inc. The Trustees are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs and the Trust for the benefit of the WisdomTree ETF shareholders. We have licensed the use of our own fundamentally-weighted indexes for ETFs on an exclusive basis to the WisdomTree Trust for the WisdomTree ETFs.

Like most ETFs, the day-to-day business of the Trust is generally performed by third-party service providers, such as the adviser, sub-adviser, distributor and administrator, although the Trustees are responsible for overseeing the Trust's service providers. The Trustees have approved us to serve as the investment adviser to the WisdomTree Trust as well as to provide general management and administration of WisdomTree Trust and each of its ETFs. In turn, we have contracted with other third-party service providers for some of these services. In addition, Jonathan Steinberg, our Chief Executive Officer, serves as a Trustee and President of the WisdomTree Trust and Amit Muni, our Chief Financial Officer, serves as Treasurer of the Trust.

Our investment management agreement with the WisdomTree Trust and WisdomTree ETFs must be renewed and specifically approved at least annually by a majority vote of the Independent Trustees. The advisory agreements are subject to initial review and approval. After the initial two-year term of the agreement for each ETF, the continuation of such agreement must be reviewed and approved by a majority of the Independent Trustees at least annually. In determining whether to approve the agreements, the Independent Trustees consider factors such as (i) the nature and quality of the services provided by us, (ii) the fees charged by us and the costs and profits realized by us in connection with such services, as well as any ancillary or fallout benefits from such services, (iii) the extent to which economies of scale are shared with the WisdomTree ETFs, and (iv) the level of fees paid by other similar funds.

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BUSINESS

Our Company

We are the only publicly-traded asset management company that focuses exclusively on ETFs. We are the seventh largest ETF sponsor in the United States with AUM of approximately \$13.6 billion as of January 27, 2012. Our family of ETFs includes both fundamentally weighted funds that track our own indexes, and actively managed funds. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers.

We focus on creating innovative and thoughtful ETFs for investors. We believe that our differentiated approach, employing a distinctive index-based methodology, delivers better risk adjusted returns over the long term. Our index-based funds employ a fundamental weighting investment methodology, which weights securities on the basis of factors such as dividends or earnings, whereas most other ETF indexes use a capitalization weighted methodology. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inception through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. In addition, we are one of a small number of ETF sponsors that have received the necessary exemptive relief from the SEC to offer actively managed ETFs, which are ETFs that are not based on a particular index but rather are actively managed with complete transparency into the ETF's portfolio on a daily basis. Our exemptive relief enables us to use our own indexes for certain of our ETFs, actively manage other ETFs and incorporate the use of derivatives in certain products, thereby allowing us to develop certain ETFs not yet offered by other sponsors. For example, we are the only ETF sponsor that has launched a managed futures strategy ETF.

Despite a challenging economic environment, our AUM increased by \$2.3 billion, or 23%, from the beginning of 2011 to \$12.2 billion at December 31, 2011. Net inflows into our ETFs reached \$3.9 billion in 2011, up 24% from 2010, and our market share of the ETF industry net inflows reached 3.4% compared to 2.7% in 2010. As a result of strong net inflows and growth in our AUM, our revenues increased 56.6% to \$65.2 million in 2011, while our corresponding expenses increased 26.3% over the same period. We recorded net income of \$3.1 million in 2011 compared to a net loss of \$7.6 million in 2010.

The following charts show our AUM as of the dates indicated and the net inflows of our ETFs for the periods indicated:

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The following charts show the asset mix and distribution of our ETFs as of December 31, 2011:

Our Industry

An ETF is an investment fund that holds securities such as equities or bonds and generally trades at approximately the same price as the net asset value of its underlying components over the course of the trading day. ETFs offer exposure to a wide variety of asset classes and investment themes, including domestic, international and global equities, fixed income securities, as well as securities in specific industries and countries. There are also ETFs that track certain specific investments, such as commodities, real estate or currencies.

We believe ETFs have been one of the most innovative, revolutionary and disruptive investment products to emerge in the last two decades in the asset management industry. As of December 31, 2011, there were approximately 937 ETFs in the United States with aggregate AUM over \$1 trillion. McKinsey & Company projects the global aggregate AUM of ETFs could grow by \$1.5 trillion by 2015, and Strategic Insight predicts the U.S. ETF market will hit \$2 trillion before the end of 2015. The chart below reflects the AUM of the ETF industry in the United States since 2001:

U.S. ETF Industry AUM

(in billions)

Source: Investment Company Institute, Bloomberg, WisdomTree.

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As of January 27, 2012, we were the seventh largest ETF sponsor in the United States by AUM and had the highest percentage growth rate in AUM of the top ten ETF sponsors in 2011:

		AUM as of January 27, 2012 (in billions)	2011 % Growth in AUM
1	iShares	\$ 484.1	-0.3%
2	StateStreet	\$ 289.2	7.6%
3	Vanguard	\$ 187.3	14.7%
4	PowerShares	\$ 51.2	7.7%
5	Van Eck	\$ 26.2	17.7%
6	ProShares	\$ 22.6	-1.4%
7	WisdomTree	\$ 13.6	23.2%
8	Deutsche Bank	\$ 12.2	3.7%
9	Rydex	\$ 8.2	3.4%
10	Direxion	\$ 7.2	1.8%
	Top Ten Total	\$ 1,102.0	
	Other ETF Sponsors	\$ 35.0	
	Total U.S. ETF Industry AUM	\$ 1,137.0	

Source: Bloomberg, WisdomTree

According to Morningstar, Inc., ETFs were initially marketed mostly to institutional investors, but today, institutional investors account for only about half of the assets held in ETFs. ETFs have become more popular among a broad range of investors as they have come to realize their benefits and use them for a variety of purposes and strategies, including low cost index investing and asset allocation, access to specific asset classes, protective hedging, income generation, exploitation of arbitrage opportunities, and diversification strategies.

While ETFs are similar to mutual funds in many respects, they have some important differences as well:

Transparency. ETFs disclose the composition of their underlying portfolios on a daily basis, unlike mutual funds which typically disclose their holdings only every 90 days.

Intraday trading, hedging strategies and complex orders. Like stocks, ETFs can be bought and sold on exchanges throughout the trading day at market prices. ETFs update the indicative values of their underlying portfolios every 15 seconds. As publicly-traded securities, ETF shares can be purchased on margin and sold short, enabling the use of hedging strategies, and traded using stop orders and limit orders, which allow investors to specify the price points at which they are willing to trade.

Tax efficiency. In the United States, whenever a mutual fund or ETF realizes a capital gain that is not balanced by a realized loss, it must distribute the capital gain to its shareholders. These gains are taxable to all shareholders, even those who reinvest the gain distributions in additional shares of the fund. However, most ETFs typically redeem their shares through in-kind redemptions in which low-cost securities are transferred out of the ETF in exchange for fund shares in a non-taxable transaction. As a practical matter, mutual funds cannot use this process. By using this process, ETFs avoid the transaction fees and tax impact incurred by mutual funds that sell securities to generate cash to pay out redemptions.

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Uniform pricing. From a cost perspective, ETFs are one of the most equitable investment products on the market. Investors, regardless of their size, structure or sophistication, pay identical advisory fees. Unlike mutual funds, there are not different share classes or different expense structures for retail and institutional clients and ETFs are not sold with sales loads or 12b-1 fees. In many cases, ETFs offer lower expense ratios than comparable mutual funds.

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ETFs are used in various ways by a range of investors, from conservative to speculative uses including:

Low cost index investing. Because of their low cost, ETFs are used by investors seeking to track a variety of indexes encompassing equities, commodities or fixed income over the short and long term.

Improved access to specific asset classes. Investors often use ETFs to gain access to specific market sectors or regions around the world by using an ETF that holds a portfolio of securities in that region or segment rather than buying individual securities.

Protective hedging. Investors seeking to protect their portfolios may use ETFs as a hedge against unexpected declines in prices.

Income generation. Investors seeking to obtain income from their portfolios may buy dividend-paying ETFs, which encompass a basket of dividend-paying stocks rather than buying individual stocks or a fixed income ETF that typically distributes monthly income.

Speculative investing. Investors with a specific directional opinion about a market sector may choose to buy or sell (long or short) an ETF covering or leveraging that market sector.

Arbitrage. Sophisticated investors may use ETFs in order to exploit perceived value differences between the ETF and the value of the ETF's underlying portfolio of securities.

Asset allocation. Investors seeking to invest in various asset classes to develop an asset allocation model in a cost-effective manner can do so easily with ETFs, which offer broad exposure to various asset classes in a single security.

Diversification. By definition, ETFs represent a basket of securities and each fund may contain hundreds or even thousands of different individual securities. The instant diversification of ETFs provides investors with broad exposure to an asset class, market sector or geography.

ETFs are one of the fastest growing sectors of the asset management industry, having expanded at a compound annual growth rate of 29% from \$66 billion in AUM in 2000 to over \$1 trillion in AUM at the end of 2011. According to the Investment Company Institute, ETF AUM increased from 4.2% of total ETF and long-term mutual fund AUM in 2005 to nearly 11% in 2011, while ETF inflows have increased from 23% of total ETF and long-term mutual fund inflows in 2005 to 34% in 2010. We expect this trend to continue. For example, during the recent market downturn in 2008, while traditional long-term mutual funds experienced outflows of \$225 billion, ETFs experienced inflows of \$177 billion. More recently, in 2011, ETFs experienced nearly four times the inflows of mutual funds.

We believe our growth, and the growth of the ETF industry in general, will continue to be driven by the following factors:

Education and greater investor awareness. Over the last several years, ETFs have been taking a greater share of inflows and AUM from mutual funds. We believe as a result of the recent market downturns, investors have become more aware of some of the deficiencies of their mutual fund and other financial products. In particular, we believe investors are beginning to focus on important characteristics of their traditional investments – namely transparency, tradability, liquidity, tax efficiency and fees. Their attention and education focused on these important investment characteristics may be one of the drivers of the shift in inflows from traditional mutual funds to ETFs. We believe as investors become more aware and educated about ETFs and their benefits, ETFs will continue to take market share from traditional mutual funds and other financial products or structures such as hedge

funds, separate accounts and single stocks.

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Move to fee-based models. Over the last several years, many financial advisors have changed the revenue model that they charge clients from one that is transaction-based, that is, based on commissions for trades or receiving sales loads, to a fee-based approach, where an overall fee is charged based on the value of AUM. This fee-based approach lends itself to the advisor selecting no-load, lower-fee financial products, and in our opinion, better aligns advisors with the interests of their clients. Since ETFs generally charge lower fees than mutual funds, we believe this model shift will benefit the ETF industry. As major brokerage firms and asset managers encourage their advisors to move towards fee-based models, we believe overall usage of ETFs will likely increase.

Innovative product offerings. Historically, ETFs tracked traditional equity indexes, but the volume of ETF growth has led to significant innovation and product development. As demand increased, the number of ETFs has also increased and today, ETFs are available for virtually every asset class including commodities, fixed income, alternative strategies, leveraged/inverse, real estate and currencies. We believe, though, that there remains substantial areas for ETF sponsors to continue to innovate, including alternative-based strategies, hard and soft commodities, and actively-managed strategies. We believe the further expansion of ETFs will fuel further growth and investments from investors who typically access these products through hedge funds, separate accounts, stock investments or the futures and commodity markets.

New distribution channels. Discount brokers, including TD Ameritrade, Schwab and Fidelity, now offer free trading and promotion of select ETFs. We believe the promotion of ETF trading by discount brokers and their marketing of ETFs to a wider retail channel will contribute to the future growth of ETFs.

Changing demographics. As the baby boomer generation continues to mature and retire, we expect that there will be a greater demand for a broad range of investment solutions, with a particular emphasis on income generation and principal protection, and that more of these investors will seek advice from professional financial advisors. We believe these financial advisors will migrate more of their clients' portfolios to ETFs due to their lower fees, better fit within fee-based models, and their ability to (i) provide access to more diverse market sectors, (ii) improve multi-asset class allocation, and (iii) be used for different investment strategies, including income generation. Overall, we believe ETFs are well-suited to meet the needs of this large and important group of investors.

Expansion into 401(k) retirement plans. Historically, 401(k) plans were almost exclusively comprised of mutual funds. However, we believe ETFs are particularly well-suited to 401(k) retirement plans and that these plans present a large and growing opportunity for our industry. ETFs are easy-to-implement, fully transparent investment vehicles covering the full range of asset allocation categories, and are available at significantly lower costs than most traditional mutual funds. In addition, regulatory reform laws are anticipated to go into effect in the future that will require 401(k) retirement plan sponsors to disclose all fees associated with their plans. We believe that as investors become aware of fees associated with using mutual funds in traditional 401(k) retirement plans, they will replace their mutual funds with ETFs because of their lower fees.

Our Competitive Strengths

Well-positioned in large and growing markets. We believe that ETFs are well-positioned to grow significantly faster than the asset management industry as a whole, making our concentration in ETFs a significant advantage versus other traditional asset management firms. In 2011, our AUM grew at a faster rate than any of the other top 10 ETF sponsors. We have markedly increased our

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share of ETF industry net flows from 0.5% in 2008 to 3.4% in 2011. Within the ETF industry, being a first mover, or one of the first providers of ETFs in a particular asset class, can be a significant advantage. We believe that our early leadership in a number of asset classes, including small cap emerging markets equities, international local currency denominated fixed income, and managed futures positions us well to maintain a leadership position.

Strong performance through a differentiated approach. We create our own indexes, rebalanced annually, that weight companies in our equity ETFs by a measure of fundamental value. In contrast, traditional indexes are market capitalization weighted and tend to track the momentum of the market. Using our approach, 85% of the \$9.4 billion invested in our 34 equity ETFs were in funds that, since their respective inceptions through December 31, 2011, outperformed their market capitalization-weighted or competitive benchmarks. Similarly, 26 of our 34 equity ETFs have outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe our approach differentiates us from our competitors and will allow us to take a greater share of the expected growth in the ETF market.

Diversified product set, powered by innovation. We have a broad and diverse product set. Our products span a variety of traditional and high growth asset classes, including international and U.S. equities, currencies, international fixed income, alternatives, and emerging markets, and include both passive and actively managed funds. Our product development and research teams work closely to identify potential new ETFs for the marketplace. Because we have the regulatory exemptive relief that enables us to use our own indexes in our ETFs, we have the ability to create certain indexes and related ETFs more rapidly than our competitors who must license indexes from third party index providers. Our exemptive relief also enables us to offer actively managed funds and incorporate the use of derivatives. Our innovations include launching the industry's first emerging markets small cap equity ETF and the first actively managed currency ETFs. We believe that our expertise in product development combined with our regulatory exemptive relief provides a strategic advantage, enabling us to launch innovative ETFs that others may not be able to launch as quickly. For example, the top 10 ETF sponsors launched approximately 95 ETFs in 2011 of which we launched 3. We ranked third in terms of inflows into new ETFs gathering approximately 10% or \$723 million of net inflows.

Extensive marketing, research and sales efforts. Since 2006, we have invested significant resources to establish the WisdomTree brand through targeted television, print and online advertising, as well as public relations efforts. The majority of our employees are dedicated to marketing, research and sales. Our sales professionals are the primary points of contact for financial advisors who use our ETFs. Their efforts are enhanced through value-added services provided by our research and marketing efforts. We have strong relationships with financial advisors at leading national brokerage firms, registered investment advisors and high net worth advisors. We believe the recent growth we have experienced by strategically aligning these advisor relationships and marketing campaigns with targeted research and sales initiatives differentiates us from our competitors and contributes to our strong inflows.

Efficient business model with low risk profile. We have invested heavily in the internal development of our core competencies with respect to product development, marketing, research and sales of ETFs. We outsource to third parties those services that are not our core competencies or may be resource or risk intensive, such as the portfolio management responsibilities and fund accounting operations of our ETFs. In addition, since we create our own indexes, we do not incur licensing costs and can therefore be more competitive in terms of the fees we charge for our index-based ETFs. We have already made substantial investments in our core competencies, and we expect to be able to leverage these existing capabilities across our business, positioning us to maintain both growth and profitability.

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Strong, seasoned and creative management team. We have built a strong and dedicated senior leadership team. Most of our leadership team has significant ETF or financial services industry experience in fund operations, regulatory and compliance oversight, product development and management or marketing and communications. We believe our team, by developing an ETF sponsor from the ground up despite significant competitive, regulatory and operational barriers, has demonstrated an ability to innovate as well as recognize and respond to market opportunities and effectively execute our strategy.

Our Growth Strategies

Our goal is to be among the top five U.S. sponsors in the ETF industry, where scale is a competitive advantage. In 2009, we were the eleventh largest ETF sponsor. We increased our AUM to become the eighth largest ETF sponsor in 2010 and today we are the seventh largest. We believe our continued execution will enable us to increase trading volumes and build longer performance track records, which should allow us to attract additional investors and, in turn, further grow our AUM. We will seek to increase our market share and build additional scale by continuing to implement the following growth strategies:

Increase penetration within existing distribution channels. We believe there is an opportunity to increase our market share by further penetrating existing distribution channels and by cross-selling additional WisdomTree ETFs. In order to achieve these objectives, we intend to continue our strategy of targeted advertising and direct marketing, coupled with our research-focused sales support initiatives, to enhance product awareness and increase our market share of ETF net inflows. We have increased our share of ETF industry net inflows from 0.5% in 2008 to 3.4% in 2011, and we are focused on continuing this trend.

Launch innovative new products that diversify our product offerings and revenues. We believe our track record has shown that we can create and sell innovative ETFs that meet market demand. We believe that continued launches of new products will strengthen our business by allowing us to realize additional inflows, maintain and grow our AUM and generate revenues across different market cycles as particular investment strategies move in and out of favor.

Expand internationally. To date, our sales and marketing has been principally focused on the domestic U.S. market. However, since April 2010, 11 of our ETFs have been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico. As ETFs are increasingly traded globally we believe that international expansion of our marketing, communication and sales strategies will provide significant new growth avenues. We are currently developing a plan for further international expansion, and have established an international fund company to capitalize on growth opportunities outside of the United States.

Selectively pursue acquisitions or partnerships. We may pursue acquisitions or enter into partnerships or other commercial arrangements that will enable us to strengthen our current business, expand and diversify our product offering, increase our AUM or enter into new markets. We believe entering into partnerships or pursuing acquisitions is a cost-effective means of growing our business and AUM. For example, in 2007, we purchased certain assets and intellectual property from Treasury Equity, LLC which formed the basis for our currency ETFs. In addition, in 2008, we entered into a joint venture with Mellon Capital Management Corporation and The Dreyfus Corporation with respect to our currency and fixed income ETFs, which enabled us to bring these ETFs to market faster than would otherwise have been possible.

Regulatory Framework of the ETF Industry

Not all exchange traded products, or ETPs, are ETFs. ETFs are a distinct type of security with features that are different than other ETPs. ETFs are open-end investment companies or unit investment trusts regulated

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by the Investment Company Act. This regulatory structure is designed to provide investor protection within a pooled investment product. For example, the Investment Company Act requires that at least 40% of the Trustees for each ETF may not be affiliated with the fund's investment manager (Independent Trustees). If the ETF seeks to rely on certain rules under the Investment Company Act, a majority of the Trustees for that ETF must be Independent Trustees. In addition, as discussed below, ETFs have received orders from the staff of the SEC which exempt them from certain provisions of the Investment Company Act; however, ETFs generally operate under regulations that prohibit affiliated transactions, are subject to standard pricing and valuation rules and have mandated compliance programs. ETPs can take a number of forms other than ETFs, including exchange traded notes, grantor trusts or limited partnerships. A key factor differentiating ETFs, grantor trusts and limited partnerships from exchange traded notes is that the former hold assets underlying the ETP. Exchange traded notes on the other hand are debt instruments issued by the exchange traded note sponsor. Also, each of these structures has implications for taxes, liquidity, tracking error and credit risk.

Because ETFs do not fit into the regulatory provisions governing mutual funds, ETF sponsors need to obtain from the SEC exemptive relief from certain provisions of the Investment Company Act in order to operate ETFs. This exemptive relief allows the ETF sponsor to bring products to market for the specific products or structures they have applied for. Applying for exemptive relief can be costly and take several months to several years depending on the type of exemptive relief sought.

Our Products

Today, we offer a comprehensive family of 47 ETFs, which includes 34 international and domestic equity ETFs, seven currency income ETFs, four international fixed income ETFs and two alternative strategy ETFs. Currently, 46 of our ETFs are listed on NYSE Arca, a listing venue of NYSE Euronext, and one of our ETFs is listed on the NASDAQ Stock Market. Since April 2010, 11 of our ETFs have also been cross-listed in the special international section on the Mexican stock exchange, Bolsa Mexicana De Valores, where certain institutional investors trade foreign securities in Mexico.

The type and AUM for each of our ETFs are listed below as of January 27, 2012:

	Number of Funds	Type	AUM (in millions)
<i>Equity ETFs:</i>			
U.S. Equity ETFs	12	Index based	\$ 3,885
Emerging Markets Equity ETFs	4	Index based	4,358
International Developed Equity ETFs	14	Index based	2,368
International Sector Equity ETFs	4	Index based	209
<i>Currency ETFs</i>	7	Actively Managed	974
<i>International Fixed Income ETFs</i>	4	Actively Managed	1,575
<i>Alternative Strategy ETFs</i>	2	Actively Managed	239
Total	47		\$ 13,608

Equity ETFs

We offer equity ETFs covering the U.S. and international developed and emerging markets. These ETFs offer access to the securities of large, mid and small-cap companies, companies located in the United States, developed markets and emerging markets, as well as companies in particular market sectors, including basic materials, energy, utilities and real estate. Our equity ETFs track our own fundamentally weighted indexes, as opposed to market capitalization weighted indexes, which assign more weight to stocks with the highest market capitalizations. These fundamentally weighted indexes focus on securities of companies that pay regular cash dividends or on securities of companies that have generated positive cumulative earnings over a certain period. We believe these factors, rather than market capitalization alone, can provide investors with better risk-adjusted returns over the long term.

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Currency ETFs

We launched the industry's first currency ETFs in May 2008 using an actively managed strategy. We offer currency ETFs that provide investors with exposure to developed and emerging market currencies, including the Chinese Yuan, the Brazilian Real and the Japanese Yen. Currency ETFs invest in U.S. money market securities, forward currency contracts and swaps and seek to achieve the total returns reflective of both money market rates in selected countries available to foreign investors and changes to the value of these currencies relative to the U.S. dollar.

International Fixed Income ETFs

In August 2010, we launched an ETF that invests predominantly in a broad range of local debt denominated in the currencies of emerging market countries and in March 2011, we launched an ETF that invests in local debt denominated in the currencies of Asia Pacific ex-Japan countries. In October 2011, we changed the investment objective of two currency ETFs, which further expanded our international fixed income product line. We intend to launch additional fixed income bond funds and broaden our product offerings in this category.

Alternative Strategy ETFs

In January 2011, we launched the industry's first managed futures strategy ETF. This fund seeks to achieve positive returns in rising or falling markets that are not directly correlated to broad market equity or fixed income returns. In July 2011, we launched a global real return ETF. This fund seeks total returns (capital appreciation plus income) that exceed the rate of inflation over long-term investment horizons. This fund combines domestic and global inflation-linked bonds with disciplined commodity strategies and gold exposure. We also intend to explore additional alternative strategy products in the future.

Index Based ETFs

Our equity ETFs seek to track our own fundamentally weighted indexes. Most of today's ETFs track market capitalization weighted indexes and most of these indexes are licensed from third parties by ETF sponsors. Market capitalization weighted ETFs assign more weight to stocks with the highest market capitalizations, which is a function of stock price. We believe this means that if a stock is overvalued, market capitalization weighted funds will give the overvalued stock greater weight as its price and market capitalization increase. The opposite is true if a stock is undervalued, as market capitalization weighted funds will give it less weight. Without a way to rebalance away from these stocks, we believe market capitalization weighted funds essentially hold more of a company's stock as its price is going up and less as the price of the company's stock is going down. In other words, we believe these funds buy high and sell low. Market history includes many points in time when stocks were overvalued, for example, the technology and dot-com bubble of the late 1990s. We believe this structural flaw can expose investors to potentially higher risks and lower returns.

To address the structural flaw of market capitalization-weighting, we developed fundamentally weighted indexes that weight companies by a measure of fundamental value instead of market capitalization using a rules-based methodology. After researching fundamental indicators of value, we believe the most effective metrics are cash dividends or earnings. Our research indicated that weighting by cash dividends or earnings provided investors with better risk adjusted returns than market capitalization weighted indexes. The rules-based methodology that we created weights companies in our index based on either dividends or earnings in order to magnify the effect that dividends or earnings play on the total return of the index. For example, in our typical U.S. based indexes under our rules-based methodology, we weight each company based on their projected cash dividends to be paid over the coming year over the sum of the projected cash dividends to be paid by all companies or we weight each company based on their previous annual earnings over the sum of the earnings by all companies in the index. Our funds are rebalanced annually and designed to reset back to an indicator of fundamental value either cash dividends paid or earnings generated. All of our index based equity ETFs are

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based on this approach. We believe this fundamentally weighted approach offers better returns than comparable ETFs or mutual funds tracking market capitalization weighted indexes over the long-term.

We benchmark our fundamentally weighted indexes against traditional market capitalization-weighted indexes designed to track similar companies, sectors, regions or exposure. Using this approach, 85% of the \$9.4 billion invested in our 34 equity ETFs on December 31, 2011 were in funds that, since their respective inceptions, outperformed their market capitalization-weighted or competitive benchmarks through that date. Similarly, 26 of our 34 equity ETFs outperformed their market capitalization-weighted or competitive benchmarks over the same period. We believe this outperformance has been achieved primarily due to the weighting and selection of companies in our fundamentally weighted indexes using our rules-based methodology, rather than market capitalization-weighted indexes.

Actively Managed ETFs

In 2008, we obtained regulatory approval to launch actively managed ETFs, which are ETFs that are not based on an index but rather are actively managed with complete transparency of the ETF's portfolio on a daily basis. Currently, we are one of several ETF sponsors that have already received the necessary exemptive relief from the SEC to launch actively managed ETFs. This has enabled us to develop products not yet offered by other ETF sponsors. Our actively managed ETFs also include our currency ETFs and international fixed income ETFs.

The securities purchased and sold by our ETFs include U.S. and foreign equities, forward currency contracts and U.S. and foreign debt instruments. In addition, we enter into derivative transactions, in particular U.S. listed futures contracts, non-deliverable currency forward contracts, and total return swap agreements in order to gain exposure to commodities, foreign currencies, and interest rates. The exchanges these securities trade on include all the major exchanges worldwide.

Sales, Marketing and Research

We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisors, institutional investors, private wealth managers and discount brokers. We do not target our ETFs for sale directly to the retail segment but rather to the financial advisor who acts as the intermediary between the end-client and us. We do not pay commissions nor do we offer 12b-1 fees to financial advisors to use or recommend the use of our ETFs.

We have developed an extensive network and relationships with financial advisors and we believe our ETFs and related research are well structured to meet their needs and those of their clients. Our sales professionals act in a consultative role to provide the financial advisor with value-added services. We seek to consistently grow our network of financial advisors and we opportunistically seek to introduce new products that best deliver our investment strategies to investors through these distribution channels. We have our own team of 32 sales professionals located in the United States as of December 31, 2011.

In 2010, we entered into agreements with Advisors Asset Management, Inc. and Compass Group Holdings S.A. to serve as the external marketing agents for the WisdomTree ETFs in the U.S. independent broker-dealer channel and in Latin America, respectively. These arrangements expand our distribution capabilities to channels that we believe would otherwise be difficult to access in a cost-effective manner. Under these agreements, we pay these marketing agents a percentage of our advisory fee revenue based on incremental growth in assets under management in the respective sales channel. Since inception, we have incurred in total approximately \$0.4 million in expenses as of September 30, 2011 related to these marketing arrangements and we may enter into additional marketing agreements in the future. We do not expect this expense to be material in any fiscal period. We are currently evaluating our relationship with Advisors Asset Management and will likely terminate the arrangement and handle the function with our own sales force.

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Our marketing effort is focused on three objectives: (1) generating new clients and inflows to our ETFs; (2) retaining existing clients, with a focus on cross-selling additional WisdomTree ETFs; and (3) building brand awareness. We pursue these objectives through a multi-faceted marketing strategy targeted at financial advisors within the asset management industry. We utilize the following strategies:

Targeted advertising. We create highly targeted multi-media advertising campaigns limited to established core financial media. For example, our television advertising runs exclusively on the cable networks, CNBC and Bloomberg Television; online advertising runs on ETF-specific web sites, such as www.seekingalpha.com and www.etfdbase.com; and print advertising runs in core financial publications, including *Barron's* and *Institutional Investor*.

Media relations. We have a full time public relations director who has established relationships with the major financial media outlets including: the *Wall Street Journal*, *Barron's*, the *Financial Times*, *Bloomberg*, *Reuters* and *USA Today*. We utilize these relationships to help create awareness of the WisdomTree ETFs and the ETF industry in general. Key members of management, including our CEO, Jonathan Steinberg, our Chief Investment Strategist, Luciano Siracusano, our President and Chief Operating Officer, Bruce Lavine, and our Director of Research, Jeremy Schwartz, are frequent market commentators and conference panelists.

Direct marketing. We have a database of financial advisors to which we regularly market through targeted and segmented communications, such as on-demand research presentations, ETF-specific or educational events and presentations, quarterly newsletters and market commentary from our senior investment strategy advisor, Professor Jeremy Siegel.

Sales support. We create comprehensive marketing materials to support our sales process including whitepapers, research reports, investment ideas and performance data for all WisdomTree ETFs.

We will continue to evolve our marketing and communication efforts in response to changes in the ETF industry, market conditions and marketing trends.

Our research team has three core functions: index development and oversight, investment research and sales support. In its index development role, the research group is responsible for creating the investment methodologies and overseeing the maintenance of our indexes that WisdomTree's equity ETFs are designed to track. The team also provides a variety of investment research around these indexes and market segments. Our research is typically academic-type research to support our products, including white papers on the strategies underlying our indexes and ETFs, investment insight on current market trends, and types of investment strategies that drive long-term performance. We distribute our research through our sales professionals, online through our website, targeted emails to financial advisors, or through financial media outlets, including interviews on CNBC. On some occasions our research has been included in op-ed letters appearing in the *Wall Street Journal*. Finally, the research team supports our sales professionals in meetings as market experts and through custom reports. In addition, we often consult with our senior investment strategy advisor, Professor Jeremy Siegel, on product development ideas.

Competition

The asset management industry is highly competitive and we face substantial competition in virtually all aspects of our business. Factors affecting our business include fees for our products, investment performance, brand recognition, business reputation, quality of service and the continuity of our financial advisor relationships. We compete directly with other ETF sponsors and mutual fund companies and indirectly against other investment management firms, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. The vast majority of the firms we compete with are subsidiaries of large diversified financial companies and many others are much

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larger in terms of AUM, years in operations and revenues and, accordingly, have much larger sales organizations and budgets. In addition, these larger competitors may attract business through means that are not available to us, including retail bank offices, investment banking, insurance agencies and broker-dealers.

Recently, our competitors, Vanguard, Charles Schwab, iShares and FocusShares (through Scottrade Inc.), became engaged in significant price competition by lowering fees charged for ETFs offering similar investment strategies and waiving trading commissions. These ETFs typically track broad based market capitalization-weighted equity indexes or, with respect to iShares, are related to gold. We do compete against these firms for similar related equity strategies; however, as described above, our indexes are fundamentally weighted, not market capitalization-weighted. An index developer has created a series of fundamentally weighted indexes similar to ours which may be licensed by a competitor of ours. Some of our competitors have launched or will be launching fundamentally weighted ETFs of their own. Both the indexer and our competitors are using indexes with different fundamental weighting than our approach. If price competition intensifies or we begin to compete with other ETF sponsors using a fundamentally weighted approach at a lower price than ours, we may be required to reduce the advisory fees we charge in order to compete.

In 2008, the SEC announced a proposal to allow ETFs to form and operate without the need to obtain exemptive relief. This proposed rule has not yet been adopted and we do not know if or when it may be adopted. In addition, in March 2010, the SEC announced it would defer approval of applications for exemptive relief for ETFs that make significant use of derivatives pending a review by the SEC of the use of derivatives by mutual funds, ETFs and other investment companies. This moratorium may serve to prevent potential competitors from directly competing with certain of our products until this moratorium is lifted. Removing the time barrier and expense needed to obtain exemptive relief may bring additional competitors into the marketplace.

We believe our ability to successfully compete will be based on our competitive fee structure and our ability to achieve consistently strong investment performance, develop distribution relationships, create new investment products, offer a diverse platform of investment choices and attract and retain talented sales professionals and other employees.

Regulation

The investment management industry is subject to extensive regulation and virtually all aspects of our business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. These laws generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of our business and to impose sanctions for failure to comply with these laws and regulations. Further, such laws and regulations may provide the basis for litigation that may also result in significant costs to us.

We are currently subject to the following laws and regulations, among others. The costs of complying with such laws and regulations have increased and will continue to contribute to the costs of doing business:

The Investment Advisers Act of 1940 The SEC is the federal agency generally responsible for administering the U.S. federal securities laws. Our subsidiary, WTAM, is registered as an investment adviser under the Investment Advisers Act and, as such, is regulated by the SEC. The Investment Advisers Act requires registered investment advisers to comply with numerous and broad obligations, including, among others, recordkeeping requirements, operational procedures, registration and reporting and disclosure obligations.

The Investment Company Act of 1940 The WisdomTree ETFs are registered with the SEC pursuant to the Investment Company Act. The WisdomTree ETFs must comply with the requirements of the Investment Company Act and related regulations, as well as conditions imposed in the exemptive orders received by the ETFs, including, among others, requirements relating to operations, fees charged, sales, accounting, recordkeeping, disclosure and governance.

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Broker-Dealer Regulations Although we are not registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, as amended, nor are we a member firm of the Financial Industry Regulatory Authority, or FINRA, many of our employees, including all of our salespersons, are licensed with FINRA and are registered as associated persons of the distributor of the WisdomTree ETFs and, as such, are subject to the regulations of FINRA that relate to licensing, continuing education requirements and sales practices. FINRA also regulates the content of our marketing and sales material.

Internal Revenue Code WisdomTree Trust generally has obligations with respect to the qualification of the registered investment company for pass-through tax treatment under the Internal Revenue Code.

Because ETFs do not fit into the regulatory provisions governing mutual funds, ETF sponsors need to obtain from the SEC exemptive relief from certain provisions of the Investment Company Act in order to operate ETFs. This exemptive relief allows the ETF sponsor to bring products to market for the specific products or structures they have applied for. Applying for exemptive relief can be costly and take several months to several years depending on the type of exemptive relief sought.

In August 2011, the SEC published a concept release and request for comments on a wide range of issues relating to the use of derivatives by investment companies regulated under the Investment Company Act, including ETFs. The purpose of the release is to assist in the SEC's evaluation of whether the current regulatory framework, as it applies to a fund's use of derivatives, continues to further the policies underlying the Investment Company Act and is consistent with investor protection. While we cannot predict what new or modified regulations may be adopted as a result of the SEC's review, it is possible that new or modified regulations could adversely affect our ability to use derivatives for certain of our products.

FINRA rules and guidance may affect how WisdomTree ETFs are sold by member firms. Although WisdomTree does not offer so-called leveraged ETFs, which may include within their holdings derivative instruments such as options futures or swaps, recent FINRA guidance on margin requirements and suitability determinations with respect to customers trading in leveraged ETFs may influence how member firms effect sales of certain WisdomTree ETFs, such as currency ETFs, which also use some forms of derivatives, including forward currency contracts and swaps.

Finally, our common stock is traded on the NASDAQ Global Market and we are therefore also subject to their rules including corporate governance listing standards. In addition, the WisdomTree ETFs are listed on NYSE Arca or the NASDAQ Market, and accordingly are subject to the listing requirements of those exchanges.

Property

Our principal executive office is located at 380 Madison Ave, New York, New York 10017. We occupy approximately 20,000 square feet of office space under a lease that expires in March 2014. We have sub-leased a portion of our office space to a third party until March 2012 after which time we will occupy the sub-leased space. We believe that the space we lease is sufficient to meet our current and near term needs.

Intellectual Property

We regard our name, WisdomTree, as material to our business and have registered WisdomTree® as a service mark with the U.S. Patent and Trademark Office and in various foreign jurisdictions.

Our index-based equity ETFs are based on our own indexes and we do not license them from, nor do we pay licensing fees to, third parties for these indexes.

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We have three patent applications pending with the U.S. Patent and Trademark office that relate to the operation of our ETFs and our index methodology. There is no assurance that patents will be issued from these applications and we do not rely upon future patents for a competitive advantage.

Employees

As of December 31, 2011, we had 65 full-time employees. Of these employees, 32 are engaged in our sales function with the remainder providing managerial, finance, marketing, legal, regulatory compliance, operations and research functions. None of our employees are covered by a collective bargaining agreement and we consider our relations with employees to be good.

Legal Proceedings

As an investment advisor, we may be subject to routine reviews and inspections by the SEC, as well as legal proceedings arising in the ordinary course of business.

On December 1, 2011, Research Affiliates, LLC filed a complaint in the United States District Court for the Central District of California, (Research Affiliates, LLC v. WisdomTree Investments, Inc., et. al., Case No. SACV11-01846 DOC (ANx)), naming us and our subsidiaries, as well as WisdomTree Trust, Mellon Capital Management Corporation and ALPS Distributors, Inc., as defendants. In the complaint, plaintiff alleges that the fundamentally weighted investment methodology we employ for the exchange traded funds using our indexes infringes three of plaintiff's patents and seeks both unspecified monetary damages to be determined and an injunction to prevent further infringement. We filed our answer to the complaint on January 17, 2012 and believe we have strong defenses to this lawsuit based on our belief that (i) we do not practice the indexing methods as claimed in the asserted patents because, for example, the factors we use to select assets included in the ETFs accused of infringement include market capitalization and the price of the assets, and thus fall outside the scope of the asserted patents, which generally provide that selection of the assets to be used for creation of the index must be based upon factors that are sufficiently independent of market capitalization; and (ii) the patents should be declared invalid because, among other reasons, there is ample evidence that the concept of fundamentals based indexing was widely known and in commercial use by asset managers and index providers well before the patent applications at issue were filed by plaintiff. For example, in support of our defenses that the asserted patents are invalid, we intend to present evidence that as far back as the early 1990s, Robert Jones at Goldman Sachs managed an earnings weighted index fund. As another example, we intend to present evidence that Dow Jones launched a dividend weighted stock index in 2003. These examples support our view that the asserted patents are invalid at least because earlier publications and activities of investment professionals anticipated or made obvious plaintiff's alleged inventions. We therefore intend to vigorously defend against plaintiff's claims.

While at this early stage of the proceedings it is not possible to determine the probability of any outcome or probability or amount of any loss, we are confident in the merits of our position. However, in the event of an unfavorable outcome, we may be required to pay monetary damages and/or, if we cannot change our indexes in a manner that does not infringe on the patents, future licensing fees or comply with injunctions, which could have an adverse effect on our business, financial condition and cash flows and the price of our common stock. See Risk Factors Risks Related to Our Business and Industry We are currently, and may from time to time be, subject to claims of infringement of third-party intellectual property rights, which could harm our business. In addition, we are currently covered by a relatively small number of equity research analysts, some of whom may have a view on the merits or impact of this litigation that differs from ours. Any unfavorable commentary by analysts may have an adverse effect on the price and trading volume of our common stock.

Other than disclosed above, we are not currently party to any litigation or other legal proceedings that are expected to have a material impact on our business, financial position or results of operations.

Table of Contents**MANAGEMENT****Directors and Executive Officers**

The names, ages and positions of each of our directors and executive officers as of December 31, 2011 are as follows:

Name	Age	Position
Jonathan L. Steinberg	47	Chief Executive Officer and Director
Bruce I. Lavine	45	President, Chief Operating Officer and Director
Amit Muni	42	Executive Vice President Finance and Chief Financial Officer
Luciano Siracusano, III	46	Executive Vice President Director of Sales and Chief Investment Strategist
Peter M. Ziemba	54	Executive Vice President Business and Legal Affairs and Chief Legal Officer
Michael Steinhardt(2)(3)	71	Non-Executive Chairman of the Board
Steven L. Begleiter	49	Director
Anthony Bossone(1)	40	Director
R. Jarrett Lilien(1)(2)(3)	49	Director
James D. Robinson, IV(3)	49	Director
Frank Salerno(1)(2)(4)	52	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating Committee

(4) Lead Independent Director

The following paragraphs provide information, as of the date of this prospectus, about our directors and executive officers. The information presented includes information about each of our directors' specific experience, qualifications, attributes or skills that led to the conclusion that he should serve as a director.

Jonathan L. Steinberg founded our Company and has served as our Chief Executive Officer since October 1988. He has been a member of our Board of Directors since October 1988, serving as Chairman of the Board of Directors from October 1988 to November 2004. He also served as Editor-in-Chief of Individual Investor and Ticker magazines, two magazines formerly published by our Company. Mr. Steinberg, together with Mr. Siracusano, was responsible for the creation and development of our proprietary index methodology. Prior to founding WisdomTree, Mr. Steinberg was employed as an analyst in the Mergers and Acquisitions Department of Bear Stearns & Co. Inc., an investment banking firm, from 1986 to 1988. Mr. Steinberg is the author of Midas Investing, published by Times Books, a division of Random House, Inc. He attended The Wharton School of Business at the University of Pennsylvania. We believe Mr. Steinberg's qualifications to serve on the Board of Directors include his extensive knowledge of our business, his experience in founding and developing our fundamentally weighted index methodology, as well as his corporate and strategic vision, which provide strategic guidance to the board. As our Chief Executive Officer, Mr. Steinberg provides essential insight and guidance to the board from a management perspective.

Bruce I. Lavine has served as our President and Chief Operating Officer since May 2006 and has been a member of our Board of Directors since January 2007. From 1998 to 2006, he was employed by Barclays Global Investors, an asset management firm, in the following positions: from 1998 to 1999, he served as Director, Financial Planning, Global Finance; from 1999 to 2003, he served as Chief Financial Officer, Director of New Product Development, U.S. iShares and Individual Investor Business; and from 2003 to May 2006 he served as Head of iShares Exchange Traded Funds, Europe. From 1995 to 1998, Mr. Lavine served as the Manager of Business Planning at Sequel, Inc., a computer hardware services company. From 1991 to 1994, Mr. Lavine was

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employed by Bristol-Myers Squibb Company, a pharmaceutical company, first as a financial associate and then as a senior treasury analyst. Mr. Lavine received a B.S. with distinction in Commerce and an M.B.A. in Finance from the University of Virginia. Mr. Lavine is a Chartered Financial Analyst. We believe Mr. Lavine's qualifications to serve on the Board of Directors include his many years of experience in senior management positions in the ETF industry and extensive knowledge of our business. As our President and Chief Operating Officer, Mr. Lavine provides essential insight and guidance to the board on the ETF industry and, from a management perspective, our day-to-day operations.

Amit Muni has served as our Executive Vice President Finance and Chief Financial Officer since March 2008. Prior to joining our Company, Mr. Muni served as Controller and Chief Accounting Officer of International Securities Exchange Holdings, Inc., an electronic options exchange, from 2003 until March 2008. Mr. Muni was Vice President, Finance, of Instinet Group Incorporated, an electronic agency broker-dealer, from 2000 to 2003. From 1996 until 2000, Mr. Muni was employed as a Manager of the Financial Services Industry Practice of PricewaterhouseCoopers LLP, an accounting firm. From 1991 until 1996, Mr. Muni was an accountant and a senior auditor for National Securities Clearing Corporation, a firm that provides centralized clearing, information and settlement services to the financial industry. Mr. Muni received a B.B.A. in Accounting from Pace University and is a Certified Public Accountant.

Luciano Siracusano, III has served as our Executive Vice President Director of Sales and Chief Investment Strategist since March 2011. From October 2008 to March 2011, Mr. Siracusano served as our Director of Sales and Chief Investment Strategist. Prior to serving in those positions, Mr. Siracusano served as our Director of Research from 2001 until October 2008, and as a research analyst and editor of our various media publications from 1999 until 2001. Mr. Siracusano, together with Mr. Steinberg, was responsible for the creation and development of our fundamentally weighted index methodology. Prior to joining our Company in 1999, Mr. Siracusano was an Equity Analyst at Value Line, Inc., an investment research firm, from 1998 to 1999. Preceding his career in finance, Mr. Siracusano served as Special Assistant to HUD Secretary Henry Cisneros and as a Special Assistant to New York Governor Mario Cuomo. Mr. Siracusano received his B.A. in Political Science from Columbia University.

Peter M. Ziemba has served as our Executive Vice President Business and Legal Affairs since January 2008 and Chief Legal Officer since March 2011. From April 2007 to March 2011, Mr. Ziemba served as our General Counsel. Prior to joining our Company, Mr. Ziemba was a partner in the Corporate and Securities department of Graubard Miller, which served as our primary corporate counsel, from 1991 to 2007, and was employed as an associate at that firm beginning in 1982. Mr. Ziemba received his B.A. in History with university honors from Binghamton University and his J.D. *cum laude* from Benjamin N. Cardozo School of Law. Mr. Ziemba served as a director of our Company from 1996 to 2003.

Michael Steinhardt has served as our non-executive Chairman of the Board since November 2004. From 1967 through 1995, Mr. Steinhardt served as Senior Managing Partner of Steinhardt Partners, L.P., a private investment company, and related investment entities. In 1995, Mr. Steinhardt closed Steinhardt Partners and eliminated his involvement in managing client assets. He founded and now serves as President of Steinhardt Management Co., Inc., which currently manages a single private investment fund investing in other funds managed by independent investment managers. Mr. Steinhardt currently devotes most of his time and financial resources to Jewish philanthropic causes, directed through The Steinhardt Foundation for Jewish Life for which he serves as Chairman. Mr. Steinhardt is the co-founder of Birthright Israel and he serves on its Board of Trustees and is a major supporter. He also serves as Co-Chair of the Areivim Philanthropic Group. He also serves on the Board of Trustees of New York University, Brandeis University and the Steinhardt Family Foundation and on the Board of Directors of the Taub Center for Social Policy Studies in Israel. Mr. Steinhardt received his B.S. in Economics from The Wharton School of Business of the University of Pennsylvania. We believe Mr. Steinhardt's qualifications to serve on the Board of Directors include his extensive years of experience as a founder of a private investment management company. The board also benefits from his perspective and knowledge of financial markets as well as his strategic vision. On January 6, 2012, the Court of Chancery of the State of Delaware issued an opinion imposing sanctions on the chairman of our Board of Directors, Mr. Steinhardt, which require him, among other things, to self-

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report certain trading activity not involving the Company's securities to the SEC. Mr. Steinhardt's actions did not involve the Company. For more details, see the section entitled "Management Involvement in Certain Legal Proceedings."

Steven L. Begleiter has served as a member of our Board of Directors since February 2011. Mr. Begleiter has served as Senior Principal at Flexpoint Ford, LLC, a private equity group focused on investments in financial services and healthcare, since October 2008. Prior to joining Flexpoint Ford, Mr. Begleiter spent 24 years at Bear Stearns & Co., serving first as an investment banker in the Financial Institutions Group and then as Senior Managing Director and member of its Management and Compensation Committee from 2002 to September 2008. Mr. Begleiter also served as head of Bear Stearns' Corporate Strategy Group. Mr. Begleiter received his B.A. in Economics with honors from Haverford College. We believe Mr. Begleiter's qualifications to serve on the Board of Directors include his many years of experience in leadership positions in the financial services industry as well as his private equity experience. The board also benefits from his extensive industry knowledge and perspectives on capital formation.

Anthony Bossone has served as a member of our Board of Directors since January 2009. Since 2003 Mr. Bossone has been the Chief Financial Officer of Atlantic-Pacific Capital, Inc., a broker-dealer and global placement agent dedicated to raising capital for alternative investment funds. From 2001 to 2003, Mr. Bossone was the Assistant Controller at SAC Capital Advisors, LLC, a hedge fund advisory firm, and from 1999 until 2001, Mr. Bossone served as an equity trader at Schonfeld Securities, LLC, a securities trading firm. Mr. Bossone began his career at PricewaterhouseCoopers LLP in 1993 where he was an audit manager until 1999. Mr. Bossone received his B.S. in Business and Economics with highest honors from Lehigh University and is a Certified Public Accountant. We believe Mr. Bossone's qualifications to serve on the Board of Directors include his financial and accounting expertise. The board also benefits from his experience as an equity trader.

R. Jarrett Lilien has served as a member of our Board of Directors since November 2008. Since January 2009, Mr. Lilien has served as Managing Partner of Bendigo Partners, a private equity and consulting firm focused on technology-enabled financial service companies, which he co-founded. Between 1999 and May 2008, Mr. Lilien was employed by E*Trade Financial Corporation, a brokerage and financial services firm, holding various positions including President and Chief Operating Officer, from 2003 to May 2008, and Acting Chief Executive Officer, from November 2007 until March 2008. Prior to his service at E*Trade, Mr. Lilien was Chief Executive Officer of TIR Securities, a global institutional brokerage firm that he co-founded in 1989 and which was later sold to E*Trade. Prior to TIR Securities, Mr. Lilien held various positions at Paine Webber and Auquanet, Inc., a division of Donaldson, Lufkin & Jenrette, Inc., both brokerage and financial service firms. Mr. Lilien currently serves as President of the Jazz Foundation of America and is on the Board of Directors of Baryshnikov Arts Center and on the Advisory Board of WFUV FM Radio. Mr. Lilien received his B.A. in Economics from the University of Vermont. We believe Mr. Lilien's qualifications to serve on the Board of Directors include his experience in founding and building financial services companies. The board also benefits from his extensive leadership experience and his ability to provide strategic guidance.

James D. Robinson, IV has served as a member of our Board of Directors since November 2004. Mr. Robinson is a Managing Partner of RRE Ventures, LLC, a venture capital firm primarily focused on technology companies, which he co-founded in 1994. From 1992 to 1994 Mr. Robinson was employed by Hambrecht & Quist Venture Capital, a venture capital firm, where he served as a General Partner for several investment funds for the firm. From 1986 to 1992, he was employed by JP Morgan & Company, where he worked on technology-related assignments, first within the Global Exposure Management group building risk management systems, and later as an investment banker in the Corporate Finance group focused on technology and communications companies. Mr. Robinson serves on the Board of Directors of numerous companies held in the investment portfolios of the RRE Ventures-affiliated funds. Mr. Robinson received a B.A. with a double degree in Computer Science and Business Administration from Antioch College and an M.B.A. from Harvard University. We believe Mr. Robinson's qualifications to serve on the Board of Directors include his experience in building and financing companies from earliest stages of growth. In addition, Mr. Robinson's venture capital experience as well as his insights into capital formation enable him to provide the board with valuable strategic advice.

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Frank Salerno has served as a member of our Board of Directors since July 2005. From July 1999 until his retirement in February 2004, Mr. Salerno was Managing Director and Chief Operating Officer of Merrill Lynch Investment Advisors Americas Institutional Division, an investment advisory company. Before joining Merrill Lynch, Mr. Salerno spent 18 years with Bankers Trust Company in various positions. In 1990, he assumed responsibility for Bankers Trust's domestic index management business and in 1995 he became Chief Investment Officer for its Structured Investment Management Group. Mr. Salerno received a B.S. in Economics from Syracuse University and an M.B.A. in Finance from New York University. Mr. Salerno served as a director and member of the audit committee and conflicts committee of K-Sea Transportation Partners, L.P., formerly a NYSE-listed company, from 2004 until its acquisition in 2011. We believe Mr. Salerno's qualifications to serve on the Board of Directors include his extensive years in senior management positions at large asset management firms as well as his service on the board of directors of another public company. The board also benefits from his strategic insights on the asset management industry.

Board Composition

Our Board of Directors currently consists of eight members. Certain of our directors were elected pursuant to board composition provisions of our stockholders agreement, which is described in the section entitled "Certain Relationships and Related Party Transactions" Stockholders Agreement. These board composition provisions terminated upon our common stock being listed on the NASDAQ Global Market on July 26, 2011 and there are no further contractual obligations regarding the election of our directors. Our nominating committee and Board of Directors may therefore consider a broad range of factors relating to the qualifications and background of nominees. We have no formal policy regarding board diversity. Our nominating committee's and Board of Directors' priority in selecting board members is identification of persons who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, and professional and personal experiences and expertise relevant to our growth strategy.

Our Board of Directors is divided into three staggered classes of directors of the same or nearly the same number. At each annual meeting of the stockholders, a class of directors will be elected for a three year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held in 2012 for Class I directors, 2013 for Class II directors and 2014 for Class III directors.

Our Class I directors are Michael Steinhardt, Anthony Bossone and Bruce Lavine.

Our Class II directors are James D. Robinson, IV and Steven Begleiter.

Our Class III directors are Frank Salerno, R. Jarrett Lilien and Jonathan Steinberg.

Our amended and restated certificate of incorporation and amended and restated by-laws provide that the number of our directors shall be fixed from time to time by a resolution of the majority of our Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class shall consist of one third of the Board of Directors. The division of our Board of Directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control.

Board Leadership Structure and Board's Role in Risk Oversight

The positions of chairman of the board and chief executive officer are separated. We believe that separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing the chairman of the board to lead the Board of Directors in its fundamental role of providing advice to and independent

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oversight of management. Our Board of Directors recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the Board of Directors' oversight responsibilities continue to grow. While our by-laws and corporate governance guidelines do not require that our chairman and chief executive officer positions be separate, our Board of Directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to our operations, strategic direction and intellectual property as more fully discussed under "Risk Factors" in this prospectus. Management is responsible for the day-to-day management of the risks we face, while our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The Board of Directors' role in overseeing the management of our risks is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. The full Board of Directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, their potential impact on our Company and the steps we take to manage them. When a board committee is responsible for evaluating and overseeing the management of a particular risk or risks, the chairman of the relevant committee reports on the discussion to the full Board of Directors during the committee reports portion of the next board meeting. This enables our Board of Directors and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Board Independence

NASDAQ rules require listed companies to have a board of directors with at least a majority of independent directors. Our Board of Directors has determined that six of our eight directors are independent under the listing standards of the NASDAQ Stock Market. The members determined to be independent are Messrs. Begleiter, Bossone, Lilien, Robinson, Salerno and Steinhardt.

Lead Independent Director

In 2008, our Board of Directors determined that it would be good corporate practice to designate one of our independent directors as Lead Independent Director. Mr. Salerno has held this designation since the position was established. The duties of our Lead Independent Director are as follows:

serve as the intra-meeting liaison between (i) our Board of Directors and management, and (ii) amongst the independent directors;

serve as an ex-officio, non-voting member of each standing committee (of which he is not a member) of our Board of Directors;

ensure that appropriate reports and information are circulated to the independent directors on a timely basis by management and others;

lead our Board of Directors in the process of periodic reviews of the performance of the Chief Executive Officer, as well as in discussions regarding the Chief Executive Officer's reports on senior management performance and management succession issues and plans;

chair meetings of the independent directors if the chairman is not present; and

perform such other appropriate duties as the independent directors shall assign to him or her from time to time.

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Senior Advisor to the Board of Directors

Since 2004, Professor Jeremy J. Siegel has served as senior investment strategy advisor to our Company and our Board of Directors. In this position, Professor Siegel provides us with various services, including advice on market trends and financial products; participating in webinars, conference calls, seminars, speaking engagements and one-on-one meetings with persons interested in WisdomTree products; written market commentary for our newsletters and website; and general advice to senior management and our Board of Directors on our business.

Jeremy Siegel is the Russell E. Palmer Professor of Finance at The Wharton School at the University of Pennsylvania. He graduated from Columbia University and received his Ph.D. in Economics from the Massachusetts Institute of Technology, and spent one year as a National Science Foundation Post-Doctoral Fellow at Harvard University. Prof. Siegel taught for four years at the Graduate School of Business of the University of Chicago before joining the Wharton faculty in 1976. Professor Siegel has written and lectured extensively about the economy and financial markets and has appeared frequently on CNN, CNBC, NPR and other networks. He is a regular columnist for Kiplinger's and Yahoo! Finance and contributor to national and international news media, including The Wall Street Journal, Barron's and The Financial Times. He has also authored numerous professional articles and three books. His bestselling, *Stocks for the Long Run*, first published in 1994 and now in its third edition, was named as one of the ten-best investment books of all time by both the Washington Post and Business Week. His most recent book, *The Future for Investors: Why the Tried and the True Triumph over the Bold and New* was named one of the best business books published in 2005 by Business Week, The Financial Times and Barron's.

Committees of Our Board of Directors

Our Board of Directors has established an audit committee, a compensation committee and a nominating committee, each of which operates pursuant to a charter adopted by our Board of Directors. Membership on each committee is limited to independent directors as defined under the listing standards of the NASDAQ Stock Market. In addition, members of the Audit Committee must also meet the independence standards for audit committee members adopted by the SEC.

Audit Committee. Messrs. Bossone, Lilien and Salerno currently serve on the audit committee, which is chaired by Mr. Salerno. Our Board of Directors has determined that each member is an audit committee financial expert, as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

overseeing the accounting and financial reporting processes of the Company and the audits of the Company's financial statements;

approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;

establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;

monitoring, reporting to and reviewing with the Board of Directors regarding the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;

reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and

taking, or recommending that the Board of Directors take, appropriate action to oversee the qualifications, independence and performance of the Company's independent auditor.

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Compensation Committee. Messrs. Steinhardt, Lilien and Salerno currently serve on the compensation committee, which is chaired by Mr. Salerno. The compensation committee's responsibilities include:

overseeing the administration of the Company's compensation programs;

determining and approving the compensation of the Company's Chief Executive Officer;

approving the compensation of the non-CEO executive officers and certain other senior employees; and

approving all discretionary bonuses for the Company's employees, advisers and consultants.

Nominating and Corporate Governance Committee. Messrs. Steinhardt, Lilien and Robinson currently serve on the nominating and corporate governance committee, which is chaired by Mr. Steinhardt. The nominating and corporate governance committee's responsibilities include:

recommending criteria and qualifications for board and committee membership;

recruiting and evaluating candidates for nomination for election to the Board of Directors or to fill vacancies on the Board of Directors;

recommending that the Board of Directors select the director nominees for election at each annual meeting of stockholders;

establishing a policy with regard to the consideration of director candidates recommended by stockholders; and

reviewing all stockholder nominations and proposals submitted to the Company.

Our Board of Directors may from time to time establish other committees.

Compensation Committee Interlocks and Insider Participation

During 2011, none of our executive officers served as: (i) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on our Board of Directors; or (ii) a director of another entity, one of whose executive officers served on our Board of Directors.

Involvement in Certain Legal Proceedings

The Chairman of our Board of Directors and beneficial owner of approximately 29.9% of our common stock (and of approximately 26.3% of our common stock after this offering), Michael Steinhardt, was the plaintiff in a civil class action filed in the Court of Chancery of the State of Delaware, in a case entitled Michael Steinhardt, Herbert Chen, Derek Sheeler, Steinhardt Overseas Management, L.P., and Ilex Partners, L.L.C., v. Robert Howard-Anderson, Steven Krausz, Robert Abbott, Robert Bylin, Thomas Pardun, Brian Strom, Albert Moyer, and Occam Networks, Inc., C.A. No. 5878-VCL. Occam Networks, Inc., was a publicly traded Delaware corporation that announced on September 16, 2010, that it had entered into a merger agreement with Calix, Inc., another publicly traded company in the telecommunications equipment industry. Plaintiffs, Occam shareholders, filed the class action challenging the merger. As part of these proceedings, the court entered a confidentiality order to protect the non-public information that would be exchanged in discovery. This order contained both a general requirement that non-public

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information produced in the action be used solely for purposes of the litigation and a specific restriction against purchasing, selling, or otherwise trading in the securities of Occam or

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Calix on the basis of such information. Beginning on December 28, 2010, Mr. Steinhardt began short-selling Calix stock as a way to exit his Occam position. The defendants filed a motion for sanctions on the basis that Delaware law prohibits plaintiff-fiduciaries from trading stock while they are in possession of non-public information they obtained in discovery. After conducting an evidentiary hearing, the court granted the defendants' motion for sanctions with respect to Mr. Steinhardt and his affiliated funds on January 6, 2012. The court dismissed Mr. Steinhardt and his affiliated funds from the case with prejudice, barred them from receiving any future recovery in the lawsuit, required them to self-report their trading activities to the SEC and disclose it in any future application to serve as lead plaintiff, and ordered them to disgorge profits of over \$530,000.

Mr. Steinhardt's actions did not involve the Company or trading in the Company's securities and, based on the facts currently known, which we are continuing to review, we do not believe Mr. Steinhardt's actions will have a material impact on our business, although there can be no assurance that this will be the case or that these matters, and any investigation by the SEC, NASDAQ and/or other authorities or any actions that result from these matters, will not have an adverse effect on our reputation or the price of our common stock. Investigations or actions by the SEC, NASDAQ and/or other authorities or our Board's determination that Mr. Steinhardt violated our internal policies may also affect, among other things, Mr. Steinhardt's continued tenure on our Board of Directors.

Corporate Governance

We have adopted a code of conduct that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our code of conduct is available on our website at www.wisdomtree.com. We intend to disclose any amendments to this code, or any waivers of its requirements, on our website.

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EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis provides comprehensive information regarding our compensation programs and policies for our named executive officers, who consist of:

Jonathan Steinberg, our Chief Executive Officer (CEO);

Bruce Lavine, our President and Chief Operating Officer (COO);

Amit Muni, our Chief Financial Officer (CFO);

Luciano Siracusano, our Chief Investment Strategist (CIS); and

Peter Ziemba, our Chief Legal Officer (CLO).

We provide what we believe is a competitive total compensation opportunity for our executive management team through a combination of base salary, cash incentive bonuses, equity compensation and broad-based benefits programs. This Compensation Discussion and Analysis explains the following:

our compensation philosophy and objectives;

our executive compensation process, including the role of our Compensation Committee and management; and

our policies, practices, and actions with respect to each compensation element.

Included in each description will be the rationale for compensation decisions made for the 2011 fiscal year with respect to our executive officers.

Our Compensation Philosophy and Objectives

Our compensation philosophy and objectives are primarily shaped by strategies to achieve our long-term goals within the business environment in which we operate. We operate in an intensively competitive and challenging business environment and we expect competition to continue and intensify. We directly compete with numerous other ETF sponsors and indirectly compete with other larger and multi-national traditional asset management companies. We compete on a number of factors including the breadth and depth of our product offering as well as the investment performance and fees of our ETFs. We believe our long-term success depends on our ability to:

continue to innovate and introduce new ETFs to the marketplace;

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grow our market share of industry inflows to become one of the top five ETF sponsors in the United States; and

continue to leverage our existing product offering.

A key component of our long-term success is our ability to employ the industry's most talented, professional and dedicated people at all levels within the Company.

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The primary objectives of our compensation program are as follows:

attract, retain, and motivate our professional, dedicated, and expert employees in the highly competitive asset management industry;

reward and retain employees whose knowledge, skills and performance are critical to our continued success;

align the interest of all our employees with those of our stockholders by motivating them to increase stockholder value; and

motivate our executives to manage our business to meet short-term and long-term objectives and reward them appropriately for meeting or exceeding them.

The following principles guide our compensation programs:

Pay-for-performance Our compensation programs are designed to reward our employees for their individual performance as well as our Company's performance. If our employee is a top-tier performer, he or she should receive higher rewards. Likewise, where individual performance falls short of expectations and/or our Company's financial performance declines, the programs should deliver lower levels of compensation. In addition, the objectives of pay-for performance and retention must be balanced. Even in periods of temporary downturns in our Company's performance, our programs should continue to ensure that our successful, high-achieving employees will remain motivated and committed to us.

Every employee should be a stake-holder aligned with our stockholders We believe a key factor in our success has been and continues to be fostering an entrepreneurial culture where our employees act and think like our owners. As such, our compensation programs should encourage stock ownership deep within the organization to align our employees' interests with our stockholders. Our stock awards should be long-term in nature.

Higher levels of responsibility are reflected in compensation Our compensation should be based on our employees' level of job responsibility. As employees progress to higher levels in our organization, an increasing proportion of their pay should be tied to our Company's long-term performance because they are more able to affect our results.

Competitive compensation levels Our compensation programs should be reflective of the value of the position in the marketplace. To attract and retain a highly skilled work force, we must remain competitive with the pay of other premier employers who compete with us for talent.

Team approach We believe our success has been based on the coordinated efforts of all our employees working towards our common goals, not on the efforts of any one individual. As such, our compensation programs should be applied across the organization, taking into account differences in job responsibilities and marketplace considerations. Perquisites should be rare and limited to those that are important to our employees' ability to safely and effectively carry out their responsibilities.

To achieve these objectives, we seek to provide competitive compensation packages recognizing and rewarding individual contributions to ensure that executive compensation is aligned with corporate strategies and business objectives.

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Factors Considered in Evaluating Total Compensation for our Executive Officers

The Compensation Committee considers the following un-weighted factors to ensure that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives referred to above:

Our financial results, including actual results, budgets and projections and our overall financial health.

Operational performance metrics, including net inflows into our ETFs compared to the ETF industry, market share of industry inflows and total growth in assets under management as compared to the industry.

The broader economic conditions within the industry. The Compensation Committee recognizes that our assets under management and ability to gather ETF inflows are subject to market and other external conditions outside of our control.

The performance of our common stock.

The experience, tenure and performance of our executive officers and the extent to which the Compensation Committee is generally satisfied with our executive officer's past performance and expected future contributions.

Each executive officer's duties, responsibilities and ability to influence corporate performance.

Industry survey data to confirm the reasonableness of compensation levels.

Historical executive compensation levels along with company-wide compensation levels.

Our contractual obligation to certain officers.

The Compensation Committee considers the factors above, together with their collective experiences and business judgment, to evaluate our compensation practices. The Compensation Committee believes this general approach helps us to compete in hiring and to retain the best possible talent while at the same time maintaining a reasonable and responsible cost structure.

Background to Understanding Compensation Levels for our Executive Officers

Compensation for all our employees, including our executive officers, is based on the philosophies described above. However, in conjunction with these philosophies, the levels of compensation are also significantly influenced by what the Company can afford to pay as a result of our financial performance and relatively short operating history. In the future, as we gain experience, we expect that the specific direction, emphasis and components of our executive compensation program will evolve.

In addition, our CEO and CIS, as co-creators of our fundamentally weighted methodology, were granted significant equity awards during our transition phase from a media company to an asset manager (see the section entitled "Business Corporate History" elsewhere in this prospectus). As such, their compensation packages are structured differently than the remaining three executive officers' compensation packages. Of significance, our CEO and CIS do not maintain employment agreements with us due to their significant equity ownership of the Company. The initial compensation packages for our COO, CFO and CLO, who were hired shortly before or after we launched our first ETFs, were based on individual negotiations as these executive officers were leaving the perceived safety and relatively stable compensation opportunities at their prior employers, who were

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significantly larger and financially stronger than WisdomTree at the time, to come work for us. As such, we have entered into employment agreements with them which establish certain minimum amounts of cash compensation per year along with other benefits. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO to, among other things, add and/or revise certain post-employment restrictive covenant provisions and make certain changes to the severance benefits, which are described in more detail below under Potential Payments Upon Termination or Change in Control. A summary of the material terms and conditions of the employment agreements with our executive officers are discussed below.

Role of the Compensation Committee

The Compensation Committee, which is comprised entirely of independent directors, is responsible for the general oversight of our compensation policies and practices. The Compensation Committee also reviews the overall compensation structure and evaluates the overall performance of our executive officers as a team in order to determine that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives. The Compensation Committee does not engage any compensation consultants with respect to executive compensation. Rather, in reviewing compensation levels for our executive officers, the Compensation Committee considers their collective experiences and business judgment, knowledge of compensation trends of the industry in which we compete, the economic environment, our financial status and contributions our executive officers had made to our business individually and as a team.

The Compensation Committee specifically evaluates the performance of our CEO. The Compensation Committee also discusses the overall performance and compensation for our CEO with members of our Board of Directors. The Compensation Committee presents to our Board of Directors information regarding executive compensation matters for all our executive officers for informational purposes.

The Compensation Committee administers and exercises the authority granted to it under our equity-based plans, reviews and makes recommendations to our Board of Directors with respect to directors' compensation, and reviews and approves employment, severance, and change in control agreements as well as any other supplemental benefits provided to our executive officers. The Compensation Committee also works with our CLO to annually review and reassess the adequacy of its charter, proposing changes as necessary to our Board of Directors for approval.

Role of Management

Our executive officers play a critical and important role in setting or recommending compensation levels throughout our organization. Our CEO makes incentive compensation recommendations for the executive officers to the Compensation Committee. In considering the CEO's recommendations, the Compensation Committee considers the factors discussed above to ensure that compensation is fair, reasonable, competitive and consistent with our compensation philosophies and objectives.

Our CFO and CLO work with our CEO and Chairman of our Compensation Committee to design and develop compensation programs applicable to all our employees, including recommending changes to existing compensation programs and operational performance targets, preparing analyses of Company financial, operational data or other Compensation Committee briefing materials, analyzing industry data, and, ultimately, implementing the decisions of the Compensation Committee.

Compensation Benchmarking

The Compensation Committee monitors relevant market and industry statistics on executive compensation to balance our need to compete for talent with our need to maintain a reasonable and responsible cost structure, as well as with the goal of aligning the interests of our executive officers with those of our stockholders. In making compensation decisions, the Compensation Committee reviews industry surveys by

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McLagan Partners, Inc., a compensation consulting firm for the financial services industry, which prepares annual comprehensive compensation surveys for the asset manager industry. These surveys consisted of consolidated average compensation information of publicly traded and private asset management firms. The Compensation Committee uses these industry surveys as a reasonable data point; however, they do not benchmark compensation of our executive officers to these surveys. Rather, they weigh more heavily on their business judgment and other compensation determination factors discussed above.

In the future, as we gain experience, our Compensation Committee may choose to retain the services of a compensation specialist from time to time in connection with the establishment of cash and equity compensation and related policies. While market data and reports from third-party consultants provide useful starting points for compensation decisions, our Compensation Committee will continue to ensure our compensation philosophies are maintained or evolved in light of current market trends or practices.

Components of Compensation

We have established the following components of compensation to satisfy our compensation objectives:

base salary;

annual incentive compensation;

long-term equity compensation;

benefit programs;

change in control benefits; and

severance benefits.

We believe these components provide competitive compensation packages recognizing and rewarding individual contributions; ensure that executive compensation is aligned with corporate strategies and business objectives; and promote the achievement of key strategic and operating performance measures.

Each of the elements of our executive compensation is discussed in detail below, including a description of the particular element and how it fits into our overall executive compensation. In addition, discussion of the amounts of compensation paid to our executive officers under each of these elements is presented in the manner that the Compensation Committee uses to evaluate compensation. We believe it is useful to present this information, and to share this perspective with our stockholders, in order to clarify how our Compensation Committee numerically evaluates total compensation. These tables supplement the Summary Compensation Table presented below, which is in the format required by the SEC.

Base Salary

We use base salary as a means of providing steady pay or a fixed source of compensation for our executive officers allowing them a degree of certainty in order to attract and retain them. Base salaries were originally established at the time the executives were hired, taking into consideration the position's duties and level of responsibility, the executives' prior experience and skills, expected contribution to our performance, our understanding of what executives at other similar companies were being paid at such time, our financial condition, and the judgment of our Compensation Committee based on their industry experience. We have entered into employment agreements that establish certain base salaries for our COO, CFO and CLO as part of their employment with us. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO, but no changes were made to the base salaries provided to each of these executive officers.

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We have not entered into such an arrangement with our CEO or CIS. Our CEO's salary was subjectively determined by our Compensation Committee and our CIS's salary was adjusted in 2011 to bring him in parity with the other executive officers.

The table below reflects the changes in base salaries of our executive officers in 2011:

Executive Officer	2010 Base Salary	Raise	2011 Base Salary
Jonathan Steinberg	\$ 450,000		\$ 450,000
Bruce Lavine	\$ 300,000		\$ 300,000
Amit Muni	\$ 300,000		\$ 300,000
Luciano Siracusano	\$ 250,000	\$ 50,000	\$ 300,000
Peter Ziemba	\$ 300,000		\$ 300,000

Annual Incentive Compensation

We have established an annual bonus program to reward our executive officers, as well as all our employees, for their individual performance as well as Company performance. Incentive compensation is intended to motivate executives to achieve company-wide operating and strategic objectives. We have entered into employment agreements with our COO, CFO and CLO that establish minimum annual cash incentive compensation of \$200,000. On May 24, 2011, we amended and restated the employment agreements with our COO, CFO and CLO, but no changes were made to the annual incentive compensation provided to each of these executive officers. We believe this amount together with their base salary was necessary to obtain their employment and is adequate to retain and incentivize our executive officers to work at the highest level of their individual abilities and as a team to earn additional incentive compensation to meet our strategic and operating objectives.

Beginning with the 2008 performance year, we began awarding annual incentive compensation as 75% cash and 25% restricted stock which vests in one year. To determine the number of shares of restricted stock awarded as incentive compensation, we convert the dollar amount of the award into shares of restricted stock by using a 30-day volume weighted average price of our common stock. Any discretionary bonuses awarded to our COO, CFO and CLO above their established minimum amounts are also subject to this split. This was an informal guideline that the Compensation Committee approved. We may change this split in the future as we grow and gain more experience with our compensation practices.

For the 2011 performance year, our CEO recommended, and the Compensation Committee agreed and approved after deliberation, discretionary incentive compensation for our executive officers. In evaluating the recommended amounts, the Compensation Committee considered the following goals established at the beginning of the year and management's progress in achieving those goals. The Compensation Committee noted that management had either achieved or made significant progress in achieving the stated goals in the year ended December 31, 2011.

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Those goals and actual results are as follows:

GOAL	ACTUAL RESULTS
Improvement in net ETF inflows from the prior year	Net inflows improved 24% from \$3.1 billion in 2010 to \$3.9 billion in 2011.
Increased market share of industry inflows from the prior year	Market share increased from 2.7% in 2010 to 3.4% in 2011.
Improvement in assets under management growth as compared to the ETF industry and other ETF sponsors	Our assets under management increased 23% in 2011, the highest among the top 10 ETF sponsors.
Continued diversification of product offering	We launched a second international fixed income ETF in 2011 and changed the investment objective of two ETFs to add additional products to our international fixed income category. We further diversified by launching two alternative strategy ETFs and re-purposed three additional ETFs to enhance their attractiveness to investors.
Achievement of net income	Achieved in the first quarter of 2011.
Improvement in the price of the Company's common stock in order to support an exchange listing	Our common stock increased by 46%, the most of any publicly traded asset manager, in 2011 and reached a level which supported an exchange listing.

The approved incentive compensation amounts were not formula-based but rather based on the subjective determination of our CEO, and approved by our Compensation Committee, taking into account the total compensation of each executive officer, each executive's level of responsibility in achieving our goals, the competitive market for the executive's position, and recognizing that the goals were achieved as a team with each executive officer contributing from his individual area of expertise and skill.

The incentive compensation granted to our executive officers for the 2010 and 2011 performance years is below:

Executive Officer	Total Incentive Compensation	Awarded As Cash	Awarded As Restricted Stock
Jonathan Steinberg			
2011	\$ 425,000	\$ 318,750	\$ 106,250
2010	\$ 350,000	\$ 262,500	\$ 87,500
Bruce Lavine			
2011	\$ 465,625	\$ 399,219	\$ 66,406
2010	\$ 400,000	\$ 350,000	\$ 50,000
Amit Muni			
2011	\$ 356,250	\$ 317,188	\$ 39,062
2010	\$ 300,000	\$ 275,000	\$ 25,000
Luciano Siracusano			
2011	\$ 425,000	\$ 318,750	\$ 106,250
2010	\$ 350,000	\$ 262,500	\$ 87,500
Peter Ziemba			
2011	\$ 356,250	\$ 317,188	\$ 39,062
2010	\$ 300,000	\$ 275,000	\$ 25,000

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Long-Term Equity Compensation

Because short-term performance does not by itself accurately reflect our overall performance nor the return realized by our stockholders, our employees are eligible to receive equity awards. We believe that providing equity ownership:

serves to align the interests of our employees with our stockholders by creating an ownership culture and a direct link between compensation and stockholder return;

creates a significant, long-term interest for our employees to contribute to our success;

aids in the retention of employees in a highly competitive market for talent; and

allows the executives to participate in our longer-term success through stock price appreciation.

Currently, our equity award program is the primary vehicle for offering long-term incentives to our executives. Our equity awards take the form of stock options and restricted stock awards. Stock options typically require significant growth in stockholder value to generate long-term value to our executives which is in line with our performance-oriented culture. Restricted stock awards have intrinsic value which is important in retaining our executive talent. In addition, the vesting feature of our equity awards is intended to encourage the executive to remain with us for several years. We have not adopted any formal guidelines for allocating long-term compensation between stock options and restricted stock; however, the Compensation Committee subjectively ensures that the mix conforms to our overall philosophy and objectives.

In determining the size and mix of equity grants to our executives, our Compensation Committee used their collective experiences and business judgment and considered the executives' level of responsibility, the executives' ability to significantly influence our growth and profitability, the executives' previous experience, and the amount of equity awarded to our other executives. Typically, larger awards have been made to the executive officers who have areas of responsibility and functions that are more likely to build long-term stockholder value, as determined by how directly linked their areas of responsibility are to our growth or those with longer experience in the respective areas of expertise.

Long-term equity awards have different vesting periods varying from two to seven years. We set the exercise price of all stock option grants prior to 2010 based on the closing price of our common stock on the grant date. In 2010, we changed our practice and set the exercise price of all stock option grants to equal the greater of (a) the thirty day volume weighted average price of our common stock or (b) the grant date volume weighted average price. Vesting and exercise rights cease shortly after termination of employment except in certain cases discussed further below. Unvested restricted stock awards carry voting rights and the right to receive dividends.

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For the 2011 performance year, our CEO recommended, and our Compensation Committee agreed after deliberation, to grant long-term incentive awards to our CIS, CFO and CLO. The award for our CIS was subjectively determined by our CEO and COO and based primarily on the fact that practically all (96%) of his existing equity awards had vested and lost their retention characteristics. The award for our CFO and CLO was subjectively determined by our CEO and based on their outstanding performance during the year and contributions to achieving our corporate related goals. To enhance their retention aspects, the award for our CIS will vest equally over two years and the awards for our CFO and CLO will vest equally over four years. The amounts granted were as follows:

Executive Officer	Total Value of Long-Term Award	Awarded As Restricted Stock	Awarded As Options
Amit Muni			
2011	\$ 946,500	\$ 946,500	
2010	\$ 958,500	\$ 510,000	\$ 448,500
Luciano Siracusano			
2011	\$ 946,500	\$ 946,500	
2010			
Peter Ziemba			
2011	\$ 946,500	\$ 946,500	
2010	\$ 510,000	\$ 510,000	

The dollar values above reflects the accounting date fair value in accordance with U.S. generally accepted accounting principles. The assumptions used by us in valuing equity awards are set forth in note 6 of the notes to our consolidated financial statements included elsewhere in this prospectus.

Total Compensation

The table below reflects the total compensation granted to our executive officers for the 2010 and 2011 performance years presented in a manner that the Compensation Committee used to evaluate total compensation:

Executive Officer	2010 Base Salary	+	Annual Bonus	=	Annual Total Compensation	&	Long Term Equity Award
Jonathan Steinberg							
2011	\$ 450,000		\$ 425,000		\$ 875,000		
2010	\$ 450,000		\$ 350,000		\$ 800,000		
Bruce Lavine							
2011	\$ 300,000		\$ 465,625		\$ 765,625		
2010	\$ 300,000		\$ 400,000		\$ 700,000		
Amit Muni							
2011	\$ 300,000		\$ 356,250		\$ 656,250		\$ 946,500
2010	\$ 300,000		\$ 300,000		\$ 600,000		\$ 958,500
Luciano Siracusano							
2011	\$ 300,000		\$ 425,000		\$ 725,000		\$ 946,500
2010	\$ 250,000		\$ 350,000		\$ 600,000		
Peter Ziemba							
2011	\$ 300,000		\$ 356,250		\$ 656,250		\$ 946,500
2010	\$ 300,000		\$ 300,000		\$ 600,000		\$ 510,000

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Benefits a