

WisdomTree Investments, Inc.  
Form 10-K  
March 02, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For fiscal year ended December 31, 2014**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 001-10932**

**WisdomTree Investments, Inc.**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b> <b>incorporation or organization)</b>	<b>13-3487784</b> <b>(IRS Employer</b> <b>Identification No.)</b>
<b>245 Park Avenue, 35<sup>th</sup> Floor</b>  <b>New York, New York</b> <b>(Address of principal executive offices)</b>	<b>10167</b> <b>(Zip Code)</b>
<b>212-801-2080</b>  <b>(Registrant's Telephone Number, Including Area Code)</b>	

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class:</b> <b>Common Stock, \$0.01 par value</b>	<b>Name of each exchange on which registered:</b> <b>The NASDAQ Stock Market LLC</b>
<b>Securities registered pursuant to Section 12(g) of the Act:</b>	

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

## Edgar Filing: WisdomTree Investments, Inc. - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in 12b-2 of the Exchange Act.

x Large accelerated filer

" Accelerated filer

" Non-accelerated filer (Do not check if a smaller reporting company)

" Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  x

At June 30, 2014, the aggregate market value of the registrant's Common Stock held by non-affiliates (computed by reference to the closing sale price of such shares on the NASDAQ Global Select Market on June 30, 2014) was \$1,345,558,879.

At February 19, 2015, there were 134,852,119 shares of the registrant's Common Stock outstanding (voting shares).

### **DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2015, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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**WISDOMTREE INVESTMENTS, INC.**

**Form 10-K**

**For the Fiscal Year Ended December 31, 2014**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K, or Report, 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, anticipates, believes, estimates, predicts, potential, continue or the negative of these terms or 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 our 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 Report. 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 Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or SEC, as exhibits to this Report, 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 Report include statements about:

anticipated trends, conditions and investor sentiment in the global markets and exchange traded products, or ETPs, which include exchange traded funds, or ETFs;

anticipated levels of inflows into and outflows out of our ETPs;

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;

our ability to successfully expand our business into non-U.S. markets;

timing of payment of our cash income taxes;

competition in our business; and

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

The forward-looking statements in this Report represent our views as of the date of this Report. 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 Report.

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**PART I**

**ITEM 1. BUSINESS**

**Our Company**

We are the only publicly-traded asset management company that focuses exclusively on ETPs. We were the eighth largest ETP sponsor in the world based on assets under management, or AUM, with AUM of \$39.5 billion globally as of December 31, 2014. An ETP is a pooled investment vehicle that holds a basket of securities, financial instruments or other assets and generally seeks to track (index-based) or outperform (actively managed) the performance of a broad or specific equity, fixed income or alternatives market segment, commodity or currency (or an inverse or multiple thereof). ETPs are listed on an exchange with their shares traded in the secondary market at market prices, generally at approximately the same price as the net asset value of their underlying components. ETP is an umbrella term that includes ETFs, exchange-traded notes and exchange-traded commodities.

Our U.S. listed ETFs make up the vast majority of our global AUM, and are discussed in more detail below. As of December 31, 2014, we were the fifth largest ETF sponsor in the United States by AUM. Our family of ETFs includes funds that track our own indexes, funds that track third party indexes and actively managed funds. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisers, institutional investors, private wealth managers and discount brokers.

We focus on creating ETFs for investors that offer thoughtful innovation, smart engineering and redefined investing. Most of our index-based funds employ a fundamentally weighted investment methodology, which weights securities on the basis of factors such as dividends or earnings, whereas most other ETF industry indexes use a capitalization weighted methodology. In addition, we also 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 broad regulatory exemptive relief enables us to use our own indexes for certain of our ETFs and actively manage other ETFs.

Our AUM has been growing and reaching record levels each year which has helped improve our profitability. The following charts reflect key operating and financial metrics for our business:



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The following charts reflect the distribution and asset mix of our ETFs as of December 31, 2014:

**Our Industry**

An ETF is an investment fund that holds securities such as equities or bonds and/or other assets such as derivatives or commodities, and that 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 ETPs, the vast majority of which are comprised of ETFs, have been one of the most innovative investment products to emerge in the last two decades in the asset management industry. As of December 31, 2014, there were approximately 1,650 ETPs in the United States with aggregate AUM of \$2.0 trillion. BlackRock, Inc. projects the U.S. aggregate AUM of ETPs could grow to \$3.5 trillion by 2017, and estimates global ETP assets to double (from roughly \$3 trillion to \$6 trillion) over the next five years. The chart below reflects the AUM of the ETP industry in the United States since 2001:

Source: BlackRock

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As of December 31, 2014, we were the fifth largest ETF sponsor in the United States by AUM:

		<b>AUM as of December 31, 2014 (\$ in billions)(1)</b>
1	iShares	760
2	State Street	455
3	Vanguard	427
4	PowerShares	97
<b>5</b>	<b>WisdomTree</b>	<b>39</b>
6	ProShares	33
7	Van Eck	29
8	Guggenheim	27
9	First Trust	25
10	Schwab	21

(1) Source: BlackRock

According to Morningstar, Inc., ETFs were initially marketed primarily to institutional investors. However, 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 come to understand 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, 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.

**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, ETFs do not have 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.

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

**Low cost index investing.** ETFs provide exposure to a variety of broad-based indexes across equities, commodities, fixed income, and other asset classes and strategies, and can be used as both long-term portfolio holdings or short term trading tools. ETFs offer an efficient and less costly method by which to gain exposure to indexes as compared to individual stock ownership.

**Improved access to specific asset classes.** Investors often use ETFs to gain access to specific market sectors or regions around the world by investing in 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 a fixed income ETF that typically distributes monthly income or dividend-paying ETFs, which encompass a basket of dividend-paying stocks rather than buying individual stocks.

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***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. According to the Investment Company Institute, since 2007 ETFs have generated approximately 54% of the total inflows into ETFs and long-term mutual funds. However, during that time ETFs generated positive inflows into equity funds of approximately \$1.0 trillion and long-term equity mutual funds experienced outflows of approximately \$278 billion. We believe this trend is due to the inherent benefits of ETFs, that is: transparency, liquidity and tax efficiency.

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 market downturns during the economic crisis, investors have become more aware of some of the deficiencies of mutual funds 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 individual stocks.

***Move to fee-based models.*** Over the last several years, many financial advisers 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 adviser selecting no-load, lower-fee financial products, and in our opinion, better aligns advisers 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 advisers to move towards fee-based models, we believe overall usage of ETFs likely will 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 remain substantial areas for ETF sponsors to continue to innovate, including alternative- and investment theme-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 E\*Trade, 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 advisers. We believe these financial advisers 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. In addition, since many younger investors and financial advisers have demonstrated a preference for the ETF structure over traditional product structures, we believe that wealth transfers from one generation to another will also have a positive effect on ETF industry growth.

***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.

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In addition, regulatory reform laws which recently went into effect require 401(k) retirement plan sponsors to disclose all fees associated with their plans. While it may take several years for the fee disclosures to be fully analyzed and understood by plan sponsors and their participants, we believe that as investors become aware of fees associated with using mutual funds in traditional 401(k) retirement plans, they will replace higher fee mutual funds with ETFs because of their lower fees.

***International Markets.*** We believe the growth of ETFs is a global phenomenon. While the U.S. currently represents the vast majority of global ETF assets, Europe, Asia and Latin America are growing quickly. The same growth drivers powering the U.S. ETF industry are gradually taking hold in global markets.

Additionally, there is an increasing trend of non-U.S. institutional investors investing in U.S.-listed ETFs.

## **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 2012, 2013 and 2014, we were among the fastest growing top 10 ETF sponsors and at December 31, 2014 we were the fifth largest ETF sponsor in the United States by AUM. 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 positions us well to maintain a leadership position.

***Strong performance.*** We create our own indexes, rebalanced annually, most of which 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. In addition, we also 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, as well as ETFs based on third party indexes. In evaluating the performance of our equity, fixed income and alternatives ETFs against actively managed and index based mutual funds and ETFs, as of December 31, 2014 87% of the \$38.5 billion invested in our equity, fixed income and alternatives ETFs and 64% (33 of 52) of our ETFs outperformed their comparable Morningstar average since inception.

***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 emerging markets, international and U.S. equities, international and U.S. fixed income, currencies, and alternatives, and include both passive and actively managed funds. Our product development, research and sales 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 for our ETFs, we have the ability to create certain indexes and related ETFs more rapidly than many of our competitors who must license indexes from third party index providers. Our exemptive relief also enables us to offer actively managed funds. Our innovations include launching the industry's first emerging markets small-cap equity ETF, the first actively managed currency ETFs, one of the first international local currency denominated fixed income ETFs, the first managed futures strategy ETF and the first currency hedged international equity 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.*** We have invested significant resources to establish the WisdomTree brand through targeted television, print and online advertising, social media, as well as through our 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 advisers, independent advisory firms and institutional investors 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 advisers at leading national brokerage firms, registered investment advisers and high net worth advisers. We believe the recent growth we have experienced by strategically aligning these adviser 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 lower 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 for most of our ETFs, we usually do not incur many licensing costs.

***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.

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### **Our Growth Strategies**

Our goal is to become an asset manager with at least \$100 billion in ETF AUM, since we believe economies of scale is a competitive advantage in the ETF industry. In 2009, we were the eleventh largest ETF sponsor in the U.S. based on AUM. We increased our AUM to become the eighth largest ETF sponsor in 2010, the seventh largest in 2012 and the fifth largest in 2013 and 2014, with \$39.3 billion in AUM. 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 and expand to new distribution channels.*** We believe there is an opportunity to increase our market share by further penetrating existing distribution channels, expanding into new 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. Our share of ETF industry net inflows has fluctuated from 2.6% in 2012, to 8.0% in 2013 and 2.1% in 2014.

***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 and grow non U.S. institutional distribution channel.*** To date, our sales and marketing has been principally focused on the domestic U.S. market. However, 23 of our ETFs have been cross-listed in the special international section on the Mexican stock exchange, where certain institutional investors trade foreign securities in Mexico. Additionally, 13 of our ETFs were approved by the Chilean pension funds investment regulator for sale to Chilean pension funds and 12 of our ETFs were approved by the Peruvian pension funds investment regulator for sale to Peruvian pension funds. In 2010 we entered into a marketing arrangement with the Compass Group to market WisdomTree ETFs in Latin America and in 2014, we entered into a similar arrangement with BetaShares in Australia and New Zealand. We also filed notifications with the Financial Services Agency of Japan making 17 of our ETFs available for sale in Japan through Japanese securities companies. As ETFs are increasingly traded globally, we believe that international expansion of our marketing, communication and sales strategies will provide significant new growth avenues to participate in new regional markets as well as increasing cross-border investments by non U.S. institutional investors. On April 15, 2014, we completed the acquisition of Boost ETP, or Boost, a U.K. and Jersey based ETP provider, and renamed it WisdomTree Europe. Through the WisdomTree Europe platform, we have listed six WisdomTree branded UCITS ETFs on the London Stock Exchange, the Borsa Italiana and Deutsche Börse, and we continue to manage and grow the Boost lineup of short and leveraged fully collateralized ETPs under the Boost brand.



***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 2008, we entered into a joint venture with Mellon Capital Management Corporation, or Mellon Capital, and The Dreyfus Corporation, or Dreyfus, 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. This joint venture ended at the end of 2012. On April 15, 2014, we completed the acquisition of Boost.

### ***Regulatory Framework of the ETF Industry***

Not all 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 by the Investment Company Act of 1940, or 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 must not be affiliated persons of the fund's investment manager, or 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 in addition to ETFs, including exchange traded notes, grantor trusts or limited partnerships. In the U.S. market, 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.

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

## **Our U.S. Listed Products**

As of December 31, 2014, we offered a comprehensive family of 70 ETFs, of which 53 are listed on NYSE Arca, a listing venue of NYSE Euronext, and 17 are listed on the NASDAQ Stock Market. 23 of our ETFs have also been cross-listed on the Mexican stock exchange.

### ***Equity ETFs***

We offer equity ETFs that offer access to the securities of large, mid and small-cap companies located in the United States, international developed markets and emerging markets, as well as particular market sectors and styles. Our equity ETFs track our own indexes, the majority of which are fundamentally weighted 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 weighting equity markets by income, rather than by market capitalization, can provide investors with better risk-adjusted returns over longer term periods in core equity exposures. Our equity ETFs are sub-advised by Mellon Capital, a subsidiary of The Bank of New York Mellon Corporation, or BNY Mellon.

### ***International Hedged Equity ETFs***

In December 2009, we launched the industry's first currency hedged equity ETFs and have 12 such ETFs in the market today. These ETFs provide exposure to a specified international equity market while hedging the currency exposure of that market relative to the U.S. dollar. Our international hedged equity ETFs are sub-advised by Mellon Capital.

### ***Fixed Income ETFs***

In 2010, we began launching international fixed income ETFs that invest in emerging market countries, Asia Pacific ex-Japan countries or European countries. These ETFs are denominated in either local or U.S. currencies. We intend to launch additional fixed income bond funds and broaden our product offerings in this category. Our fixed income ETFs are sub-advised by either Mellon Capital or Western Asset Management, a subsidiary of Legg Mason. In December 2013, we launched a suite of rising rate bond ETFs based on leading fixed income benchmarks we license from third parties. Our rising rate bond ETFs are sub-advised by Mellon Capital.

### ***Currency ETFs***

We launched the industry's first currency ETFs in May 2008 using our regulatory exemption for actively managed funds. We offer currency ETFs that provide investors with exposure to developed and emerging markets currencies, including the Chinese Yuan and the Brazilian Real. In December 2013, we launched a U.S. Dollar Bullish Fund licensing a new Bloomberg index. 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. Our currency ETFs are sub-advised by Mellon Capital and Western Asset Management.

***Alternative Strategy ETFs***

In 2011, we launched the industry's first managed futures strategy ETF and a global real return ETF. We also intend to explore additional alternative strategy products in the future. Our managed futures strategy ETF is sub-advised by Mellon Capital and our global real return ETF is sub-advised by Western Asset Management.

**Our Non-U.S. Listed Products**

***WisdomTree UCITS ETFs***

In connection with our acquisition of Boost in April 2014 and the subsequent build out of the WisdomTree Europe platform, we have listed six WisdomTree branded UCITS ETFs on the London Stock Exchange, the Borsa Italiana and the Deutsche Börse, providing exposure to large and small-cap U.S. and European equities and emerging markets.

***Boost Short and Leveraged ETPs***

As part of the Boost acquisition, we acquired Boost's short and leveraged fully collateralized equity, commodity, fixed income and currency ETPs which are listed in Europe. As of December 31, 2014, there were 50 ETPs on the Boost platform.

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### **Sales, Marketing and Research**

We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisers, institutional investors, private wealth managers and discount brokers. Our primary sales efforts are not directed towards the retail segment but rather are directed towards the financial or investment adviser 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 advisers to use or recommend the use of our ETFs.

We have developed an extensive network and relationships with financial advisers 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 adviser with value-added services. We seek to consistently grow our network of financial advisers 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 41 sales professionals located in the United States as of December 31, 2014. We have recently announced plans to increase our sales force and invest in sales-related resources over the course of 2015 in order to further penetrate existing sales channels, and to better service new emerging distribution channels.

In addition, we have agreements with third parties to serve as the external marketing agents for the WisdomTree ETFs in Latin America as well as with E\*Trade Financial and Charles Schwab & Co. to allow certain of our ETFs to trade commission free on their brokerage platforms in exchange for a percentage of our advisory fee revenue from certain AUM. We believe these arrangements expand our distribution capabilities in a cost-effective manner and we may continue to enter into such arrangements in the future.

Our marketing effort is focused on three objectives: generating new clients and inflows to our ETFs; retaining existing clients, with a focus on cross-selling additional WisdomTree ETFs; and building brand awareness. We pursue these objectives through a multi-faceted marketing strategy targeted at financial advisers. 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, Fox Business and Bloomberg Television; online advertising runs on investing or ETF-specific web sites, such as [www.seekingalpha.com](http://www.seekingalpha.com) and [www.etfdatabase.com](http://www.etfdatabase.com); and print advertising runs in core financial publications, including Barron's and Investor's Business Daily.

**Media relations.** We have a full time public relations team who have 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. Several members of our management team are frequent market commentators and conference panelists.

**Direct marketing.** We have a database of financial advisers 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 adviser, Professor Jeremy Siegel.

***Social media.*** We have implemented a social media strategy that allows us to connect directly with financial advisers and investors by offering timely access to our research material and more general market commentary. Our social media strategy allows us to continue to enhance our brand reputation of expertise and thought leadership in the ETF industry. For example, we have established presence on LinkedIn, Twitter and YouTube, and our blog content is syndicated across several business oriented websites.

***Sales support.*** We create comprehensive materials to support our sales process including whitepapers, research reports, webinars, blogs, podcasts and performance data for our 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 insights 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 and blog, targeted emails to financial advisers, or through financial media outlets. On some occasions our research has been included in op-ed articles appearing in the Wall Street Journal. Shorter research notes are also developed to promote our ideas which are distributed online through social media channels. Finally, the research team supports our sales professionals in meetings as market experts and through custom analysis on client portfolio holdings. In addition, we consult with our senior investment strategy adviser, Professor Jeremy Siegel, on product development ideas and market commentaries.

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### **Product Development**

We are focused on driving continued growth through innovative product development. Due to our broad based regulatory exemptive relief, proprietary index development capabilities, and a strategic focus on product development at the senior management level, we have demonstrated an ability to launch innovative and differentiated ETFs. When developing new funds, we seek to introduce product that can be first to market, offer improvement in structure or strategy relative to an incumbent product, or offer some other key distinction relative to an incumbent product. In short, we want to add choice in the market and seek to introduce thoughtful investment solutions by avoiding commoditized product. Lastly, when launching new products we seek to expand and diversify our overall product line.

### **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 adviser 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 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.

The ETF industry is becoming significantly more competitive as existing players broaden their suite of products to different strategies, in some cases, similar to ours. For example, in August 2013, Charles Schwab & Co. launched six ETFs using the Russell fundamentally weighted indexes with fees generally equivalent with our comparable ETFs. Both Deutsche Bank and iShares have expanded their currency hedged equity product lines, at fees generally equivalent with our comparable ETFs. In February 2014, iShares launched a floating rate treasury ETF on the same day as we launched our similar ETF; however, iShares waived fees for one year while we did not.

There has also been increased price competition especially among commoditized product categories such as traditional, market capitalization weighted index exposures. Vanguard, Schwab, iShares and State Street primarily compete in this space and have offered low fee product for many years. However more recently, iShares and State Street have lowered prices across additional funds, or launched new funds at lower price points.

We do not know what effect, if any, the launch of these ETFs or price cuts may have on our business. 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, as the first ETF in a category to attract scale in AUM and trading liquidity is generally viewed as the most attractive ETF. We believe that our early launch of ETFs in a number of asset classes or strategies, including fundamental weighting and currency hedging, positions us well to maintain our position as one of the leaders of the ETF industry.

In 2008, the SEC announced a proposal to allow ETFs to form and operate without the need to obtain exemptive relief. This proposed rule was never adopted and it is unclear whether a new rule could be proposed in 2015. 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 was lifted in December 2012 and now potential competitors with the exemptive relief can compete with certain of our products. However, to date the SEC has not indicated whether the review time period

or process required to obtain the initial exemptive relief will be altered. In addition, certain large mutual fund complexes have obtained exemptive relief to launch actively managed ETFs but not all of them have done so yet. Removing the time barrier to obtain exemptive relief may bring additional competitors into the marketplace.

In addition, in December 2014, the SEC granted Eaton Vance and related parties an exemption from certain provisions of the Investment Company Act to permit the offering of a form of non-transparent exchange traded managed funds. In addition, the SEC rejected proposals from Precidian and BlackRock to also offer a form of non-transparent exchange traded product. Subsequently, Precidian refiled its application with changes intended to address the SEC's concerns. Industry observers believe that non-transparent exchange traded products may allow traditional actively managed mutual fund sponsors to compete more effectively against ETFs. We believe one of the benefits of the ETF structure is its daily full transparency, which these proposed non-transparent products will not provide. We offer fully transparent actively managed ETFs as well as passive ETFs. We do not know what effect, if any, these non-transparent exchange traded products may have on our business.

We believe our ability to successfully compete will depend largely on our competitive product structure and our ability to offer exposure to compelling investment strategies, develop distribution relationships, create new investment products, build trading volume, AUM and outperforming track records in existing funds, offer a diverse platform of investment choices, build upon our successful brand and attract and retain talented sales professionals and other employees.

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### **U.S. 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*** (Investment Advisers Act). The SEC is the federal agency generally responsible for administering the U.S. federal securities laws. One of our subsidiaries, WisdomTree Asset Management, Inc., or 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.

***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.

***U.S. Commodity Futures Trading Commission (CFTC)***. In 2012, the CFTC adopted regulations that have required us to become a member of the National Futures Association and register as a Commodity Pool Operator for a select number of our ETFs.

***Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010***. This comprehensive overhaul of the financial services regulatory environment requires federal agencies to implement numerous new rules,



which, as they are adopted may impose additional regulatory burdens and expenses on our business. 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 for which the relief was requested and obtained. Applying for exemptive relief can be costly and take several months to several years depending on the type of exemptive relief sought. Each WisdomTree ETF is listed on a secondary market, each, an Exchange, and any new WisdomTree ETF will seek listing on an Exchange. While the SEC has already approved rules for Exchanges to allow index-based ETFs to list that meet prescribed requirements (e.g., minimum number, market value and trading volume of securities in the new ETF's benchmark index), these rules do not allow any actively managed ETFs or index-based ETFs that do not meet the prescribed requirements without specific SEC approval. The SEC approval process has historically taken months to complete and, in some cases, years. The SEC may ultimately determine not to allow such potential new WisdomTree ETFs or may require strategy modifications prior to approval.

FINRA rules and guidance may affect how WisdomTree ETFs are sold by member firms. Although WisdomTree currently 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 our currency ETFs, which also use some forms of derivatives, including forward currency contracts and swaps, our international hedged equity ETFs, which use currency forwards, and our rising rates bond ETFs, which use futures.

Finally, our common stock is traded on the NASDAQ Global Select 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.

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### **Non-U.S. Regulation**

Our operations outside the U.S. are subject to the laws and regulations of various non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies. As we continue to expand our international presence, a number of our subsidiaries and international operations have become subject to regulatory systems, in various jurisdictions, comparable to those covering our operations in the U.S. Regulators in these non-U.S. jurisdictions may have broad authority with respect to the regulation of financial services including, among other things, the authority to grant or cancel required licenses or registrations.

In connection with our acquisition of Boost in April 2014 and the subsequent build out of the WisdomTree Europe platform, we are subject to Irish and European regulation of our WisdomTree UCITS ETFs and Boost ETPs as follows:

#### ***WisdomTree UCITS ETFs***

The investment management industry in Ireland is subject to both Irish domestic law and European Union law. The Central Bank of Ireland, or the Central Bank, is responsible for the authorization and supervision of collective investment schemes, or CIS, in Ireland. CIS s are also commonly known as funds/schemes. There are two main categories of funds authorized by the Central Bank, UCITS (Undertaking for Collective Investment in Transferable Securities) and funds which are not UCITS. ETFs form part of the Irish and European regulatory frameworks which govern UCITS, with ETFs having been the subject of specific consideration at European level (which is then repeated and/or interpreted by the Central Bank in its UCITS Notices and Guidance Notes).

One of our subsidiaries, WisdomTree Management Limited, is an Ireland based investment manager providing investment and other management services to WisdomTree Issuer plc, or WTI, and WisdomTree UCITS ETFs. The WisdomTree UCITS ETFs are issued by WTI. WTI, a non-consolidated third party, is a public limited company organized in Ireland and is authorized as a UCITS by the Central Bank. All UCITS have their basis in EU legislation and once authorized in one European Economic Area, or EEA, Member State, may be marketed throughout the EU, without further authorization. This is described as an EU passport.

WTI is established and operated as a public limited company with segregated liability between its sub-funds. The sub-funds are segregated portfolios, each with their own investment objective and policies and assets. Each sub-fund has a separate authorization from the Central Bank, and each is authorized as an ETF. Each sub-fund tracks a different index. The index must comply with regulatory criteria which govern the availability of information on the index such as the frequency of calculation of the index, the index s transparency, its methodology and frequency of calculation. Each sub-fund is listed on the Irish Stock Exchange and has shares admitted to trading on the London Stock Exchange and, accordingly, is subject to the listing requirements of those exchanges.

WTI is currently subject to the following legislation and regulatory requirements:

***European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (Regulations)***. The Regulations, which transpose Council Directive 2009/65/EC, Commission Directive 2010/43/EC and Commission Directive 2010/44/EC into Irish law, are effective from July 1, 2011. UCITS established in Ireland are authorized under the Regulations.

**Central Bank UCITS Notices.** The Central Bank has produced a series of UCITS Notices to explain and clarify various aspects of the Regulations and which set down conditions not contained in the Regulations with which UCITS must conform. These include the imposition and enforcement of detailed supervisory requirements and which cover, *inter alia*, investment and borrowing restrictions and disclosure of information to investors.

**Central Bank Guidance Notes.** The Central Bank has also produced Guidance Notes which provide direction on issues relating to the funds industry, certain of which set down conditions not contained in the Regulations with which UCITS must conform.

**The Companies Acts 1963-2013 (Companies Acts).** WTI is incorporated as a public limited company under the Irish Companies Acts. Therefore, WTI is required to comply with various obligations under the Companies Acts such as, but not limited to, convening general meetings and keeping proper books and records. The segregation of liability between sub-funds means there cannot be, as a matter of Irish law, cross-contamination of liability as between sub-funds so that the insolvency of one sub-fund affects another sub-fund.

#### **Boost ETPs**

One of our subsidiaries, Boost Management Limited, is a Jersey based investment manager providing investment and other management services to Boost Issuer PLC, or BI, and Boost ETPs. The Boost ETPs are issued by BI. BI, a non-consolidated third party, is a public limited company organized in Ireland. It was established as a special purpose vehicle for the purposes of issuing collateralized exchange traded securities, or ETP Securities, under the Collateralized ETP Securities Programme described in its Base Prospectus. BI is not required to be licensed, registered or authorized under any current securities, commodities or banking laws of Ireland and operates without supervision by any authority in any jurisdiction.

The Central Bank, as competent authority under Directive 2003/71/EC (as amended by Directive 2010/73/EU), or the Prospectus Directive, has approved the Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the

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Prospectus Directive. Such approval relates only to ETP Securities which are to be admitted to trading on a regulated market for the purpose of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (MiFID) and/or which are to be offered to the public in any Member State of the European Economic Area.

The Central Bank has, at the request of BI, notified the approval of the Base Prospectus in accordance with Article 18 of the Prospectus Directive to the U.K. Listing Authority (the United Kingdom financial supervisory authority), the Commissione Nazionale per la Società e la Borsa (the Italian financial supervisory authority) and the Bundesanstalt für Finanzdienstleistungsaufsicht (the German Federal financial supervisory authority), by providing them, *inter alia*, with certificates of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive. BI may request the Central Bank to provide competent authorities in other EEA Member States with such certificates whether for the purposes of making a public offer in such Member States or for admission to trading of all or any ETP Securities on a regulated market therein or both.

BI is currently subject to the following legislation and regulatory requirements:

***The Companies Acts.*** BI is incorporated as a public limited liability company under the Companies Acts. Therefore, BI is required to comply with various obligations under the Companies Acts such as, but not limited to, convening general meetings and keep proper books and records.

***The Prospectus Directive.*** The Base Prospectus has been drafted, and any offer of ETP Securities in any EEA Member State that has implemented the Prospectus Directive is made in compliance with the Prospectus Directive and any relevant implementing measure in such Member States.

***Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, known as the European Market Infrastructure Regulation (EMIR).*** EMIR, became effective on August 16, 2012, provides for certain over-the-counter, or OTC, derivative contracts to be submitted to central clearing and imposes, *inter alia*, margin posting and other risk mitigation techniques, reporting and record keeping requirements. BI hedges its payment obligations in respect of the ETP Securities by entering into swap transactions with swap providers, which are subject to EMIR.

## **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. We do, however, license third party indexes for certain of our fixed income, currency and alternative ETFs.

On March 6, 2012, the U.S. Patent and Trademark Office issued to us our patent on Financial Instrument Selection and Weighting System and Method, which is embodied in our dividend weighted equity indexes. We also have two 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 currently do not

rely upon our recently issued or future patents for a competitive advantage.

## **Employees**

As of December 31, 2014, we had 124 full-time employees. Of these employees, 41 are engaged in our U.S. sales function, 23 are in Europe with the remainder providing managerial, finance, marketing, legal, regulatory compliance, operations and research functions for our U.S. business. None of our employees are covered by a collective bargaining agreement and we consider our relations with employees to be good.

## **Segment and Geographic Areas**

We operate as one business segment, as an ETF sponsor and asset manager providing investment advisory services. Revenues are primarily derived in the U.S. and the vast majority of our assets are currently located in the U.S.

## **Available Information**

### ***Company Website and Public Filings***

Our website is located at [www.wisdomtree.com](http://www.wisdomtree.com), and our investor relations website is located at <http://ir.wisdomtree.com>. We make available, free of charge through our investor relations website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after they have been electronically filed with, or furnished to, the SEC. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C., 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding the Company at [www.sec.gov](http://www.sec.gov).

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We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases as part of our investor relations website. Further corporate governance information, including board committee charters and code of conduct, is also available on our investor relations website under the heading Corporate Governance. The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

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**ITEM 1A. 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 Report 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**

*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. We incurred significant losses following the launch of 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. Although we have reported net income for the 2011, 2012, 2013 and 2014 fiscal years, 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 Report, we cannot assure you that we will continue to be profitable.

*The significant growth we have experienced over the past three years may be difficult to sustain.*

Our U.S. listed AUM, which makes up the vast majority of our global AUM, has increased significantly over the last three years, from \$18.3 billion at the end of 2012 to \$34.9 billion at the end of 2013 to \$39.3 billion at the end of 2014. The absolute measure of our AUM represents a significant rate of growth that has been and may continue to be difficult to sustain. Furthermore, as we grow larger and increase our AUM, it may become increasingly difficult to maintain our current rate of growth. In addition, as compared to 17 other traditional publicly traded asset managers, we were ranked number one for our rate of organic growth of 14.5% in 2014. The continued growth of our business will depend on, among other things, our ability to retain and recruit key investment professionals, to devote sufficient resources to maintaining existing investment strategies and to selectively develop new, value-added investment strategies. Our business growth will also depend on our success in achieving superior investment performance from our investment strategies, as well as our ability to maintain and extend our distribution capabilities, to deal with changing market conditions, to maintain adequate financial and business controls and to comply with new legal and regulatory requirements arising in response to both the increased sophistication of the investment management industry and the significant market and economic events of the last few years.

*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 U.S. listed AUM and substantially all (95%) of our U.S. listed

AUM at December 31, 2014 was 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. 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 U.S. listed 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.

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.



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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.

***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 AUM of those funds.***

At December 31, 2014, approximately 78% of our U.S. listed ETF AUM was concentrated in ten of our WisdomTree ETFs (with 30% in WisdomTree Japan Hedged Equity Fund (DXJ) and 14% in WisdomTree Europe Hedged Equity Fund (HEDJ)). Our AUM relating to these funds (and their percentage of our total AUM) has continued to increase during the first quarter of 2015, especially for the WisdomTree Europe Hedged Equity Fund. 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 AUM of those funds.

***Most of our AUM is 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, 2014, approximately 74% 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 certain 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 certain foreign invested ETFs, as well as certain of our 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 international hedged equity ETFs and are exposed to the market-specific political and economic risk, as well as general investor sentiment regarding monetary policy of these markets.***

At December 31, 2014, approximately 45% of our ETF AUM was concentrated in our international hedged equity ETFs, which provide exposure to a specified international equity market while hedging the currency exposure of that market relative to the U.S. dollar. In 2014, approximately 37% of our revenue was derived from these ETFs. The significant inflows we experienced in 2013 were in our currency hedged Japanese equity ETF (DXJ), which was driven by political and economic policy changes in Japan, in particular the Japanese government's desire to implement policies which have decreased the value of the Yen. In 2014, our currency hedged European equity ETF (HEDJ) comprised the vast majority of our net inflows as the aggressive monetary policy of the European Central Bank weakened the Euro. The strengthening of the Yen or Euro against the U.S. dollar may have an adverse effect on our results. Our operating results are particularly exposed to the performance of these funds, economic and market conditions in these markets, general investor sentiment regarding monetary policy of these markets and our ability to maintain the AUM of those funds. 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 products invested in securities of Japanese and European companies and are exposed to the market-specific political and economic risk, as well as general investor sentiment regarding future growth of these markets and currency fluctuations.***

At December 31, 2014, approximately 31% of our U.S. listed ETF AUM was concentrated in our WisdomTree ETFs that primarily invest in equity securities issued by companies in Japan, including one fund, WisdomTree Japan Hedged Equity Fund, that accounted for 30% of our ETF AUM.

As of December 31, 2014, approximately 16% of our U.S. listed ETF AUM was concentrated in our WisdomTree ETFs that primarily invest in equity securities issued by companies in Europe, including one fund, WisdomTree Europe Hedged Equity Fund, that accounted for 14% of our ETF AUM.

As a result, our operating results are particularly exposed to the performance of those funds, economic and market conditions in either of these markets, general investor sentiment regarding future growth in these markets and currency fluctuations and our ability to maintain the AUM of those funds. If the AUM in the funds that are focused on either of these markets were to decline, either because of declining market values or because of net outflows from these funds, our revenue would be adversely affected.

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***We derive a significant 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, 2014, approximately 18% of our ETF AUM was concentrated in our WisdomTree ETFs that primarily invest in equity or fixed income securities issued by companies or governments in emerging markets. In 2014, approximately 27% of our revenue was derived from these 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 AUM 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.

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

Many of our ETFs have a limited track record upon which an evaluation of their investment performance can be made. At December 31, 2014, of our total 70 ETFs, 44 had a three year track record, 39 had a five year track record and none had a ten 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 AUM 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 State Street Bank and Trust Company to provide us with critical administrative services to operate our business and the WisdomTree ETFs. The failure of State Street to adequately provide such services could materially affect our operating business and harm WisdomTree ETF shareholders.***

We currently depend upon State Street Bank and Trust Company, or State Street, to provide the WisdomTree Trust with custody services, fund accounting, administration, transfer agency and securities lending services. The failure of State Street to successfully provide us and the WisdomTree ETFs with these services could result in financial loss to us and WisdomTree ETF shareholders. In addition, because State Street provides a multitude of important services to us, 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 another vendor or have these services provided by multiple vendors, which would require us to coordinate the transfer of these functions to another vendor or vendors.

***We depend on BNY Mellon and Western Asset Management to provide portfolio management services and 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.***

We depend on third party vendors to provide us with many services that are critical to operating our business, including BNY Mellon and Western Asset Management, as sub-advisers that provide us with portfolio management services, third party providers 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 the WisdomTree ETFs. The failure of any 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. Several ETF sponsors with whom we directly compete are seeking to obtain market share based on low 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/or 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

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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 pressures could reduce revenue and profit margins.***

The ETF industry is becoming significantly more competitive as existing players broaden their suite of products to different strategies, in some cases, similar to ours. 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 SEC in order to operate ETFs, traditional asset managers, many of whom are much larger than us, have started to enter the ETF space. For example, in August 2013, Charles Schwab & Co. launched six ETFs using the Russell fundamentally weighted indexes with fees generally equivalent with our comparable ETFs. Both Deutsche Bank and iShares have expanded their currency hedged equity product lines, at fees generally equivalent with our comparable ETFs. In February 2014, iShares launched a floating rate treasury ETF on the same day as we launched our similar ETF; however, iShares waived fees for one year while we did not. We expect that additional companies, both new and traditional asset managers, will continue to enter the ETF space.

There has also been increased price competition especially among commoditized product categories such as traditional, market capitalization weighted index exposures. Vanguard, Schwab, iShares and State Street primarily compete in this space and have offered low fee product for many years. However more recently, iShares and State Street have lowered prices across additional funds, or launched new funds at lower price points.

In addition, in 2008, the SEC proposed a rule that, if adopted, would eliminate the need to obtain exemptive relief, thereby lowering the barrier to entry. This proposed rule was never adopted and it is unclear whether a new rule could be proposed in 2015. 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 was lifted in December 2012 and may have served in the past to prevent potential competitors from directly competing with certain of our products. Now that the moratorium has been lifted, we may face increased competition and we may be forced to compete increasingly on the basis of price, and 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.

In addition, in December 2014, the SEC granted Eaton Vance and related parties an exemption from certain provisions of the Investment Company Act to permit the offering of a form of non-transparent exchange traded managed funds. In addition, the SEC rejected proposals from Precidian and BlackRock to also offer a form of non-transparent exchange traded product. Subsequently, Precidian refiled its application with changes intended to address the SEC's concerns. Non-transparent exchange traded products may allow traditional actively managed mutual fund sponsors to compete more effectively against ETFs, which could reduce our revenue and profit margins.

### ***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.

***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,

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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 U.S. 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. We also must comply with certain requirements under the Investment Company Act, with respect to the WisdomTree ETFs for which WTAM acts as investment adviser. WTAM is also a member of the National Futures Association, or NFA, and registered as a Commodity Pool Operator for certain of our ETFs. As a Commodity Pool Operator, we are subject to oversight by the NFA and the Commodities Futures Trading Commission pursuant to regulatory authority under the Commodities Exchange Act. 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 ETFs possible 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 monitor and react to these changes. Regulatory uncertainty continues to surround the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which represented a comprehensive overhaul of the financial services regulatory environment and requires federal agencies to implement numerous new rules, which, if adopted, may impose additional regulatory burdens and expenses on our business. Compliance with new laws and regulations may result in increased compliance costs and expenses.

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, which would mean a reduction in our revenue.

Our operations outside the U.S. are subject to the laws and regulations of various non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies. As we continue to expand our international presence, a number of our subsidiaries and international operations have become subject to regulatory systems, in various jurisdictions, comparable to those covering our operations in the U.S. Regulators in these non-U.S. jurisdictions may have broad authority with respect to the regulation of financial services including, among other things, the authority to grant or cancel required licenses or registrations.

***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.



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***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 investments are closed, when markets conditions are extremely volatile or when trading is disrupted. 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.

***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, launching innovative new products that diversify our product offerings and revenues. 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.

***We recently expanded our business into Europe and may expand into other geographic areas in the international marketplace, which could increase our operational, regulatory and other risks.***

In April 2014, we expanded into Europe through the acquisition Boost. In the future, we may expand into other geographic areas. As a result of such expansion, we expect to face increased operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such expansion, could result in operational failures and regulatory fines or sanctions. If our international products and operations experience any negative results or are perceived negatively in non-U.S. markets, it may also harm our reputation in other markets, including the U.S. market. Future international expansion could require us to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with leases, the employment of additional support staff and regulatory compliance. Operating our business in non-U.S. markets may be more expensive than in the United States. To the extent that our revenues do not increase to the same degree our expenses increase in connection with our expansion outside the United States, our profitability could be adversely affected. Expanding our business into non-U.S. markets may also place significant demands on our existing infrastructure and employees.

***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

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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, operating or business 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, stockholder 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;

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;

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.

***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. Our employees may voluntarily terminate their employment at any time. 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. Even with the recent increase in income tax rates applicable to dividends, corporate dividends continue to enjoy favorable tax treatment under current U.S. federal income tax law. If the income tax rates imposed on dividends were increased further, it may make these WisdomTree ETFs less attractive to investors.

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

Our results of operations are dependent in part on the level of our 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.

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***Any significant limitation, or failure of our technology systems, or of our third party vendors' technology systems, or any security breach of our information and cyber security infrastructure, software applications, technology or other 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 own, and our vendors', information security policies, procedures and capabilities to protect the technology systems used to operate our business and to protect the data that reside on or are transmitted through them. Although we and our third party vendors take protective measures to secure information, our and our vendors' 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. In addition, technology is subject to rapid change and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products, which could affect our business. Any inaccuracies, delays, system failures or breaches, or advancements in technology, and the cost necessary to address them, 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 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.

***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 revenue, expenses and operating results by: interrupting our normal business operations; inflicting 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, including parties that provide us with sub-advisory portfolio management services, custodial, fund accounting and administration services, or 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 a controlling interest in our Company.***

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 must vote to continue such an agreement following any such assignment and the shareholders of the WisdomTree ETFs must approve the assignment. The cost of obtaining such shareholder approval can be significant and which ordinarily would be borne by us. Similarly, under the Investment Advisers Act, a client's investment management agreement may not be assigned by the investment adviser 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 adviser's securities is transferred. Under both acts, there is a presumption that a stockholder beneficially owning 25% or more of an adviser's voting stock controls the adviser and conversely a stockholder beneficially owning less than 25% is presumed not to control the adviser. In our case, an assignment of our investment management agreements may occur if a third party were to acquire a controlling interest in our Company. We cannot be certain that the Trustees 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. And even if such approval were obtained, approval from the shareholders of the WisdomTree ETFs would be required to be obtained; such approval could not be guaranteed and even if obtained, likely would result in significant expense. This restriction may discourage potential purchasers from acquiring a controlling interest in our Company.

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***We 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.

***We have been issued a patent and have applied for other patents, but additional patents may not be issued to us 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 a patent and have applied for other patents relating to our index methodology and the operation of our ETFs, these other 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 from time to time be subject to claims of infringement of third party intellectual property rights, which could harm our business.*

## **Risks Relating to our Common Stock**

***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 AUM;

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 stockholder 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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***If equity research analysts 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 the opinions of 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 issuances 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 a material adverse effect on the market price of our common stock.

***The members of our Board of Directors, their affiliates and our executive officers, as stockholders, can exert significant influence over our Company.***

As of December 31, 2014, the members of our Board of Directors and our executive officers, as stockholders, collectively beneficially owned approximately 19.9% of our outstanding common stock. As a result of this ownership, they have the ability to significantly influence all matters requiring approval by stockholders of our Company, including the election of directors. 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 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 (i) 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, (ii) 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 (iii) 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. The listing requirements of the NASDAQ Global Select Market, upon which our common stock is listed, also require that certain transactions in which a director or officer has a conflict of interest must be considered and approved by our Audit Committee, which consists solely of independent directors.

***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 certificate of incorporation and our 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 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, 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.

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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.

*The payment of dividends to our stockholders is subject to the discretion of our Board of Directors and may be limited by our financial condition, and any applicable laws.*

In November 2014, we commenced a quarterly cash dividend and intend to continue to pay regular dividends to our stockholders. Our Board of Directors may, in its discretion, increase or decrease the level of dividends. Further, our Board of Directors has the discretion to discontinue the payment of dividends entirely. Any determination as to the payment of dividends, as well as the level of such dividends, will depend on, among other things, general economic and business conditions, our level of AUM, our strategic plans, our financial results and condition, new credit facilities or other agreements that could limit the amount of dividends we are permitted to pay and any applicable laws. If, as a consequence of these various limitations and restrictions, we are unable to generate sufficient income from our business, we may need to reduce or eliminate the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could adversely affect our stock price.

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.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

We have no unresolved comments from the SEC staff relating to our periodic or current reports filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended.

## **ITEM 2. PROPERTIES**

Our principal executive office is located at 245 Park Avenue, New York, New York 10167. We occupy approximately 38,000 square feet of office space under a lease that expires in July 2029. We believe that the space we lease is sufficient to meet our term needs until the expiration of the lease.

## **ITEM 3. LEGAL PROCEEDINGS**

As an investment adviser, we may be subject to routine reviews and inspections by the SEC, as well as legal proceedings arising in the ordinary course of business. 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, results of operations or cash flows.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is traded on the NASDAQ Global Select Market under the symbol WETF. The following table sets forth the intra-day high and low sale prices per share as reported by the NASDAQ Global Select Market.

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Dividends Declared</b>
<b>Fiscal 2014</b>			
Quarter ended December 31, 2014	\$ 16.71	\$ 9.57	\$ 0.08 <sup>(1)</sup>
Quarter ended September 30, 2014	\$ 12.95	\$ 9.63	\$ 0.08
Quarter ended June 30, 2014	\$ 13.66	\$ 9.11	\$
Quarter ended March 31, 2014	\$ 18.50	\$ 12.34	\$
<b>Fiscal 2013</b>			
Quarter ended December 31, 2013	\$ 18.08	\$ 10.62	\$
Quarter ended September 30, 2013	\$ 13.83	\$ 10.77	\$
Quarter ended June 30, 2013	\$ 14.13	\$ 9.83	\$
Quarter ended March 31, 2013	\$ 10.84	\$ 6.20	\$

(1) Dividend declared on February 4, 2015.

As of December 31, 2014, there were 160 holders of record of shares of our common stock and we believe there were approximately 65,000 beneficial owners of our common stock.

**Dividends**

In November 2014, we commenced a quarterly cash dividend and intend to continue to pay regular dividends to our stockholders. Our Board of Directors may, in its discretion, increase or decrease the level of dividends. Further, our Board of Directors has the discretion to discontinue the payment of dividends entirely. Any determination as to the payment of dividends, as well as the level of such dividends, will depend on, among other things, general economic and business conditions, our level of AUM, our strategic plans, our financial results and condition, new credit facilities or other agreements that could limit the amount of dividends we are permitted to pay, and any applicable laws.

**Securities Authorized for Issuance under Equity Compensation Plans**

The table below sets forth information with respect to shares of common stock that may be issued under the Company's equity compensation plans as of December 31, 2014. Information is included for equity compensation plans approved by our stockholders and equity compensation plans not approved by our stockholders.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders <sup>(1)</sup>	3,280,070	\$ 2.03	3,322,304
Equity compensation plans not approved by security holders <sup>(2)</sup>	2,050,000	\$ 0.93	631,865
<b>Total</b>	<b>5,330,070</b>	<b>\$ 1.61</b>	<b>3,954,169</b>

(1) Includes securities issuable upon exercise of outstanding options, warrants and rights that were issued pursuant to the Company's 1993 Stock Option Plan, 1996 Performance Equity Plan, 2000 Performance Equity Plan and 2005 Performance Equity Plan.

(2) Our non-plan options are similar to options granted under our equity compensation plans and generally were granted outside of these plans when insufficient shares were available for grant under our plans. These options provide the holder with the right to purchase a certain number of shares of our common stock at a predetermined fixed price for a period of not more than ten years. All of the non-plan options were granted to directors, employees or advisers to our Board of Directors and the exercise price was determined to be not less than the fair market value of our common stock on the date of grant.

**Table of Contents****Issuer Purchases of Equity Securities**

The following table provides information with respect to purchases made by or on behalf of the Company or any affiliated purchaser of shares of the Company's common stock.

(in thousands, except share and per share amounts)

	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs</b>
October 1, 2014 to October 31, 2014	23,488	\$11.55		
November 1, 2014 to November 30, 2014				
December 1, 2014 to December 31, 2014				

- (1) Total number of shares purchased reflects shares withheld pursuant to the terms of awards granted to employees towards the employee's income tax withholding obligations that occur upon vesting and release of the restricted shares. The value of the shares withheld is based upon the volume weighted average price of the common stock on the date of vesting. During the three months ended December 31, 2014, the Company repurchased 23,488 shares of its common stock withheld pursuant to the terms of awards granted to employees towards income tax withholding obligations for an aggregate price of \$271,286 with an average price per share of \$11.55.

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

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 Report and our consolidated financial statements and the related notes included elsewhere in this Report. The selected consolidated statements of operations data presented below under the heading "Consolidated Statements of Operations Data" for the years ended December 31, 2012, 2013 and 2014 and the selected consolidated balance sheet data presented below under the heading "Consolidated Balance Sheet Data" as of December 31, 2013 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this Report. The selected consolidated financial data presented below under the headings "Consolidated Statements of Operations Data" for the years ended December 31, 2010 and 2011 and under "Consolidated Balance Sheet Data" as of December 31, 2010, 2011 and 2012 have been derived from our consolidated financial statements not included in this Report. The historical results presented below are not necessarily indicative of the financial results to be expected for future periods.

	2010	2011	2012	2013	2014
	(in thousands, except per share data)				
<b>Consolidated Statements of Operations Data:</b>					
<b>Revenues:</b>					
ETF advisory fees	\$ 40,567	\$ 64,366	\$ 84,024	\$ 148,594	\$ 182,816
Other income	1,045	794	774	874	946
<b>Total revenues</b>	<b>41,612</b>	<b>65,160</b>	<b>84,798</b>	<b>149,468</b>	<b>183,762</b>
<b>Expenses:</b>					
Compensation and benefits	19,193	19,634	23,233	36,210	40,995
Fund management and administration	14,286	19,882	23,020	35,076	34,383
Marketing and advertising	3,721	4,475	5,363	8,309	11,514
Sales and business development	2,730	3,603	3,586	6,474	6,221
Professional and consulting fees	3,779	4,307	4,603	2,748	7,578
Occupancy, communications and equipment	1,118	1,127	1,419	2,784	3,578
Depreciation and amortization	314	267	307	439	821
Third party sharing arrangements	2,296	5,651	5,468	1,368	594
Other	1,724	2,243	2,976	4,523	4,530
ETF shareholder proxy			3,264		
Litigation, net		150	176		
Exchange listing and offering		729	353		
<b>Total expenses</b>	<b>49,161</b>	<b>62,068</b>	<b>73,768</b>	<b>97,931</b>	<b>110,214</b>
Income/(loss) before taxes	(7,549)	3,092	11,030	51,537	73,548
Income tax expense					12,497
<b>Net income/(loss)</b>	<b>\$ (7,549)</b>	<b>\$ 3,092</b>	<b>\$ 11,030</b>	<b>\$ 51,537</b>	<b>\$ 61,051</b>



Net income/(loss) per share basic	\$ (0.07)	\$ 0.03	\$ 0.09	\$ 0.41	\$ 0.46
Net income/(loss) per share diluted	\$ (0.07)	\$ 0.02	\$ 0.08	\$ 0.37	\$ 0.44
Weighted average common shares basic:	111,981	114,132	122,138	126,651	131,770
Weighted average common shares diluted:	111,981	135,539	137,968	139,797	138,551

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
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**Consolidated Balance Sheet Data:**

Cash and cash equivalents	\$ 14,233	\$ 25,630	\$ 41,246	\$ 104,316	\$ 165,284
Total assets	\$ 29,142	\$ 42,567	\$ 63,425	\$ 141,791	\$ 220,751
Total liabilities	\$ 11,907	\$ 16,714	\$ 12,365	\$ 32,762	\$ 36,466
Stockholders equity	\$ 17,235	\$ 25,853	\$ 51,060	\$ 109,029	\$ 184,285

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**ITEM 7. 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 Report. 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 Item 1A. Risk Factors of this Report. 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.*

**Introduction**

We were the eighth largest ETP sponsor in the world (based on AUM), with AUM of \$39.5 billion globally as of December 31, 2014. An ETP is a pooled investment vehicle that holds a basket of securities, financial instruments or other assets and generally seeks to track (index-based) or outperform (actively managed) the performance of a broad or specific equity, fixed income or alternatives market segment, commodity or currency (or an inverse or multiple thereof). ETPs are listed on an exchange with their shares traded in the secondary market at market prices, generally at approximately the same price as the net asset value of their underlying components. ETP is an umbrella term that includes ETFs, exchange-traded notes and exchange-traded commodities.

Through our operating subsidiaries, we provide investment advisory and other management services to the WisdomTree ETFs and Boost ETPs collectively offering ETPs covering equity, fixed income, currency, alternatives and commodity asset classes. In exchange for providing these services, we receive advisory fee revenues based on a percentage of the ETPs' average daily AUM. Our expenses are predominantly related to selling, operating and marketing our ETPs. We have contracted with third parties to provide certain operational services for the ETPs. We distribute our ETPs through all major channels within the asset management industry, including brokerage firms, registered investment advisers, institutional investors, private wealth managers and discount brokers primarily through our sales force. Our sales efforts are not directed towards the retail segment but rather are directed towards financial or investment advisers that act as intermediaries between the end-client and us.

**Executive Summary**

Our U.S. listed AUM, which makes up the vast majority of our global AUM, has increased significantly over the last three years, from \$18.3 billion at the end of 2012 to \$34.9 billion at the end of 2013 to \$39.3 billion at the end of 2014. The significant growth in AUM was a result of net inflows of \$4.7 billion in 2012, \$14.3 billion in 2013 and \$5.1 billion in 2014. We experience particularly strong inflows when our products align with market sentiment. For example, the significant inflows we experienced in 2013 were in our currency hedged Japanese equity ETF (DXJ). Political and economic policy changes in Japan, in particular the Japanese government's desire to implement policies which have decreased the value of the Yen, drove increased investor interest in the region and in our Japanese hedged equity ETF. In 2014, our currency hedged European equity ETF (HEDJ) comprised the vast majority of our net inflows and offset the outflows we experienced in emerging markets as the aggressive monetary policy of the European Central Bank weakened the Euro, potentially stimulating the equity markets. We believe our increasing inflow levels and AUM are a result of our innovative product offerings, new product launches to further 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.

Our strong operating results have translated into record financial results. Our revenues increased significantly from \$84.8 million in 2012 to \$149.5 million in 2013 to \$183.8 million in 2014 primarily due to higher AUM. Pre-tax income increased from \$11.0 million in 2012 to \$51.5 million in 2013 to \$73.5 million in 2014.

Other business highlights for 2014 include the following:

2014 was a year of continued investment in strategic growth initiatives to better position us for longer term success. We launched 9 U.S. listed ETFs focused on capitalizing on macro-investment themes. We invested in marketing and sales related initiatives to support our existing ETFs as well as new ETF launches. We added 21 new employees in the U.S., predominantly in sales and other functions supporting sales, including research and marketing.

In April 2014, we completed our acquisition of Boost and renamed it WisdomTree Europe. In the fourth quarter of 2014, we launched six WisdomTree branded ETFs in Europe and we continue to manage and grow Boost's short and leveraged ETPs. At December 31, 2014, WisdomTree Europe had \$181 million of AUM.

Due to our growing scale and cash generation, we implemented a capital return program beginning in November 2014 comprised of a quarterly cash dividend of \$0.08 per share of our common stock and a purchase of up to \$100 million of our common stock over three years, including purchases to offset future equity grants made under our equity plans.

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In the third quarter of 2014, we completed a state income tax study, which resulted in a reduction of our current baseline operating income tax rate in the U.S. from 45% to approximately 38%.

In April 2014, we transferred our fund administration and custody services to State Street which resulted in cost savings and an improvement in services.

In January 2014, we moved into new larger office facilities in New York City to accommodate our growth. The following charts reflect key operating and financial metrics for our business:

**Background**

***Market Environment***

The economic environment and markets have generally improved over the last three years; however, the markets continue to experience volatility due to a host of factors including, among others, underlying concerns regarding unemployment and the rate of economic recovery in the United States, the stability of European economies and their banks, rising inflation, sustainability of growth in the emerging market countries and geopolitical unrest.

The following charts reflect the annual returns of the broad based equity indexes over the last three years:

Source: Bloomberg.

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As the charts reflect, broad based international developed and emerging markets declined in 2014 while the U.S. markets had positive returns in 2014.

The U.S. ETF industry had record inflows levels in 2014 as the chart below reflects:

Source: Investment Company Institute, WisdomTree.

## ***Competitive Environment***

The ETF industry is becoming significantly more competitive as existing players compete on price and broaden their suite of products to different strategies that are, in some cases, similar to ours. We do not know what effect, if any, the launch of these ETFs may have on our business. 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 as the first ETF in a category to attract scale in AUM and trading liquidity is generally viewed as the most attractive ETF. We believe that our early launch of ETFs in a number of asset classes or strategies, including fundamental weighting and currency hedging, positions us well to maintain our position as one of the leaders of the ETF industry.

In addition, in December 2014, the SEC granted Eaton Vance and related parties an exemption from certain provisions of the Investment Company Act to permit the offering of a form of non-transparent exchange traded managed funds. Other firms have also filed for forms of non-transparent exchange traded actively managed products. Industry observers believe that non-transparent exchange traded products may allow traditional actively managed mutual fund sponsors to compete more effectively against ETFs. We believe one of the benefits of the ETF structure is its daily full transparency, which these proposed non-transparent products will not provide. We offer fully transparent actively managed ETFs as well as passive ETFs. We do not know what effect, if any, these non-transparent products may have on our business.

## ***WisdomTree Europe and Goodwill***

In April 2014, in a move that expands our footprint to Europe, we acquired Boost, a U.K. and Jersey based ETP sponsor now known as WisdomTree Europe. At the time of the acquisition, Boost had AUM of \$96.8 million. With their management team, we commenced a build-out of a local European platform to offer a select range of ETFs under the WisdomTree brand and continue to manage and grow Boost's lineup of short and leveraged fully collateralized ETPs under the Boost brand through a capital investment of \$20 million into the business. In the fourth quarter of 2014, we launched six WisdomTree branded UCITS ETFs in Europe.

Under terms of the acquisition agreement, we own 75% of WisdomTree Europe and the former Boost shareholders own 25%. We will acquire the remaining 25% ownership interest at the end of four years using a predefined formula based on European AUM at the end of the four year period and will be tied to our enterprise value over global AUM at the time of payout, and affected by profitability of the European business. No consideration was transferred on the acquisition date. The ultimate payout will be made in cash over two years. Because we are required to redeem the shares from the former Boost shareholders at the end of four years under a predefined formula, under U.S. GAAP, we do not reflect the 25% interest held by the former Boost shareholders in WisdomTree Europe as a non-controlling interest.

We recorded goodwill of \$1,676 related to this acquisition. This amount represents the excess value of the purchase price over the fair value of the net assets acquired. While we paid no consideration up front to the former Boost shareholders, under the terms of our acquisition agreement, \$1,757 was deemed to represent the purchase price.

The vast majority of our operating and financial results are driven by our U.S. listed ETF business as WisdomTree Europe is in the early stages of its development.

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### **Components of Revenue**

#### ***Advisory fees***

The majority of our revenues are comprised of advisory fees we earn from our U.S. listed 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%.

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 markets 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 shareholders 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.

Until the end of 2012, the advisory fee charged for our currency ETFs and one fixed income ETF was subject to a joint venture with Mellon Capital and Dreyfus as discussed below. We had determined that we were 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 Report.

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.

#### ***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. Our executive management and Board of Directors strongly believe 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. We ceased granting options in favor of restricted stock beginning in 2012 and do not anticipate issuing options in the future unless industry pay practices change. 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.

We intend to significantly increase our headcount in 2015 to support our growth and expect our total compensation and benefits expense will be between 21% to 25% of our revenues in 2015.



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***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;

exchange listing fees;

trustee fees and expenses;

preparation of regulatory reports and filings;

insurance;

certain local income taxes; and

other administrative services.

We are not responsible for extraordinary expenses, taxes and certain other expenses.

BNY Mellon acts as sub-adviser for the majority our ETFs and prior to April 2014, also provided fund administration, custody and accounting related services for all the WisdomTree ETFs. In April 2014, we transferred our fund administration, custody and accounting related services to State Street from BNY Mellon. The fees we pay BNY Mellon, our other sub-advisers and State Street have minimums per fund which range from \$25,000 to \$50,000 per year with additional fees ranging between 0.015% and 0.18% of average daily AUM at various breakpoint levels depending on the nature of the ETF. In addition, we pay certain costs based on transactions in our ETFs or based on inflow levels. The fees we pay for accounting, tax, index calculation and exchange listing are based on the number of ETFs we have. The remaining fees are based on a combination of both AUM and number of funds, or as incurred.

### ***Marketing and advertising***

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

advertising 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. We generally decrease our level of advertising in the third quarter due to a general slowdown of trading activity in the market during the summer months, but we may change that strategy going forward based on our financial results, competitive pressures and market conditions. In addition, we may incur expenditures in certain periods to attract inflows, the benefit of which may or may not be recognized from increases to our AUM 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.

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### ***Sales and business development***

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

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 or business initiatives.

### ***Professional and consulting fees***

Professional fees are expensed when incurred and consist of fees we pay to corporate advisers including accountants, tax advisers, legal counsel, investment bankers, human resources 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.

Also included in professional fees was stock-based compensation related to restricted stock or option awards we granted to senior advisers to our Board of Directors. Under U.S. generally accepted accounting principles, these awards were considered variable expenses and were re-measured each reporting period with a corresponding impact to stockholders' equity. These awards were fully expensed at November 2012.

### ***Occupancy, communications and equipment***

Occupancy, communications and equipment expense includes costs for our corporate headquarters in New York City. We entered into a new 16 year lease beginning in August 2013 for a larger office facility to support our growth.

### ***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 five to fifteen years.

### ***Third party sharing arrangements***

Included in third party sharing arrangements expense are payments from and reimbursements to us with respect to our joint venture with Mellon Capital and Dreyfus and payments to third parties to market our ETFs or include them on their customer platform.

In 2008, we entered into a mutual participation agreement with Mellon Capital and Dreyfus, wholly owned by BNY Mellon, in which we agreed to collaborate in developing currency and fixed income ETFs under the WisdomTree Trust. Under the agreement, we contributed our expertise in operating the ETFs, sales, marketing and research, and BNY Mellon contributed sub-advisory, fund administration and accounting services for these collaborated ETFs. All third party costs and profits and losses were shared equally. This agreement terminated on December 31, 2012 and we

entered into a new fee arrangement with BNY Mellon. Under the new arrangement, BNY Mellon continues to serve as portfolio manager to these ETFs under more traditional sub-advisory economic terms and such expenses are recorded in fund management and administration expense.

Our joint venture with Mellon Capital and Dreyfus was considered a collaborative arrangement and as such we determined that we were the principal participant for transactions under this collaborative arrangement and we recorded 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 were reflected in the Third Party Sharing Arrangement expense line.

***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 board of director fees, including stock-based compensation related to equity awards we granted to our directors.

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### **Factors that May Impact our Future Financial Results**

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 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. As the pie chart below reflects, as of December 31, 2014, 30% of our U.S. AUM is concentrated in our Japanese equity fund which hedges the Yen, trading under the symbol DXJ. In addition, another 14% of our AUM is concentrated in a similar product, HEDJ, our European equity fund which hedges the Euro. In addition, emerging markets equity, fixed income and currency exposures comprise 18% of our AUM. The strengthening of the Yen or Euro against the U.S. dollar or negative sentiment towards emerging markets, may have an adverse effect on our results.

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, international fixed income and currencies is likely to have a positive effect on our overall revenue and conversely unfavorable market sentiment is likely to have a negative impact.

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.

We have and will continue to strategically invest in our business in order to continue and accelerate our growth in the fast growing ETF industry. We expect our investment in strategic growth initiatives to range from \$12.0 to \$16.0 million in 2015. Our investment in strategic growth initiatives includes:

Significant expansion of our U.S. sales force, sales support staff and sales activities including new Head of Sales and expanded Chief Investment Strategist role;

Continue to launch ETFs to expand and diversify our product set;

Increase marketing activities to bring more awareness of our existing and new products, as well as our brand; and

Investment in technology and operational support to better scale for future growth.

The components of our strategic growth initiatives may increase or decrease from our planned estimates depending on the nature of the growth initiatives and market conditions.

**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 in the global equity markets. Therefore, period to period comparisons of ours or the industry's net inflows may not be meaningful or 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:

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Total ETFs (in millions)</b>			
Beginning of period assets	\$ 34,884	\$ 18,286	\$ 12,182
Inflows/(outflows)	5,075	14,323	4,732
Market appreciation/(depreciation)	(678)	2,275	1,372
End of period assets	\$ 39,281	\$ 34,884	\$ 18,286
Average assets during the period	\$ 35,308	\$ 28,472	\$ 15,554
<b>ETF Industry and Market Share (in billions)</b>			
ETF industry net inflows	\$ 239	\$ 180	\$ 185
WisdomTree market share of industry inflows	2.1%	8.0%	2.6%
<b>International Hedged Equity ETFs (in millions)</b>			
Beginning of period assets	\$ 13,348	\$ 1,258	\$ 418
Inflows/(outflows)	4,865	10,441	757
Market appreciation/(depreciation)	(453)	1,649	83
End of period assets	\$ 17,760	\$ 13,348	\$ 1,258
Average assets during the period	\$ 13,383	\$ 8,770	\$ 600
<b>U.S. Equity ETFs (in millions)</b>			
Beginning of period assets	\$ 7,181	\$ 4,371	\$ 3,429
Inflows/(outflows)	1,462	1,477	610
Market appreciation/(depreciation)	747	1,333	332
End of period assets	\$ 9,390	\$ 7,181	\$ 4,371
Average assets during the period	\$ 7,949	\$ 5,819	\$ 4,252
<b>Emerging Markets Equity ETFs (in millions)</b>			
Beginning of period assets	\$ 7,448	\$ 7,332	\$ 3,613
Inflows/(outflows)	(810)	865	3,111
Market appreciation/(depreciation)	(451)	(749)	608
End of period assets	\$ 6,187	\$ 7,448	\$ 7,332
Average assets during the period	\$ 7,208	\$ 7,762	\$ 5,715
<b>International Developed Equity ETFs (in millions)</b>			
Beginning of period assets	\$ 3,864	\$ 2,474	\$ 1,989
Inflows/(outflows)	573	967	243
Market appreciation/(depreciation)	(449)	423	242

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End of period assets	\$ 3,988	\$ 3,864	\$ 2,474
Average assets during the period	\$ 4,667	\$ 2,959	\$ 2,254
<b>Fixed Income ETFs (in millions)</b>			
Beginning of period assets	\$ 1,906	\$ 2,118	\$ 1,506
Inflows/(outflows)	(680)	121	491
Market appreciation/(depreciation)	(74)	(333)	121
End of period assets	\$ 1,152	\$ 1,906	\$ 2,118
Average assets during the period	\$ 1,465	\$ 2,352	\$ 1,770
<b>Currency ETFs (in millions)</b>			
Beginning of period assets	\$ 979	\$ 611	\$ 950
Inflows/(outflows)	(373)	418	(351)
Market appreciation/(depreciation)	(7)	(50)	12
End of period assets	\$ 599	\$ 979	\$ 611
Average assets during the period	\$ 465	\$ 673	\$ 772



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	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Alternative Strategy ETFs (in millions)</b>			
Beginning of period assets	\$ 158	\$ 122	\$ 277
Inflows/(outflows)	38	34	(129)
Market appreciation/(depreciation)	9	2	(26)
End of period assets	\$ 205	\$ 158	\$ 122
Average assets during the period	\$ 171	\$ 137	\$ 191
<b>Average ETF asset mix during the period</b>			
International hedged equity ETFs	38%	31%	4%
U.S. equity ETFs	23%	20%	27%
Emerging markets equity ETFs	20%	27%	37%
International developed equity ETFs	13%	11%	15%
Fixed income ETFs	4%	8%	11%
Currency ETFs	1%	2%	5%
Alternative Strategy ETFs	1%	1%	1%
Total	100%	100%	100%
<b>Average ETF advisory fee during the period</b>	0.52%	0.52%	0.54%
<b>Number of ETFs end of period</b>			
International developed equity ETFs	17	16	16
U.S. equity ETFs	13	13	11
Fixed income ETFs	12	11	5
International hedged equity ETFs	12	6	2
Emerging markets equity ETFs	8	7	5
Currency ETFs	6	6	5
Alternative Strategy ETFs	2	2	2
Total	70	61	46
<b>EUROPEAN LISTED ETPs</b>			
<b>Total ETPs (in thousands)</b>			
Beginning of period assets***	\$ 96,817		
Inflows	119,057		
Market depreciation	(50,856)		
End of period assets	\$ 165,018		
<b>Average ETP advisory fee during the period</b>	0.79%		
<b>Number of ETPs end of period</b>	50		
<b>Total UCITS ETFs (in thousands)</b>			
Beginning of period assets****	\$		
Inflows	16,036		
Market appreciation	143		
End of period assets	\$ 16,179		

<b>Average ETF advisory fee during the period</b>	0.38%		
<b>Number of ETFs end of period</b>	6		
<b>Global headcount</b>	124	87	70

\*\*\* As of April 15, 2014

\*\*\*\* UCITS first launched October 24, 2014

**Table of Contents****Year Ended December 31, 2014 Compared to December 31, 2013***Overview*

	As of and for the Year Ended December 31,			Percent Change
	2014	2013	Change	
<b>U.S. Listed AUM (in millions)</b>				
Beginning of period assets	\$ 34,884	\$ 18,286		
Net inflows	5,075	14,323	(9,248)	(64.6%)
Market appreciation/(depreciation)	(678)	2,275		
End of period assets	\$ 39,281	\$ 34,884	\$ 4,397	12.6%
<b>Financial Results (in thousands)</b>				
Total revenues	\$ 183,762	\$ 149,468	\$ 34,294	22.9%
Total expenses	110,214	97,931	12,283	12.5%
Pre-tax income	\$ 73,548	\$ 51,537	\$ 22,011	42.7%
Net income	\$ 61,051	\$ 51,537	\$ 9,514	18.5%

Our AUM increased 12.6% from \$34.9 billion at the end of 2013 to \$39.3 billion at the end of 2014 primarily due to \$5.1 billion of net inflows slightly offset by market depreciation. We reported pre-tax income of \$73.5 million in 2014, an increase of 42.7% from 2013 primarily due to higher revenues, and we reported net income of \$61.1 million in 2014 compared to \$51.5 million in 2013.

*Revenues*

	Year Ended December 31,			Percent Change
	2014	2013	Change	
U.S. listed-Average AUM (in millions)	\$ 35,308	\$ 28,472	\$ 6,836	24.0%
U.S. listed-Average ETF advisory fee	0.52%	0.52%		
Advisory fees (in thousands)	\$ 182,816	\$ 148,594	\$ 34,222	23.0%
Other income (in thousands)	946	874	72	8.2%
Total revenues (in thousands)	\$ 183,762	\$ 149,468	\$ 34,294	22.9%

*Advisory fees*

Advisory fees revenue increased 23.0% from \$148.6 million in 2013 to \$182.8 million in 2014. This increase was primarily due to higher average asset balances due to our level of net inflows. The average fee earned remained unchanged at 0.52% from 2013.

*Other income*

Other income increased 8.2% from 2013 to 2014. This increase was primarily due to higher interest income from our growing cash balances and realized gains on foreign currencies that we hold partly offset by lower index licensing fees.

**Table of Contents***Expenses*

(in thousands)	Year Ended December 31,		Change	Percent Change
	2014	2013		
Compensation and benefits	\$ 40,995	\$ 36,210	\$ 4,785	13.2%
Fund management and administration	34,383	35,076	(693)	(2.0%)
Marketing and advertising	11,514	8,309	3,205	38.6%
Sales and business development	6,221	6,474	(253)	(3.9%)
Professional and consulting fees	7,578	2,748	4,830	175.8%
Occupancy, communications and equipment	3,578	2,784	794	28.5%
Depreciation and amortization	821	439	382	87.0%
Third party sharing arrangements	594	1,368	(774)	(56.6%)
Other	4,530	4,523	7	0.2%
Total expenses	\$ 110,214	\$ 97,931	\$ 12,283	12.5%

As a Percent of Revenues:	Year Ended December 31,	
	2014	2013
Compensation and benefits	22.3%	24.2%
Fund management and administration	18.7%	23.5%
Marketing and advertising	6.3%	5.6%
Sales and business development	3.4%	4.3%
Professional and consulting fees	4.1%	1.8%
Occupancy, communications and equipment	1.9%	1.9%
Depreciation and amortization	0.5%	0.3%
Third party sharing arrangements	0.3%	0.9%
Other	2.5%	3.0%
Total expenses	60.0%	65.5%

*Compensation and benefits*

Compensation and benefits expense increased 13.2% from \$36.2 million in 2013 to \$41.0 million in 2014. This increase was due to our acquisition of Boost, costs associated with our higher U.S. headcount and stock based compensation due to equity awards we granted to our U.S. employees as part of 2013 compensation. Partly offsetting these increases was a decrease in accrued incentive compensation due to our inflow levels in 2014 compared to 2013. Our headcount increased from 87 employees at the end of 2013 to 101 in the U.S. and 124 globally at the end of 2014.

*Fund management and administration*

Fund management and administration expense decreased 2.0% from \$35.1 million in 2013 to \$34.4 million in 2014. Costs associated with the number of ETFs increased as we launched nine ETFs in 2014. We incurred costs to

terminate our relationship with BNY Mellon for fund accounting, administration and custodial services. In addition, we incurred higher expenses due to our acquisition of Boost and the launch of WisdomTree branded ETFs in Europe. More than offsetting the foregoing, variable costs tied to AUM levels declined due to lower pricing from State Street for fund accounting, administration and custodial services, despite higher average AUM.

*Marketing and advertising*

Marketing and advertising expense increased 38.6% from \$8.3 million in 2013 to \$11.5 million in 2014 primarily due to higher levels of television, print and online advertising to support our existing and new ETFs.

*Sales and business development*

Sales and business development expense decreased 3.9% from \$6.5 million in 2013 to \$6.2 million in 2014 primarily due to lower levels of spending for new product development partly offset by our acquisition of Boost.

*Professional and consulting fees*

Professional and consulting fees increased 175.8% from \$2.7 million in 2013 to \$7.6 million in 2014. This increase was primarily due to advisory fees associated with our acquisition of Boost as well as other strategic corporate consulting services.

**Table of Contents***Occupancy, communications and equipment*

Occupancy, communications and equipment expense increased 28.5% from \$2.8 million in 2013 to \$3.6 million in 2014 primarily due to costs for new and larger office space, which we began to occupy in January 2014.

*Depreciation and amortization*

Depreciation and amortization expense increased 87.0% from \$0.4 million to \$0.8 million primarily due to amortization of leasehold improvements for our new office space.

*Third party sharing arrangements*

Third party sharing arrangements decreased 56.6% from \$1.4 million in 2013 to \$0.6 million in 2014 primarily due to lower fees to our third party marketing agent in Latin America.

*Other*

Other expenses remained relatively unchanged at \$4.5 million for 2013 and 2014 as higher fees we paid for our corporate directors, who we began to pay in July 2013, were offset by lower office related expenses.

*Income tax expense*

Tax expense was \$12.5 million in 2014. In the first quarter of 2014, we recorded an income tax benefit of \$13.7 million to recognize our deferred tax asset, which previously had been reserved with a 100% valuation allowance. In the third quarter of 2014, we completed a state income tax study, which resulted in a reduction of our current baseline operating tax rate in the U.S. from 45% to approximately 38%. This rate may change in the future as our share of income attributable to the various states changes. We plan on performing this analysis on an annual basis in connection with the preparation of our U.S. income tax returns. We recorded a charge to income tax expense in the third quarter to reduce the value of our deferred tax asset, which had previously been recorded using a 45% rate. In addition, we took a tax charge to account for non-deductible expenses associated with our acquisition of Boost. While we record income tax expense, we did not pay cash income taxes for 2014 and do not expect to pay cash income taxes for some time thereafter due to tax losses attributable to excess stock option and restricted stock deductions. Such amounts will be applied to reduce taxes payable with a corresponding increase to equity.

**Year Ended December 31, 2013 Compared to December 31, 2012***Overview*

	As of and for the Year Ended December 31,		Change	Percent Change
	2013	2012		
<b>AUM (in millions)</b>				
Beginning of period assets	\$ 18,286	\$ 12,182		
Net inflows	14,323	4,732	\$ 9,591	202.7%
Market appreciation	2,275	1,372		

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End of period assets	\$ 34,884	\$ 18,286	\$ 16,598	90.8%
<b>Financial Results (in thousands)</b>				
Total revenues	\$ 149,468	\$ 84,798	\$ 64,670	76.3%
Total expenses	97,931	73,768	24,163	32.8%
Net income	\$ 51,537	\$ 11,030	\$ 40,507	367.2%

Our AUM increased 90.8% from \$18.3 billion at the end of 2012 to \$34.9 billion at the end of 2013 primarily due to \$9.8 billion of net inflows into our Japan hedged equity ETF. We reported net income of \$51.5 million in 2013 compared to \$11.0 million in 2012 primarily due to higher average AUM.



**Table of Contents****Revenues**

	Year Ended December 31,			Percent Change
	2013	2012	Change	
Average AUM (in millions)	\$ 28,472	\$ 15,554	\$ 12,918	83.1%
Average ETF advisory fee	0.52%	0.54%	(0.02)	(3.7%)
ETF advisory fees (in thousands)	\$ 148,594	\$ 84,024	\$ 64,570	76.8%
Other income (in thousands)	874	774	100	12.9%
<b>Total revenues (in thousands)</b>	<b>\$ 149,468</b>	<b>\$ 84,798</b>	<b>\$ 64,670</b>	<b>76.3%</b>

**ETF advisory fees**

ETF advisory fees revenue increased 76.8% from \$84.0 million in 2012 to \$148.6 million in 2013. This increase was primarily due to higher average asset balances due to record level of net inflows. The average fee earned decreased to 0.52% in 2013 from 0.54% in 2012 primarily due to a change in mix of our AUM, in particular an increase in AUM in our international hedged equity ETFs.

**Other income**

Other income increased 12.9% from 2012 to 2013. This increase was primarily due to higher interest income from our growing cash balances partly offset by lower index licensing fees.

**Expenses**

(in thousands)	Year Ended December 31,			Percent Change
	2013	2012	Change	
Compensation and benefits	\$ 36,210	\$ 23,233	\$ 12,977	55.9%
Fund management and administration	35,076	23,020	12,056	52.4%
Marketing and advertising	8,309	5,363	2,946	54.9%
Sales and business development	6,474	3,586	2,888	80.5%
Professional and consulting fees	2,748	4,603	(1,855)	(40.3%)
Occupancy, communications and equipment	2,784	1,419	1,365	96.2%
Depreciation and amortization	439	307	132	43.0%
Third party sharing arrangements	1,368	5,468	(4,100)	(75.0%)
Other	4,523	2,976	1,547	52.0%
ETF shareholder proxy		3,264	(3,264)	n/a
Litigation, net		176	(176)	n/a
Exchange listing and offering		353	(353)	n/a
<b>Total expenses</b>	<b>\$ 97,931</b>	<b>\$ 73,768</b>	<b>\$ 24,163</b>	<b>32.8%</b>

<b>As a Percent of Revenues:</b>	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Compensation and benefits	24.2%	27.4%
Fund management and administration	23.5%	27.1%
Marketing and advertising	5.6%	6.3%
Sales and business development	4.3%	4.2%
Professional and consulting fees	1.8%	5.4%
Occupancy, communications and equipment	1.9%	1.7%
Depreciation and amortization	0.3%	0.4%
Third party sharing arrangements	0.9%	6.5%
Other	3.0%	3.5%
ETF shareholder proxy	0.0%	3.9%
Litigation, net	0.0%	0.2%
Exchange listing and offering	0.0%	0.4%
<b>Total expenses</b>	<b>65.5%</b>	<b>87.0%</b>

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### *Compensation and benefits*

Compensation and benefits expense increased 55.9% from \$23.2 million in 2012 to \$36.2 million in 2013. This increase was primarily due to higher accrued incentive compensation due to our strong results in 2013 as well as costs associated with higher headcount. Our headcount increased from 70 employees to 87 by the end of 2013.

### *Fund management and administration*

Fund management and administration expense increased 52.4% from \$23.0 million in 2012 to \$35.1 million in 2013. At the end of 2012, we ended our joint venture with BNY Mellon. As a result, we began to record certain operating costs related to our currency and fixed income ETFs, which were previously recognized by BNY Mellon as part of the joint venture. This resulted in approximately \$2.2 million in higher costs in 2013.

Higher average AUM led to an increase of \$8.4 million in portfolio management, fund administration and accounting, index licensing, and distribution fees. Printing related fees increased \$0.8 million due to an increase in the number of shareholders owning our ETFs. This expense also increased due to 15 new ETFs launched in 2013. We had 46 ETFs at the end of 2012 and 61 ETFs at the end of 2013.

### *Marketing and advertising*

Marketing and advertising expense increased 54.9% from \$5.4 million in 2012 to \$8.3 million in 2013 primarily due to higher levels of television, print and online advertising to support our existing and new ETFs.

### *Sales and business development*

Sales and business development expense increased 80.5% from \$3.6 million in 2012 to \$6.5 million in 2013 primarily due to increased sales related spending as well as new product related costs.

### *Professional and consulting fees*

Professional and consulting fees decreased 40.3% from \$4.6 million in 2012 to \$2.7 million in 2013. This decrease was primarily due to lower variable stock-based compensation for equity awards granted to strategic advisers. Partly offsetting this decrease was an increase in advisory fees associated with our planned acquisition of Boost.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense increased 96.2% from \$1.4 million in 2012 to \$2.8 million in 2013 primarily due to additional rent expense for new office space we leased in August 2013 as our then existing lease would expire in January 2014.

### *Depreciation and amortization*

Depreciation and amortization expense increased 43.0% from \$0.3 million to \$0.4 million due to accelerated depreciation for assets related to our terminated office lease.

### *Third party sharing arrangements*

Third party sharing arrangements decreased 75.0% from \$5.5 million in 2012 to \$1.4 million in 2013 primarily due to the end of our joint venture with BNY Mellon at the end of 2012. Partly offsetting this decrease were higher fees to our marketing agents due to higher levels of inflows from Latin America.

*Other*

Other expenses increased 52.0% from \$3.0 million in 2012 to \$4.5 million in 2013 primarily due to higher corporate insurance and other office administrative related expenses.

**Table of Contents****Quarterly Results**

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 quarters in 2013 and 2014. In our opinion, this unaudited information has been prepared on substantially the same basis as the consolidated financial statements appearing elsewhere in this Report 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 Report. The results for any quarter are not necessarily indicative of results for any future period, and you should not rely on them as such.

<b>(in thousands)</b>	<b>Q1/13</b>	<b>Q2/13</b>	<b>Q3/13</b>	<b>Q4/13</b>	<b>Q1/14</b>	<b>Q2/14</b>	<b>Q3/14</b>	<b>Q4/14</b>
<b>Revenues</b>								
ETF advisory fees	\$ 29,153	\$ 37,101	\$ 39,437	\$ 42,903	\$ 42,609	\$ 43,938	\$ 46,942	\$ 49,327
Other income	188	230	193	263	311	190	172	273
<b>Total revenues</b>	<b>29,341</b>	<b>37,331</b>	<b>39,630</b>	<b>43,166</b>	<b>42,920</b>	<b>44,128</b>	<b>47,114</b>	<b>49,600</b>
<b>Expenses</b>								
Compensation and benefits	7,482	9,447	9,648	9,633	9,355	7,551	9,990	14,099
Fund management and administration	8,223	9,106	8,794	8,953	9,168	7,818	8,465	8,932
Marketing and advertising	1,937	2,196	2,031	2,145	2,578	2,726	3,341	2,869
Sales and business development	1,801	1,520	1,305	1,848	1,301	1,727	1,279	1,914
Professional and consulting fees	613	657	542	936	1,795	1,840	1,383	2,560
Occupancy, communications and equipment	377	591	723	1,093	900	853	882	943
Depreciation and amortization	82	83	84	190	192	201	207	221
Third party sharing arrangements	111	428	374	455	10	115	187	282
Other	861	1,061	1,164	1,437	1,142	1,164	1,123	1,101
<b>Total expenses</b>	<b>21,487</b>	<b>25,089</b>	<b>24,665</b>	<b>26,690</b>	<b>26,441</b>	<b>23,995</b>	<b>26,857</b>	<b>32,921</b>
Income before taxes	7,854	12,242	14,965	16,476	16,479	20,133	20,257	16,679
					(13,725)	9,531	9,634	7,057

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Income tax expense/(benefit)								
Net income	\$ 7,854	\$ 12,242	\$ 14,965	\$ 16,476	\$ 30,204	\$ 10,602	\$ 10,623	\$ 9,622
	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
<b>Percent of Revenues</b>								
<b>Revenues</b>								
ETF advisory fees	99.4%	99.4%	99.5%	99.4%	99.3%	99.6%	99.6%	99.4%
Other income	0.6%	0.6%	0.5%	0.6%	0.7%	0.4%	0.4%	0.6%
<b>Total revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenses</b>								
Compensation and benefits	25.5%	25.3%	24.3%	22.3%	21.8%	17.1%	21.2%	28.4%
Fund management and administration	28.0%	24.4%	22.2%	20.7%	21.4%	17.7%	18.0%	18.0%
Marketing and advertising	6.6%	5.9%	5.1%	5.0%	6.0%	6.2%	7.1%	5.8%
Sales and business development	6.1%	4.1%	3.3%	4.3%	3.0%	3.9%	2.7%	3.9%
Professional and consulting fees	2.1%	1.8%	1.4%	2.2%	4.2%	4.2%	2.9%	5.2%
Occupancy, communications and equipment	1.3%	1.6%	1.8%	2.5%	2.1%	1.9%	1.9%	1.9%
Depreciation and amortization	0.3%	0.2%	0.2%	0.4%	0.4%	0.5%	0.4%	0.4%
Third party sharing arrangements	0.4%	1.1%	0.9%	1.1%	0.0%	0.3%	0.4%	0.6%
Other	2.9%	2.8%	2.9%	3.3%	2.7%	2.6%	2.4%	2.2%
<b>Total expenses</b>	<b>73.2%</b>	<b>67.2%</b>	<b>62.2%</b>	<b>61.8%</b>	<b>61.6%</b>	<b>54.4%</b>	<b>57.0%</b>	<b>66.4%</b>
<b>Income before taxes</b>	<b>26.8%</b>	<b>32.8%</b>	<b>37.8%</b>	<b>38.2%</b>	<b>38.4%</b>	<b>45.6%</b>	<b>43.0%</b>	<b>33.6%</b>
Income tax expense/(benefit)					(32.0%)	21.6%	20.4%	14.2%
<b>Net income</b>	<b>26.8%</b>	<b>32.8%</b>	<b>37.8%</b>	<b>38.2%</b>	<b>70.4%</b>	<b>24.0%</b>	<b>22.5%</b>	<b>19.4%</b>

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	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
<b>Operating Statistics</b>								
<b>Total ETF AUM (in millions)</b>								
Beginning of period assets	\$ 18,286	\$ 25,103	\$ 28,975	\$ 31,352	\$ 34,884	\$ 33,884	\$ 35,500	\$ 35,823
Inflows/(outflows)	5,893	4,962	1,160	2,308	(502)	334	748	4,496
Market appreciation/(depreciation)	924	(1,090)	1,217	1,224	(498)	1,282	(425)	(1,038)
End of period assets	\$ 25,103	\$ 28,975	\$ 31,352	\$ 34,884	\$ 33,884	\$ 35,500	\$ 35,823	\$ 39,281
Average assets during the period	\$ 21,934	\$ 28,390	\$ 30,473	\$ 33,091	\$ 33,859	\$ 34,141	\$ 35,554	\$ 37,680

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	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
<b>ETF Industry and Market Share (in billions)</b>								
ETF industry net inflows	\$ 52.2	\$ 15.4	\$ 53.7	\$ 58.6	\$ 14.5	\$ 56.9	\$ 48.8	\$ 118.3
WisdomTree market share of industry inflows	11.3%	32.2%	2.2%	3.9%	0.0%	0.6%	1.5%	3.8%
<b>International Hedged Equity ETFs (in millions)</b>								
Beginning of period assets	\$ 1,258	\$ 5,797	\$ 10,270	\$ 11,481	\$ 13,348	\$ 12,612	\$ 12,557	\$ 13,971
Inflows/(outflows)	4,071	4,376	752	1,243	(12)	(502)	799	4,580
Market appreciation/(depreciation)	468	97	459	624	(724)	447	615	(791)
End of period assets	\$ 5,797	\$ 10,270	\$ 11,481	\$ 13,348	\$ 12,612	\$ 12,557	\$ 13,971	\$ 17,760
Average assets during the period	\$ 3,432	\$ 8,624	\$ 11,175	\$ 11,848	\$ 13,052	\$ 12,189	\$ 12,654	\$ 15,637
<b>U.S. Equity ETFs (in millions)</b>								
Beginning of period assets	\$ 4,371	\$ 5,161	\$ 5,777	\$ 6,271	\$ 7,181	\$ 7,505	\$ 8,052	\$ 7,939
Inflows/(outflows)	291	547	273	367	189	221	84	968
Market appreciation/(depreciation)	499	69	221	543	135	326	(197)	483
End of period assets	\$ 5,161	\$ 5,777	\$ 6,271	\$ 7,181	\$ 7,505	\$ 8,052	\$ 7,939	\$ 9,390
Average assets during the period	\$ 4,749	\$ 5,541	\$ 6,214	\$ 6,771	\$ 7,176	\$ 7,721	\$ 8,067	\$ 8,833
<b>Emerging Markets Equity ETFs (in millions)</b>								
Beginning of period assets	\$ 7,332	\$ 8,071	\$ 7,172	\$ 7,703	\$ 7,448	\$ 6,753	\$ 7,606	\$ 7,495
Inflows/(outflows)	876	(51)	286	(246)	(632)	388	270	(836)
Market appreciation/(depreciation)	(137)	(848)	245	(9)	(63)	465	(381)	(472)
End of period assets	\$ 8,071	\$ 7,172	\$ 7,703	\$ 7,448	\$ 6,753	\$ 7,606	\$ 7,495	\$ 6,187
Average assets during the period	\$ 7,905	\$ 7,964	\$ 7,289	\$ 7,891	\$ 6,775	\$ 7,088	\$ 7,878	\$ 7,092
<b>International Developed Equity ETFs (in millions)</b>								
Beginning of period assets	\$ 2,474	\$ 2,728	\$ 2,633	\$ 3,150	\$ 3,864	\$ 4,830	\$ 5,340	\$ 4,494
Inflows/(outflows)	139	57	205	565	812	518	(452)	(305)
Market appreciation/(depreciation)	115	(152)	312	149	154	(8)	(394)	(201)
End of period assets	\$ 2,728	\$ 2,633	\$ 3,150	\$ 3,864	\$ 4,830	\$ 5,340	\$ 4,494	\$ 3,988



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Average assets during the period	\$ 2,640	\$ 2,820	\$ 2,888	\$ 3,490	\$ 4,347	\$ 5,135	\$ 5,016	\$ 4,170
<b>Fixed Income ETFs (in millions)</b>								
Beginning of period assets	\$ 2,118	\$ 2,600	\$ 2,437	\$ 2,095	\$ 1,906	\$ 1,610	\$ 1,376	\$ 1,379
Inflows/(outflows)	508	78	(320)	(144)	(306)	(278)	69	(164)
Market appreciation/(depreciation)	(26)	(241)	(22)	(45)	10	44	(66)	(63)
End of period assets	\$ 2,600	\$ 2,437	\$ 2,095	\$ 1,906	\$ 1,610	\$ 1,376	\$ 1,379	\$ 1,152
Average assets during the period	\$ 2,453	\$ 2,700	\$ 2,246	\$ 2,008	\$ 1,747	\$ 1,435	\$ 1,385	\$ 1,294
<b>Currency ETFs (in millions)</b>								
Beginning of period assets	\$ 611	\$ 626	\$ 547	\$ 502	\$ 979	\$ 422	\$ 406	\$ 362
Inflows/(outflows)	12	(62)	(48)	515	(549)	(21)	(35)	232
Market appreciation/(depreciation)	3	(17)	3	(38)	(8)	5	(9)	5
End of period assets	\$ 626	\$ 547	\$ 502	\$ 979	\$ 422	\$ 406	\$ 362	\$ 599
Average assets during the period	\$ 637	\$ 607	\$ 515	\$ 933	\$ 611	\$ 413	\$ 380	\$ 456
<b>Alternative Strategy ETFs (in millions)</b>								
Beginning of period assets	\$ 122	\$ 120	\$ 139	\$ 150	\$ 158	\$ 152	\$ 163	\$ 183
Inflows/(outflows)	(4)	17	12	8	(4)	8	13	21
Market appreciation/(depreciation)	2	2	(1)		(2)	3	7	1
End of period assets	\$ 120	\$ 139	\$ 150	\$ 158	\$ 152	\$ 163	\$ 183	\$ 205
Average assets during the period	\$ 118	\$ 134	\$ 146	\$ 150	\$ 151	\$ 160	\$ 174	\$ 198
<b>Average ETF Asset Mix (during the period)</b>								
International Hedged								
Equity ETFs	15%	30%	37%	36%	39%	36%	36%	42%
U.S. Equity ETFs	22%	20%	20%	20%	21%	23%	23%	23%
Emerging Markets Equity ETFs								
Equity ETFs	36%	28%	24%	24%	20%	21%	22%	19%
International Developed								
Equity ETFs	12%	10%	9%	11%	13%	15%	14%	11%
Fixed Income ETFs	11%	10%	7%	6%	5%	4%	4%	3%
Currency ETFs	3%	2%	2%	3%	2%	1%	1%	1%
Alternative Strategy ETFs	1%	0%	1%	0%	0%	0%	0%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%
	0.54%	0.52%	0.51%	0.51%	0.51%	0.51%	0.52%	0.52%

**Average ETF Advisory  
Fee (during the period)**

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	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
<b>Number of ETFs (end of period)</b>								
International Developed Equity ETFs	16	16	16	16	16	17	17	17
U.S. Equity ETFs	11	12	13	13	13	13	13	13
Fixed Income ETFs	6	6	6	11	12	12	12	12
International Hedged Equity ETFs	2	4	4	6	6	12	12	12
Emerging Markets Equity ETFs	5	5	7	7	7	7	7	8
Currency ETFs	5	5	5	6	6	6	6	6
Alternative Strategy ETFs	2	2	2	2	2	2	2	2
<b>Total</b>	<b>47</b>	<b>50</b>	<b>53</b>	<b>61</b>	<b>62</b>	<b>69</b>	<b>69</b>	<b>70</b>

	Q2/14	Q3/14	Q4/14
<b>EUROPEAN LISTED ETPs</b>			
<b>Total ETPs (in thousands)</b>			
Beginning of period assets***	96,817	113,244	123,210
Inflows	17,658	19,224	82,175
Market depreciation	(1,231)	(9,258)	(40,367)
End of period assets	113,244	123,210	165,018
<b>Average ETP advisory fee during the period</b>	<b>0.82%</b>	<b>0.79%</b>	<b>0.78%</b>
<b>Number of ETPs end of period</b>	<b>38</b>	<b>42</b>	<b>50</b>
<b>Total UCITS ETFs (in thousands)</b>			
Beginning of period assets****			
Inflows			16,036
Market appreciation			143
End of period assets			16,179
<b>Average ETF advisory fee during the period</b>			<b>0.38%</b>
<b>Number of ETFs end of period</b>			<b>6</b>
<b>Global headcount</b>	<b>72</b>	<b>79</b>	<b>84</b>
	<b>87</b>	<b>90</b>	<b>103</b>
	<b>103</b>	<b>117</b>	<b>124</b>

\*\*\* As of April 15, 2014

\*\*\*\* UCITS first launched October 24, 2014

**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:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>Balance Sheet Data (in thousands):</u></b>		
Cash and cash equivalents	\$ 165,284	\$ 104,316
Investments	13,990	11,748
Accounts receivable	18,176	17,591
Total liabilities	(36,466)	(32,762)
	\$ 160,984	\$ 100,893

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b><u>Cash Flow Data (in thousands):</u></b>			
Operating cash flows	\$ 82,630	\$ 70,124	\$ 11,234
Investing cash flows	(5,831)	(7,027)	(2,358)
Financing cash flows	(15,772)	(27)	6,740
Foreign exchange rate effect	(59)		
Increase in cash and cash equivalents	\$ 60,968	\$ 63,070	\$ 15,616

**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, accrued year end incentive compensation for employees as well as consideration owed in connection with our acquisition of Boost in April 2014.

Cash and cash equivalents increased \$61.0 million in 2014 primarily due to \$82.6 million of cash flows generated by our operating activities as a result of higher revenues from higher average AUM. We received \$1.5 million from the exercise of stock options, acquired \$1.3 million in cash from our acquisition of Boost and received \$0.9 million from the redemption of investments we held during the year. We used \$10.8 million to pay a dividend on our common stock and \$6.5 million to repurchase our common stock. We used \$4.9 million for leasehold and other capital expenditures for our new office space and \$3.2 million to purchase investments.

Cash and cash equivalents increased \$63.1 million in 2013 primarily due to \$70.1 million of cash flows generated by our operating activities as a result of higher revenues from higher average AUM, \$1.6 million received from the exercise of stock options and \$2.8 million from the redemption of investments we held during the year. Partly offsetting these increases was \$6.2 million used for purchase of fixed assets and leasehold improvements for our new office space and \$3.6 million used to purchase new investments.

Cash and cash equivalents increased \$15.6 million in 2012 primarily due to \$11.2 million of cash flows generated by our operating activities as a result of higher revenues from higher average AUM, \$4.7 million received from the exercise of stock options and \$4.3 million from the sale of our common stock. We also received \$7.8 million from the redemption of investments we held during the year. Partly offsetting these increases was \$10.0 million used to purchase new investments.

### ***Capital Resources***

Currently, our principal source of financing is our operating cash flow. We believe that current cash flows generated by our operating activities and existing cash balances should be sufficient for us to fund our operations for at least the next 12 months.

### ***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, fund a dividend payment on our common stock, re-acquire shares of our common stock issued to our employees as incentive compensation as discussed below or expand our business through strategic acquisitions.

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In 2012, we repurchased 357,123 shares from our employees at then current market prices at a cost of \$2.3 million. In 2013, we repurchased 136,641 shares from our employees at then current market prices at a cost of \$1.6 million. In 2014, we repurchased 415,834 shares from our employees at then current market prices at a cost of \$6.5 million. These repurchases were in connection with tax withholding upon vesting of restricted stock. The amount repurchased represented the required amount of income tax withholding. As discussed above, in October 2014, we announced a capital return program comprised of a dividend payment and \$100 million share repurchase over three years.

**Contractual Obligations**

The following table summarizes our future cash payments associated with contractual obligations as of December 31, 2014.

	Total	Payments Due by Period (in thousands)			More than 5 years
		Less than 1 year	1 to 3 years	3 to 5 years	
Operating leases	\$ 41,297	\$ 3,200	\$ 5,683	\$ 8,334	\$ 24,080
Acquisition payable	1,757			1,757	
<b>Total</b>	<b>\$ 43,054</b>	<b>\$ 3,200</b>	<b>\$ 5,683</b>	<b>\$ 10,091</b>	<b>\$ 24,080</b>

**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.

**Critical Accounting Policies*****Revenue Recognition***

The Company earns investment advisory fees for ETPs and separately managed accounts as well as licensing fees from third parties. ETP advisory fees are based on a percentage of the ETPs average daily net assets and recognized over the period the related service is provided. Fees for separately managed accounts and licensing are based on a percentage of the average monthly net assets and recognized over the period the related service is provided.

***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.

**Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09) Revenue from Contracts with Customers, which is a new comprehensive revenue recognition standard on the financial reporting requirements for revenue from contracts entered into with customers. ASU 2014-09 is effective for interim and annual periods

beginning after December 15, 2016. The Company is currently assessing the potential impact of the adoption of this guidance on its consolidated financial statements.

**ITEM 7A. 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 of our revenue 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 AUM 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.

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 \$11.7 million and \$14.0 million as of December 31, 2013 and 2014, 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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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The report of the independent registered public accounting firm and financial statements listed in the accompanying index are included in Item 15 of this Annual Report on Form 10-K. See Index to the consolidated financial statements on page F-1 of this Annual Report on Form 10-K.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of December 31, 2014, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2014, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules, regulations and forms of the Securities and Exchange Commission, or the SEC, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended December 31, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Report of Management on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. In order to evaluate the effectiveness of internal control over financial reporting, management has conducted an assessment, including testing, using the criteria in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on the assessment, management has concluded that our company maintained effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

**ITEM 9B. OTHER INFORMATION**

None.

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**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by Item 401 of Regulation S-K regarding directors and officers will be contained in our definitive proxy statement to be filed pursuant to Regulation 14A for the 2015 Annual Meeting of our stockholders, expected to be filed within 120 days of our fiscal year end, or in an amendment to this Form 10-K, and is incorporated herein by reference.

The information required by Item 405 of Regulation S-K will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

We have adopted a Code of Conduct that applies to all of our directors, officers and employees, including our principal executive officer and principal financial and accounting officer. The Code of Conduct is posted on our website at <http://ir.wisdomtree.com/governance.cfm>.

We will post any amendments to, or waivers from, a provision of this Code of Conduct by posting such information on our website, at the address and location specified above.

The information required by Item 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 and Item 407(e)(4) and (e)(5) of Regulation S-K will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 201(d) and Item 403 of Regulation S-K will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 404 and Item 407(a) of Regulation S-K will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 9(e) of Schedule 14A will be contained in our definitive proxy statement or in an amendment to this Form 10-K, and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS; FINANCIAL STATEMENT SCHEDULES**

(a). The following are filed as part of this Annual Report on Form 10-K:

1. *Consolidated Financial Statements*: The consolidated financial statements and report of independent registered public accounting firm required by this item are included beginning on page F-1.

2. *Financial Statement Schedules*: None.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated financial statements or in the notes thereto.

(b). Exhibits: The attached list of exhibits in the Exhibit Index immediately preceding the exhibits to this annual report is incorporated herein by reference in response to this item.

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**SIGNATURES**

Pursuant to the requirements of the Section 13 or 15(d) Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WISDOMTREE INVESTMENTS, INC.

By: */s/* JONATHAN L. STEINBERG  
**Jonathan L. Steinberg**  
**Chief Executive Officer and Director**

March 2, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the 2<sup>nd</sup> day of March, 2015.

<b>Signature</b>	<b>Title</b>
<i>/s/</i> JONATHAN L. STEINBERG <b>Jonathan L. Steinberg</b>	President, Chief Executive Officer and Director (Principal Executive Officer)
<i>/s/</i> AMIT MUNI <b>Amit Muni</b>	Executive Vice President Finance and Chief Financial Officer  (Principal Financial and Accounting Officer)
<i>/s/</i> BRUCE I. LAVINE <b>Bruce I. Lavine</b>	Vice Chairman and Director
<i>/s/</i> MICHAEL STEINHARDT <b>Michael Steinhardt</b>	Non-Executive Chairman of the Board
<i>/s/</i> STEVEN L. BEGLEITER <b>Steven L. Begleiter</b>	Director
<i>/s/</i> ANTHONY BOSSONE <b>Anthony Bossone</b>	Director
<i>/s/</i> R. JARRETT LILIEN <b>R. Jarrett Lilien</b>	Director
<i>/s/</i> WIN NEUGER <b>Win Neuger</b>	Director
<i>/s/</i> FRANK SALERNO <b>Frank Salerno</b>	Director



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**WISDOMTREE INVESTMENTS, INC.**

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**Consolidated Financial Statements**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of WisdomTree Investments, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of WisdomTree Investments, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WisdomTree Investments, Inc. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WisdomTree Investments, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, NY

March 2, 2015

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of WisdomTree Investments, Inc. and Subsidiaries

We have audited WisdomTree Investments, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). WisdomTree Investments, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, WisdomTree Investments, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of WisdomTree Investments, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of WisdomTree Investments, Inc. and Subsidiaries and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, NY



March 2, 2015

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**Table of Contents****WisdomTree Investments, Inc. and Subsidiaries**

## Consolidated Balance Sheets

*(In Thousands, Except Per Share Amounts)*

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 165,284	\$ 104,316
Accounts receivable	18,176	17,591
Deferred tax asset, net	3,872	
Other current assets	1,708	1,320
<b>Total current assets</b>	<b>189,040</b>	<b>123,227</b>
Fixed assets, net	10,356	6,252
Investments	13,990	11,748
Deferred tax asset, net	5,618	
Goodwill	1,676	
Other noncurrent assets	71	564
<b>Total assets</b>	<b>\$ 220,751</b>	<b>\$ 141,791</b>
<b>Liabilities and stockholders equity</b>		
<b>Liabilities:</b>		
Current liabilities:		
Fund management and administration payable	\$ 9,983	\$ 10,394
Compensation and benefits payable	14,333	14,278
Accounts payable and other liabilities	5,115	4,384
<b>Total current liabilities:</b>	<b>29,431</b>	<b>29,056</b>
Acquisition payable	1,757	
Deferred rent payable	5,278	3,706
<b>Total liabilities</b>	<b>36,466</b>	<b>32,762</b>
<b>Stockholders equity:</b>		
Preferred stock, par value \$0.01; 2,000 shares authorized:		
Common stock, par value \$0.01; 250,000 shares authorized; issued: 134,959 and 132,247; outstanding: 133,445 and 130,350	1,350	1,322
Additional paid-in capital	209,216	184,201
Accumulated other comprehensive loss	(53)	
Accumulated deficit	(26,228)	(76,494)
<b>Total stockholders equity</b>	<b>184,285</b>	<b>109,029</b>

Total liabilities and stockholders equity	\$ 220,751	\$ 141,791
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*The accompanying notes are an integral part of these consolidated financial statements*

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**Table of Contents****WisdomTree Investments, Inc. and Subsidiaries**

## Consolidated Statements of Operations

*(In Thousands, Except Per Share Amounts)*

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>			
ETF advisory fees	\$ 182,816	\$ 148,594	\$ 84,024
Other income	946	874	774
Total revenues	183,762	149,468	84,798
<b>Expenses:</b>			
Compensation and benefits	40,995	36,210	23,233
Fund management and administration	34,383	35,076	23,020
Marketing and advertising	11,514	8,309	5,363
Sales and business development	6,221	6,474	3,586
Professional and consulting fees	7,578	2,748	4,603
Occupancy, communications, and equipment	3,578	2,784	1,419
Depreciation and amortization	821	439	307
Third party sharing arrangements	594	1,368	5,468
Other	4,530	4,523	2,976
ETF shareholders proxy			3,264
Litigation, net			176
Exchange listing and offering			353
Total expenses	110,214	97,931	73,768
Income before taxes	73,548	51,537	11,030
Income tax expense	12,497		
<b>Net income</b>	<b>\$ 61,051</b>	<b>\$ 51,537</b>	<b>\$ 11,030</b>
Net income per share basic	\$ 0.46	\$ 0.41	\$ 0.09
Net income per share diluted	\$ 0.44	\$ 0.37	\$ 0.08
Weighted-average common shares basic	131,770	126,651	122,138
Weighted-average common shares diluted	138,551	139,797	137,968

*The accompanying notes are an integral part of these consolidated financial statements*



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**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Comprehensive Income

*(In Thousands)*

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Comprehensive income</b>			
<b>Net income</b>	\$ 61,051	\$ 51,537	\$ 11,030
<b>Other comprehensive loss</b>			
Foreign currency translation adjustment	(53)		
<b>Comprehensive income</b>	<b>\$ 60,998</b>	<b>\$ 51,537</b>	<b>\$ 11,030</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**Table of Contents****WisdomTree Investments, Inc. and Subsidiaries**

## Consolidated Statements of Stockholders' Equity

*(In Thousands)*

	<b>Common Stock Shares Issued</b>	<b>Par Value</b>	<b>Additional Paid-In Capital</b>	<b>Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance January 1, 2012	116,703	1,167	163,747		(139,061)	25,853
Net proceeds from sale of common stock	1,000	10	4,319			4,329
Restricted stock issued, net	1,179	12	(12)			
Shares repurchased	(357)	(4)	(2,257)			(2,261)
Exercise of stock options, net	8,019	80	4,592			4,672
Stock issued for services	10		28			28
Stock-based compensation			7,409			7,409
Net income					11,030	11,030
Balance December 31, 2012	126,554	1,265	177,826		(128,031)	\$ 51,060
Restricted stock issued, net	974	10	(10)			
Shares repurchased	(137)	(1)	(1,612)			(1,613)
Exercise of stock options, net	4,856	48	1,538			1,586
Stock-based compensation			6,459			6,459
Net income					51,537	51,537
Balance December 31, 2013	132,247	1,322	184,201		(76,494)	109,029
Restricted stock issued, net	613	6	(6)			
Shares repurchased	(416)	(4)	(6,527)			(6,531)
Exercise of stock options, net	2,515	26	1,518			1,544
Stock-based compensation			8,137			8,137
Tax benefit from stock option exercised and vested restricted shares			21,893			21,893
Foreign currency translation adjustment				(53)		(53)
Dividends					(10,785)	(10,785)
Net income					61,051	61,051
Balance December 31, 2014	134,959	\$ 1,350	\$ 209,216	\$ (53)	\$ (26,228)	\$ 184,285

*The accompanying notes are an integral part of these consolidated financial statements*

**Table of Contents****WisdomTree Investments, Inc. and Subsidiaries**

## Consolidated Statements of Cash Flows

*(In Thousands)*

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>			
Net income	\$ 61,051	\$ 51,537	\$ 11,030
Non-cash items included in net income:			
Deferred income tax expense	12,403		
Depreciation and amortization and other	821	439	307
Stock-based compensation	8,137	6,459	7,437
Deferred rent	1,572	706	(140)
Accretion to interest income and other	(72)	116	194
Changes in operating assets and liabilities:			
Accounts receivable	(369)	(5,020)	(3,723)
Other assets	99	(579)	337
Fund management and administration payable	(445)	3,470	(3,111)
Compensation and benefits payable	(186)	12,122	(2,012)
Accounts payable and other liabilities	(381)	874	915
Net cash provided by operating activities	82,630	70,124	11,234
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	(4,894)	(6,211)	(190)
Purchase of investments	(3,225)	(3,597)	(10,004)
Cash acquired on acquisition	1,349		
Proceeds from the redemption of investments	939	2,781	7,836
Net cash used in investing activities	(5,831)	(7,027)	(2,358)
<b>Cash flows from financing activities:</b>			
Net proceeds from sale of common stock			4,329
Dividends paid	(10,785)		
Shares repurchased	(6,531)	(1,613)	(2,261)
Proceeds from exercise of stock options and warrants	1,544	1,586	4,672
Net cash (used in)/provided by financing activities	(15,772)	(27)	6,740
Decrease in cash flow due to changes in foreign exchange rate		(59)	
Net increase in cash and cash equivalents	60,968	63,070	15,616
Cash and cash equivalents beginning of year	104,316	41,246	25,630
Cash and cash equivalents end of year	\$ 165,284	\$ 104,316	\$ 41,246



**Supplemental disclosure of cash flow information:**

Cash paid for taxes	\$	66	\$	38	\$	33
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**Noncash investing and financing activities:**

Cashless exercise of stock options and warrants	\$		\$	267	\$	
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*The accompanying notes are an integral part of these consolidated financial statements*

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**WisdomTree Investments, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements

*(In Thousands, Except Share and Per Share Amounts)*

**1. Organization and Description of Business**

WisdomTree Investments, Inc., through its subsidiaries in the U.S., U.K., Jersey and Ireland (collectively, WisdomTree or the Company), is an ETP sponsor and asset manager headquartered in New York. WisdomTree offers ETPs covering equity, fixed income, currency, alternative and commodity asset classes. The Company has the following operating subsidiaries:

*WisdomTree Asset Management, Inc.* ( WTAM ) is a New York based investment adviser registered with the SEC providing investment advisory and other management services to WisdomTree Trust ( WTT ) and WisdomTree exchange traded funds ( ETFs ).

*Boost Management Limited* ( BML or Boost ) is a Jersey based investment manager providing investment and other management services to Boost Issuer PLC ( BI ) and Boost ETPs.

*WisdomTree Europe Limited* ( WisdomTree Europe ) is a U.K. based company registered with the Financial Conduct Authority providing management and other services to BML and WTML.

*WisdomTree Management Limited* ( WTML ) is an Ireland based investment manager providing investment and other management services to WisdomTree Issuer plc ( WTI ) and WisdomTree UCITS ETFs. The WisdomTree ETFs are issued in the U.S. by WTT. WTT, a non-consolidated third party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Company has licensed the use of certain of its own indexes on an exclusive basis in the U.S. to WTT for the WisdomTree ETFs. The Boost ETPs are issued by BI. BI, a non-consolidated third party, is a public limited company organized in Ireland. The WisdomTree UCITS ETFs are issued by WTI. WTI, a non-consolidated third party, is a public limited company organized in Ireland.

The Board of Trustees and Board of Directors of WTT, BI and WTI, respectively, are separate from the Board of Directors of the Company. The Trustees and Directors of WTT, BI and WTI respectively, are primarily responsible for overseeing the management and affairs of the WisdomTree ETFs, Boost ETPs and the WisdomTree UCITS ETFs for the benefit of the WisdomTree ETF, Boost ETP and the WisdomTree UCITS ETF shareholders, respectively, and have contracted with the Company to provide for general management and administration services. The Company, in turn, has contracted with third parties to provide the majority of these administration services. In addition, certain officers of the Company provide general management services for WTT, BI and WTI.

**2. Significant Accounting Policies**

***Basis of Presentation***

These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ( GAAP ) and in the opinion of management reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of financial condition, results of operations, and cash flows for the periods presented. The consolidated financial statements include the accounts of the Company s wholly owned subsidiaries.

All intercompany accounts and transactions have been eliminated in consolidation. Certain accounts in the prior years consolidated financial statements have been reclassified to conform to the current year s consolidated financial statements presentation. These reclassifications had no effect on the previously reported operating results.

***Foreign Currency Translation***

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated based on the end of period exchange rates from local currency to U.S. dollars. Results of operations are translated at the average exchange rates in effect during the period.

***Use of Estimates***

The preparation of the Company s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. Actual results could differ materially from those estimates.

**Table of Contents*****Revenue Recognition***

The Company earns investment advisory fees as well as licensing fees from third parties. Advisory fees are based on a percentage of the ETPs average daily net assets and recognized over the period the related service is provided. Licensing fees are based on a percentage of the average monthly net assets and recognized over the period the related service is provided.

***Depreciation and Amortization***

Depreciation is provided for using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	5 years
Furniture and fixtures	15 years

Leasehold improvements are amortized over the term of their respective leases or service lives of the improvements, whichever is shorter. Fixed assets are stated at cost less accumulated depreciation and amortization.

***Marketing and Advertising***

Advertising costs, including media advertising and production costs are expensed when incurred.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be classified as cash equivalents. Cash and cash equivalents are held primarily with one large financial institution.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are customer and other obligations due under normal trade terms. An allowance for doubtful accounts is not provided since, in the opinion of management, all accounts receivable recorded are deemed collectible.

***Impairment of Long-Lived Assets***

On a periodic basis, the Company performs a review for the impairment of long-lived assets when events or changes in circumstances indicate that the estimated undiscounted future cash flows expected to be generated by the assets are less than their carrying amounts or when other events occur which may indicate that the carrying amount of an asset may not be recoverable.

***Earnings per Share***

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the reduction in earnings per share assuming options or other contracts to issue common stock were exercised or converted into common stock.

***Investments***

The Company accounts for all of its investments as held-to-maturity, which are recorded at amortized cost. For held-to-maturity investments, the Company has the intent and ability to hold investments to maturity and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity.

On a periodic basis, the Company reviews its portfolio of investments for impairment. If a decline in fair value is deemed to be other-than-temporary, the security is written down to its fair value through earnings.

***Goodwill***

Goodwill is the excess of the fair value of the purchase price over the fair values of the identifiable net assets at the acquisition date. The Company tests its goodwill for impairment at least annually. An impairment loss is triggered if the estimated fair value of the operating reporting unit is less than the estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

***Stock-Based Awards***

Accounting for stock-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. The Company accounts for stock-based compensation for its employees based on the cost of employee services received in exchange for a stock-based award. Stock-based compensation is measured based on the grant-date fair value of the award and are amortized over the relevant service period.

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Stock-based awards granted to non-employees for goods or services are valued at the fair value of the equity instruments issued or the fair value of consideration received, whichever is a more reliable measure of the fair value of the transaction, and recognized when performance obligations are complete.

### ***Income Taxes***

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are adjusted by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

In order to recognize and measure any unrecognized tax benefits, management evaluates and determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured to determine the amount of benefit to be recognized in the consolidated financial statements. The Company records interest expense and penalties related to tax expenses as income tax expense.

### ***Related Party Transactions***

The Company's revenues are derived primarily from investment advisory agreements with WTT and WisdomTree ETFs. Under these agreements, the Company has granted WTT an exclusive license to its own indexes for operation of the WisdomTree ETFs. 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 and WTT has contracted with the Company to provide for general management and administration of WTT and the WisdomTree ETFs. The Company is also responsible for certain expenses of WTT, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services, excluding extraordinary expenses, taxes and certain other expenses. In exchange, the Company receives fees based on a percentage of the ETF average daily net assets. The advisory agreements may be terminated by WTT upon notice. Certain officers of the Company also provide general management oversight of WTT; however, these officers have no material decision making responsibilities and primarily implement the decisions of the Trustees. At December 31, 2014, and 2013, the balance of accounts receivable from WTT was approximately \$17,288 and \$14,791, respectively which is included as a component of accounts receivable in the consolidated balance sheet. Revenue from advisory services provided to WTT for the years ended December 31, 2014, 2013 and 2012 was approximately \$181,987, \$148,594 and \$84,024, respectively.

Revenue from advisory fee services provided to BI for the period from April 15, 2014 to December 31, 2014 was approximately \$829.

### ***Third Party Sharing Arrangements***

Included in third party sharing arrangements expense are payments from the Company with respect to (i) a collaborative arrangement and (ii) marketing agreements with third parties to sell the Company's ETFs or include them on certain platforms.

*Collaborative Arrangement* In 2008, the Company entered into a mutual participation agreement with Mellon Capital Management Corporation ( Mellon Capital ) and The Dreyfus Corporation ( Dreyfus ) in which the parties agreed to

collaborate in developing currency and fixed income ETFs under WTT. Under the agreement, the Company was responsible for operating the ETFs and providing sales, marketing and research support at its own cost. Mellon Capital and Dreyfus were responsible for providing sub-advisory, fund administration and accounting services for these collaborative ETFs at their own cost. Any revenues less third party costs, such as marketing, legal, accounting or fund management, related to these collaborative products were shared equally, including any losses ( net profit/(loss) ). The Company was responsible for arranging any third party costs related to this collaborative arrangement.

In October 2012, the parties agreed to end this joint venture as of December 31, 2012 and entered into a new fee arrangement effective January 1, 2013.

The Company had determined it was the principal participant for transactions under this collaborative arrangement and as such, recorded these transactions on a gross basis reflecting all of the revenues and third party expenses on its consolidated financial statements in accordance with the nature of the revenue or expense. Any net profit/(loss) payments were reflected in Third Party Sharing Arrangements expense on the consolidated financial statements.

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Revenues and expenses under this collaborative arrangement included in the Company's consolidated financial statements were as follows:

	<b>2012</b>
ETF advisory fee revenue	\$ 10,968
Expenses:	
Fund management and administration	1,341
Marketing and advertising	39
Sales and business development	24
Third party expenses	1,404
Net profit	9,564
Sharing	\$ 4,662

**Marketing agreements** In 2010, the Company entered into agreements with firms to serve as the external marketing agents for the WisdomTree ETFs. Under these agreements, the Company will pay a percentage of its advisory fee revenue based on incremental growth in AUM, subject to caps or minimums, to the marketing agents to sell WisdomTree ETFs or to include them on their customer platforms. The Company incurred marketing fees of \$594, \$1,368 and \$806 for the years ended December 31, 2014, 2013 and 2012 respectively.

***Segment, Geographic and Customer Information***

The Company operates as a single business segment as an ETP sponsor and asset manager providing investment advisory services. Substantially all of the Company's revenues, pretax income and assets are derived or located in the U.S. The Company maintains operations in Europe through its acquisition of Boost, now known as WisdomTree Europe (Note 13).

***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09) *Revenue from Contracts with Customers*, which is a new comprehensive revenue recognition standard on the financial reporting requirements for revenue from contracts entered into with customers. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016. The Company is currently assessing the potential impact of the adoption of this guidance on its consolidated financial statements.

***Business Combinations***

The Company includes the results of operations of the businesses that it acquires from the respective dates of acquisition. The fair values of the purchase price of the acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill.

***Subsequent Events***

The Company has evaluated subsequent events after the date of the consolidated financial statements to consider whether or not the impact of such events needed to be reflected or disclosed in the consolidated financial statements.



Such evaluation was performed through the issuance date of the consolidated financial statements.

### 3. Investments and Fair Value Measurements

The following table is a summary of the Company's investments:

	<b>2014 Held-to- Maturity</b>	<b>2013 Held-to- Maturity</b>
Federal agency debt instruments	\$ 13,990	\$ 11,748

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The following table summarizes unrealized gains, losses, and fair value of investments:

	<b>2014</b>	<b>2013</b>
	<b>Held-to- Maturity</b>	<b>Held-to- Maturity</b>
Cost/amortized cost	\$ 13,990	\$ 11,748
Gross unrealized gains	112	20
Gross unrealized losses	(386)	(1,459)
Fair value	\$ 13,716	\$ 10,309

The following table sets forth the maturity profile of investments; however these investments may be called prior to maturity date:

	<b>2014</b>	<b>2013</b>
	<b>Held-to- Maturity</b>	<b>Held-to- Maturity</b>
Due within one year	\$	\$
Due one year through five years	1,409	
Due five years through ten years	350	686
Due over ten years	12,231	11,062
Total	\$ 13,990	\$ 11,748

***Fair Value Measurement***

Under the accounting for fair value measurements and disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These three types of inputs create the following fair value hierarchy:

**Level 1** Quoted prices for identical instruments in active markets.

**Level 2** Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

**Level 3** Instruments whose significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company's held-to-maturity securities are categorized as Level 1. The majority of the Company's acquisition payable is measured at fair value and is

categorized as Level 3. Fair value is determined, in part, based on the contractual minimum payment obligation to the Boost shareholders (Note 13). Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature.

#### 4. Fixed Assets

The following table summarizes fixed assets:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Equipment	\$ 913	\$ 518
Furniture and fixtures	1,620	1,005
Leasehold improvements	8,795	4,880
Less accumulated depreciation and amortization	(972)	(151)
<b>Total</b>	<b>\$ 10,356</b>	<b>\$ 6,252</b>

**Table of Contents****5. Commitments and Contingencies*****Contractual Obligations***

The Company has entered into obligations under operating leases with initial non-cancelable terms in excess of one year for office space, telephone, and data services. Expenses recorded under these agreements for the years ended December 31, 2014, 2013, and 2012 were approximately \$3,157, \$2,323 and \$1,338, respectively.

Future minimum lease payments with respect to non-cancelable operating leases at December 31, 2014 are approximately as follows:

2015	\$ 3,200
2016	2,905
2017	2,778
2018 and thereafter	32,414
<b>Total</b>	<b>\$ 41,297</b>

The Company's prior office lease expired in January 2014. In August 2013, the Company entered into a new 16 year lease agreement. Pursuant to the new lease agreement, the Company received lease incentives which include a deferred rent period and a leasehold improvement allowance equal to \$3,223. The Company recorded a receivable of \$3,223 due from the lessor of its new office space related to its leasehold improvement allowance, which was included in accounts receivable on the Company's Consolidated Balance Sheet at December 31, 2013. The balance at December 31, 2014 was \$509.

***Letter of Credit***

The Company collateralized its office lease through a standby letter of credit. At December 31, 2014 and December 31, 2013, the Company provided letters of credit totaling \$1,384 and \$1,803, respectively, the collateral of which are included in investments on the Company's Consolidated Balance Sheet.

***Contingencies***

The Company is subject to various routine reviews and inspections by regulatory authorities as well as legal proceedings arising in the ordinary course of business. The Company is not currently party to any litigation or other legal proceedings that are expected to have a material impact on its business, financial position or results of operations.

**6. Stock-Based Awards*****Stock Options***

The Company grants equity awards to employees and directors. Options are issued generally for terms of ten years and vest between two to four years. Options are issued with an exercise price equal to the fair value of the Company on the date of grant. The Company estimated the fair value for options using the Black-Scholes option pricing model. All option awards require future service as a condition of vesting with certain awards subject to acceleration under

certain conditions.

The Company has six stock option plans, which are similar in nature (collectively, referred to as the Plans ). Under the Plans, the Company can issue a maximum of 25,000,000 shares of common stock pursuant to stock options and other stock-based awards and also has issued from time to time stock-based awards outside the Plans. Options outstanding at December 31, 2014 expire on dates ranging from June 5, 2015 to November 15, 2021.

In January 2009, the Company's Compensation Committee and Board of the Directors approved a proposal to provide eligible employees an opportunity to exercise their underwater stock options in the future at an alternative lower strike price. To obtain the full benefit of the alternative strike price, employees were required to remain with the Company for an additional 4 years. Under the program, eligible employees could exercise one quarter of their stock options each year at an alternative strike price of \$1.07. The alternative strike price represented a 50% premium to the Company's thirty day volume weighted-average price on the day the program was approved. Options prices on the programs approval date ranged from \$1.75 to \$9.45 with a weighted-average exercise price of \$4.34. The Company has recorded a charge of \$589 over the four years (2009-2012) which represents the excess of the fair value of eligible options using the alternative strike price over the existing strike price; this charge was fully recognized by December 31, 2012. For the year ended December 31, 2012 the Company recorded \$118 for this program.

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A summary of option activity is as follows:

	<b>Options</b>	<b>Weighted-Average Exercise Price</b>
Outstanding January 1, 2012	20,852,614	\$ 0.79
Granted		0.00
Forfeitures or expirations	(73,907)	1.75
Exercised	(8,018,516)	0.58
<b>Outstanding at December 31, 2012</b>	<b>12,760,191</b>	<b>\$ 0.95</b>
Granted		0.00
Forfeitures or expirations	(40,000)	4.11
Exercised	(4,875,500)	0.38
<b>Outstanding at December 31, 2013</b>	<b>7,844,691</b>	<b>\$ 1.29</b>
Granted		0.00
Forfeitures or expirations		0.00
Exercised	(2,514,621)	0.61
<b>Outstanding at December 31, 2014</b>	<b>5,330,070</b>	<b>\$ 1.61</b>

In 2012, all of the 1,320,833 outstanding options awards granted to nonemployee consultants and special advisers were exercised with a weighted average exercise price of \$1.34. After December 31, 2012, there were no remaining option awards outstanding to non-employees.

The following table summarizes information on stock options outstanding at December 31, 2014:

<b>Range of Exercise Prices</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>		
	<b>Number Outstanding at December 31, 2014</b>	<b>Weighted-Average Remaining Contractual Life in Years</b>	<b>Weighted-Average Exercise Price</b>	<b>Number Exercisable at December 31, 2014</b>	<b>Weighted-Average Exercise Price</b>	<b>Aggregate Intrinsic Value at December 31, 2014</b>
\$0.70 - \$0.70	2,435,000	4.1	0.70	2,285,000	0.70	34,218
\$1.07 - \$1.07	1,368,891	2.1	1.07	1,368,891	1.07	19,993
\$2.03 - \$4.03	948,299	3.4	2.19	948,299	2.19	12,790
\$5.05 - \$5.05	360,000	6.1	5.05	247,500	5.05	2,630
\$6.36 - \$6.82	122,880	6.5	6.49	72,880	6.48	670
\$7.01 - \$8.51	95,000	6.7	7.50	65,000	7.51	531
	<b>5,330,070</b>	<b>3.7</b>	<b>\$ 1.61</b>	<b>4,987,570</b>	<b>\$ 1.47</b>	<b>\$ 70,832</b>

**Restricted stock**

The Company grants restricted stock to employees and directors. All restricted stock awards require future service as a condition of delivery of the underlying shares of common stock along with certain other requirements outlined in the award agreements. Restricted stock awards generally vest over three years.

The following table summarizes information about restricted shares outstanding for the years ended December 31, 2014, 2013 and 2012:

	<b>Restricted Stock Awards</b>
Unvested balance at January 1, 2012	1,311,371
Granted	1,209,114
Vested	(1,209,121)
Forfeited	(30,220)
Unvested balance at December 31, 2012	1,281,144
Granted	981,810
Vested	(358,334)

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	<b>Restricted Stock Awards</b>
Forfeited	(7,743)
Unvested balance at December 31, 2013	1,896,877
Granted	623,088
Vested	(996,385)
Forfeited	(9,641)
Unvested balance at December 31, 2014	1,513,939

As of December 31, 2012 all awards of restricted stock have vested for nonemployee consultants and special advisers. There are no remaining unvested restricted shares to non-employees or special advisers at December 31, 2014.

The following table summarizes the Company's stock-based compensation expense:

	<b>For the Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Employees and directors option awards	\$ 487	\$ 381	\$ 1,436
Employees and directors restricted stock awards	7,650	6,078	3,814
Nonemployee consultants and special advisers restricted stock awards			2,187
Total	\$ 8,137	\$ 6,459	\$ 7,437

Stock-based compensation expense related to nonemployee consultants and special advisers was included in professional and consulting fees and stock-based compensation expense related to directors is included in other expenses on the consolidated statements of operations.

The following table summarizes the Company's unrecognized stock-based compensation expense and remaining vesting period as of December 31, 2014:

	<b>Unrecognized Stock-Based Compensation</b>	<b>Average Remaining Vesting Period</b>
Employees and directors option awards	\$ 415	1.06
Employees and directors restricted stock awards	\$ 10,574	1.41

**7. Employee Benefit Plans**

The Company has a 401(k) savings plan covering all eligible employees in which the Company can make discretionary contributions from its profits. In 2014 and 2013 the Company made discretionary contributions in the amount of \$588 and \$491 respectively. The Company did not make any discretionary contributions for the year ended



December 31, 2012.

**8. Earnings Per Share**

The following is a reconciliation of the basic and diluted earnings per share computation:

	<b>For the Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(shares in thousands)</b>		
Net income	\$ 61,051	\$ 51,537	\$ 11,030
Shares of common stock and common stock equivalents:			
Weighted averages shares used in basic computation	131,770	126,651	122,138
Dilutive effect of stock options and unvested restricted stock	6,781	13,146	15,830
Weighted averages shares used in dilutive computation	138,551	139,797	137,968
Basic earnings per share	\$ 0.46	\$ 0.41	\$ 0.09
Dilutive earnings per share	\$ 0.44	\$ 0.37	\$ 0.08

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Diluted earnings per share reflects the reduction in earnings per share assuming options or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. The dilutive effect of options to purchase shares of common stock and restricted shares were included in the diluted earnings per share in the years ended December 31, 2014, 2013 and 2012, respectively. 1,246,888 restricted shares were determined to be anti-dilutive and were not included in the calculation of diluted earnings per share for the year ended December 31, 2014. There were no anti-dilutive shares included in the calculation of diluted earnings per share for the years ended December 31, 2013 and 2012, respectively.

**9. Income Taxes**

The components of current and deferred income tax expense included in the Consolidated Statement of Operations for years ended December 31, 2014, 2013 and 2012 as determined in accordance with ASC 740, Income Taxes ( ASC 740 ), are as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current:			
Federal	\$	\$	\$
State and local	94		
Foreign			
	94		
Deferred:			
Federal	10,739		
State and local	1,664		
Foreign			
	12,403		
Income tax expense from operations	\$ 12,497	\$	\$

The Company has recorded its non-income based taxes as part of other liabilities and other expenses.

***Net operating losses U.S.***

The Company has generated net operating losses for tax purposes ( NOL ) during the years ended December 31, 2013 and 2012 and prior periods which may be used to minimize income taxes paid. The following table provides a summary of the NOL activity for the years indicated:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Beginning NOL	\$ (140,959)	\$ (136,515)	\$ (106,939)
U.S. GAAP income	77,609	51,537	11,030

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Tax differences:			
Temporary	(1,425)	5,580	(5,633)
Permanent	(45,064)	(61,561)	(37,618)
Net operating losses expired			2,645
Ending NOL	\$ (109,839)	\$ (140,959)	\$ (136,515)

Temporary differences are primarily comprised of the timing difference between recognizing expenses for tax purposes and U.S. GAAP purposes associated with rent, stock-based compensation and depreciation of fixed assets.

Permanent differences are primarily comprised of the difference between stock-based compensation amounts recognized for tax purposes and previously expensed at the date of grant for U.S. GAAP purposes at the time options are exercised (at the intrinsic value) or restricted stock is vested (at fair value of the share price). The Company may record additional NOLs from stock-based compensation awards which have been granted to employees and remain unexercised or unvested as of December 31, 2014. See Note 6 for additional details related to outstanding stock compensation awards.

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The Company's net operating losses generally expire 20 years from the time they are generated. In addition, due to the Company incurring a series of changes in ownership as defined by Section 382 under the Internal Revenue Code, the Company is limited as to the amount of NOL it may use in a given year. Prior to the consideration of any limitations imposed due to ownership changes, the Company's available NOLs will expire as follows:

Year Ending December 31:	
2018	\$ 502
2019	5,101
2021	579
2023	608
2024	1,942
2027	18,039
2028	19,754
2029	14,218
2030	6,385
2031	6,052
2032	32,215
2033	4,444
	\$ 109,839

The amounts summarized above are subject to the following annual limitations as indicated by the years such NOLs were incurred:

NOLs generated between		Total	Annual Prospective Limitation	Amount Deemed Worthless
1998	2004	\$ 8,731	\$ 524	\$ 3,487
2005	2013	101,108		
Net operating losses		\$ 109,839	\$ 524	\$ 3,487

Any NOL amounts not used because of the annual limitation can be used in future periods until expiration.

**Net operating losses - Non-U.S.**

During the year ended December 31, 2014, the Company's foreign subsidiaries generated \$4,061 of NOLs. At December 31, 2014, a deferred tax asset related to these NOLs has been fully offset by a valuation allowance of \$816.

**Deferred tax asset**

As of December 31, 2014 and 2013, \$101,108 and \$111,635 of the NOLs has been generated from stock-based compensation amounts recognized for tax purposes at the time options are exercised (at the intrinsic value) or restricted stock is vested (at fair value of the share price) and previously expensed at the date of grant for U.S. GAAP

purposes. Since these amounts cannot be recognized as a deferred tax asset under U.S. GAAP, accordingly, a deferred tax asset related to this amount is not recorded.

A reconciliation of the NOL amount presented above and the amount utilized in calculating the deferred tax asset at December 31, 2014 and 2013, respectively, is as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Net operating losses	\$ 109,839	\$ 140,959
Net operating losses deemed worthless	(3,487)	(3,487)
Unrecognized stock-based compensation	(101,108)	(111,635)
Gross net operating losses available for deferred tax asset	5,244	25,837
Tax rate	38.38%	45.43%
Tax affected	\$ 2,013	\$ 11,738

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At December 31, 2014 and 2013, the composition of the deferred tax asset is summarized as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Deferred tax assets:		
Net operating losses	\$ 2,013	\$ 11,738
Foreign net operating losses	816	
Stock-based compensation	6,046	7,579
Accrued expenses	5,236	
Deferred rent liability	2,170	1,855
Other	82	82
Deferred tax assets	16,363	21,254
Deferred tax liabilities:		
Incentive compensation	4,092	
Fixed assets	1,965	7
Unrealized gains		26
Deferred tax liabilities	6,057	33
Total deferred tax assets less deferred tax liabilities	10,306	21,221
Less: valuation allowance	(816)	(21,221)
Net deferred tax assets and liabilities	\$ 9,490	\$

At December 31, 2014 and 2013, the deferred tax asset has been offset by a valuation allowance of \$816 and \$21,221 respectively.

During the first quarter of 2014, management determined that although realization is not assured, it believed that it is more likely than not that its gross deferred tax asset would be realized. Therefore, it released the valuation allowance previously recorded resulting in an income tax benefit of \$21,221 on the Company's Consolidated Statements of Operations. In addition, during 2014, the Company generated foreign losses resulting in a deferred tax asset of \$816 that is currently not expected to be realized in the foreseeable future and, accordingly, a valuation allowance has been established.

During the third quarter of 2014, the Company completed a state income tax study, which resulted in a reduction in its current baseline operating tax rate in the U.S. from 45% to approximately 38%. The Company recorded a charge to income tax expense in the third quarter to reduce the value of our deferred tax asset, which had previously been recorded using a 45% rate. The Company recorded a credit to additional paid-in capital of \$21,893 for the amount of NOLs from stock-based compensation utilized to reduce taxes payable during the period.

A reconciliation of the statutory federal income tax rate of 35% and the Company's effective rate is as follows:

	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>

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Federal statutory rate	35.00%	35.00%	35.00%
Permanent differences	0.69%	0.09%	0.37%
State income tax rate, net of federal benefit	1.55%	10.06%	9.44%
Foreign tax differential	0.82%		
Decrease in valuation allowance	(27.74%)	(45.13%)	(44.82%)
Change in effective state rate	6.86%		
Other differences, net	(0.19%)	(0.02%)	0.01%
Effective rate	16.99%	0.00%	0.00%

***Uncertain tax positions***

As of December 31, 2014, the Company determined that it has no uncertain tax positions, interest or penalties as defined within ASC 740-10. The Company does not have unrecognized tax benefits. The Company does not believe that it is reasonably possible that the total unrecognized benefits will significantly increase within the next 12 months. The Company is not currently under audit by any taxing authority. Tax returns filed with each jurisdiction remain open to examination under the normal three-year statute of limitations.

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### **10. Shares Repurchased**

During the years ended December 31, 2014, 2013 and 2012, the Company repurchased 415,834, 136,641 and 357,123 shares of its Company stock for an aggregate cost of \$6,531, \$1,613 and \$2,261, respectively which were withheld pursuant to the terms of awards granted to employees to cover income tax withholding obligations.

### **11. Public Offerings**

In February 2012, the Company completed a public offering of its common stock at \$5.61 per share. The Company sold 1,000,000 shares and certain of our stockholders sold 15,516,587 shares. Proceeds to the Company, less commissions and other direct selling expenses were approximately \$4,329 and were used for working capital and other general corporate purposes. In November 2012, the Company completed a second public offering of its common stock where certain of its existing stockholders sold 27,795,630 shares at \$6.10 per share. The Company did not sell any stock in the second offering and did not receive any proceeds from the sale of shares of its common stock by the selling stockholders. The Company incurred \$353 in expenses in 2012 related to the second offering.

### **12. ETF Shareholder Proxy Solicitation**

In 2012, the Company completed its solicitation from the WisdomTree ETF shareholders to obtain approval for the Company to continue as investment adviser for the WisdomTree ETFs if the Company's largest stockholder, Michael Steinhardt, who then beneficially owned 25.5% of the Company's common stock prior to the second public offering discussed above in Note 11, were to sell or otherwise transfer shares of the Company's common stock resulting in his beneficial ownership falling below 25%. The Investment Company Act presumes a change in control of the Company if Mr. Steinhardt's ownership fell below the 25% threshold, which would trigger an automatic termination of the Company's investment advisory agreements with the WisdomTree Trust and require approval of the WisdomTree ETF shareholders to continue the agreements. No further shareholder approval was required when Mr. Steinhardt's ownership fell below 25%. In addition, the Company received approval from the WisdomTree ETF shareholders to allow the Company to change sub-advisers in the future. For the year ended December 31, 2012, the Company incurred proxy related expense of \$3,264.

### **13. Acquisition and Goodwill**

On April 15, 2014, the Company completed its acquisition of Boost, a U.K. and Jersey based ETP sponsor, now known as WisdomTree Europe, as part of the Company's strategy to expand internationally. Under the terms of the agreement, the Company owns 75% of WisdomTree Europe and the former Boost shareholders own 25%. The Company will acquire the remaining 25% ownership interest at the end of four years using a predefined formula based on European assets under management at the end of the four year period and will be tied to the Company's enterprise value over global AUM at the time of payout, and affected by profitability of the European business. No consideration was transferred on the acquisition date. The ultimate payout will be made in cash over two years.

Two shareholders of Boost, who owned 88% of Boost prior to the acquisition, became co-CEOs of WisdomTree Europe and are guaranteed a minimum payment of \$1,757 for their interest if they terminate their employment without good reason or they are terminated for cause. The Company determined that this minimum payment represents consideration transferred and was recognized and measured at acquisition-date fair value to determine the purchase price. Any future payments made to the co-CEOs in excess of the minimum payments is accounted for separately from the business combination as compensation expense for post-acquisition services.



Because the Company is required to redeem the shares from the former Boost shareholders at the end of four years under a predefined formula, under U.S. GAAP, the Company does not reflect the 25% interest held by the former Boost shareholders in WisdomTree Europe as non-controlling interest ( NCI ). The obligation to mandatorily redeem the NCI for cash was measured at fair value on the acquisition date and is re-measured at the amount of cash that would be paid under the conditions specified in the contract as if settlement occurred at the reporting date. Any change in the carrying amount of the liability will be recognized as an expense.

The Company recorded goodwill of \$1,676 in connection with this acquisition. Goodwill represents the excess value of the purchase price over the \$81 fair value of the net assets acquired, consisting primarily of accounts receivable, accounts payable and fixed assets. While the Company paid no consideration up front to the former Boost shareholders, under the terms of the acquisition agreement, \$1,757 was deemed to represent the purchase price. Goodwill is not expected to be tax deductible.

The following table summarizes the goodwill activity for the year ended December 31, 2014:

Balance at January 1, 2014	\$
Goodwill acquired during the period	1,676
Balance at December 31, 2014	\$ 1,676

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Transaction costs of \$1,607 were incurred during the year ended December 31, 2014 in connection with this acquisition. Such expenses are recorded in professional and consulting fees, other and sales and business development in the Company's Consolidated Statements of Operations.

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<b>Exhibit Number</b>	<b>Description</b>
3.1(1)	Amended and Restated Certificate of Incorporation
3.2(1)	Amended and Restated Bylaws
4.1(1)	Specimen Common Stock Certificate
4.2(1)	Amended and Restated Stockholders Agreement among Registrant and certain investors dated December 21, 2006
4.3(1)	Securities Purchase Agreement among Registrant and certain investors dated December 21, 2006
4.4(1)	Securities Purchase Agreement among Registrant and certain investors dated October 15, 2009
4.5(1)	Third Amended and Restated Registration Rights Agreement dated October 15, 2009
10.1(1)	Representative Form of Advisory Agreement between WisdomTree Asset Management, Inc. and WisdomTree Trust
10.2(2)	Amended and Restated License Agreement between WisdomTree Investments, Inc. and WisdomTree Trust dated March 1, 2012
10.3(1)	WisdomTree Investments, Inc. 1993 Stock Option Plan
10.4(1)	WisdomTree Investments, Inc. 1996 Performance Equity Plan
10.5(1)	WisdomTree Investments, Inc. 1996 Management Incentive Plan
10.6(1)	WisdomTree Investments, Inc. 2000 Performance Equity Plan
10.7(1)	WisdomTree Investments, Inc. 2001 Performance Equity Plan
10.8(1)	WisdomTree Investments, Inc. 2005 Performance Equity Plan
10.9(1)	Amendment to WisdomTree Investments, Inc. 2005 Performance Equity Plan approved by stockholders on August 20, 2007
10.10(1)	Amendment to WisdomTree Investments, Inc. 2005 Performance Equity Plan approved by stockholders on August 23, 2010
10.11(1)	Form of Restricted Stock Agreement (Multiple Year Vesting) for Executive Officers
10.12(1)	Form of Restricted Stock Agreement (Single Year Vesting) for Executive Officers
10.13(1)	Form of Stock Option Agreement for Executive Officers
10.14(1)	Form of Restricted Stock Agreement for Independent Directors
10.15(1)	Form of Stock Option Agreement for Independent Directors
10.16(1)	Form of Amendment dated January 26, 2009 to Existing Option Agreements between Registrant and Employees
10.17(1)	Stock Option Agreement between Registrant and Luciano Siracusano dated January 26, 2009

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- 10.18(1) Amendment dated March 30, 2011 to Stock Option Agreements between Registrant and Luciano Siracusano dated January 26, 2009
- 10.19(1) Stock Option Agreement between Registrant and Frank Salerno dated July 22, 2005
- 10.19.1(3) Further Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Bruce Lavine dated as of April 24, 2012
- 10.20(1) Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Peter M. Ziembra dated as of May 24, 2011
- 10.21(1) Amended and Restated Employment Agreement between WisdomTree Asset Management, Inc. and Amit Muni dated as of May 24, 2011

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<b>Exhibit Number</b>	<b>Description</b>
10.22(1)	Form of Proprietary Rights and Confidentiality Agreement
10.23(1)	Form of Indemnification Agreement for Officers and Directors
10.24(4)	Employment Agreement between WisdomTree Asset Management, Inc. and Gregory Barton dated as of October 8, 2012
21.1(5)	Subsidiaries of WisdomTree Investments, Inc.
23.1(5)	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1(5)	Rule 13a-14(a) / 15d-14(a) Certifications
31.2(5)	Rule 13a-14(a) / 15d-14(a) Certifications
32.1(5)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS(5)	XBRL Instance Document
101.SCH(5)	XBRL Taxonomy Extension Schema Document
101.CAL(5)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF(5)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB(5)	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE(5)	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Incorporated by reference from the Registrant's Registration Statement on Form 10 filed with the SEC on March 31, 2011.
- (2) Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 14, 2012.
- (3) Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on April 26, 2012.
- (4) Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on October 10, 2012.
- (5) Filed herewith.