



WisdomTree

Q4/16 and 2016 Results



WISDOMTREE®

February 3, 2017

Forward looking statements

This presentation 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 other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, the risks described below. If one or more of these or other 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 presentation 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 presentation may include statements about: anticipated trends, conditions and investor sentiment in the global markets and exchange-traded products ("ETPs"); 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; competition in our business; and the effect of laws and regulations that apply to our business.

Our business is subject to many risks and uncertainties, including without limitation:

Financial growth in recent years may not provide an accurate representation of the financial growth we may experience in the future, which may make it difficult to evaluate our future prospects.

Declining prices of securities can adversely affect our business by reducing the market value of the assets we manage or causing customers to sell their fund shares and trigger redemptions.

Fluctuations in the amount and mix of our AUM may negatively impact revenues and operating margins.

We derive a substantial portion of our revenues from two products – the WisdomTree Europe Hedged Equity Fund and the WisdomTree Japan Hedged Equity Fund – and, as a result, our operating results are particularly exposed to the performance of these funds and our ability to maintain the AUM of these funds, as well as investor sentiment toward investing in the funds' strategies and market-specific and political and economic risk.

Most of our AUM are held in our U.S. listed 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 ETPs and ETFs have a limited track record, and poor investment performance could cause our revenues to decline.

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

Other factors, such as general economic conditions, including currency exchange rate fluctuations, also may have an effect on the results of our operations. For a more complete description of the risks noted above and other risks that could cause our actual results to differ from our current expectations, please see the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

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

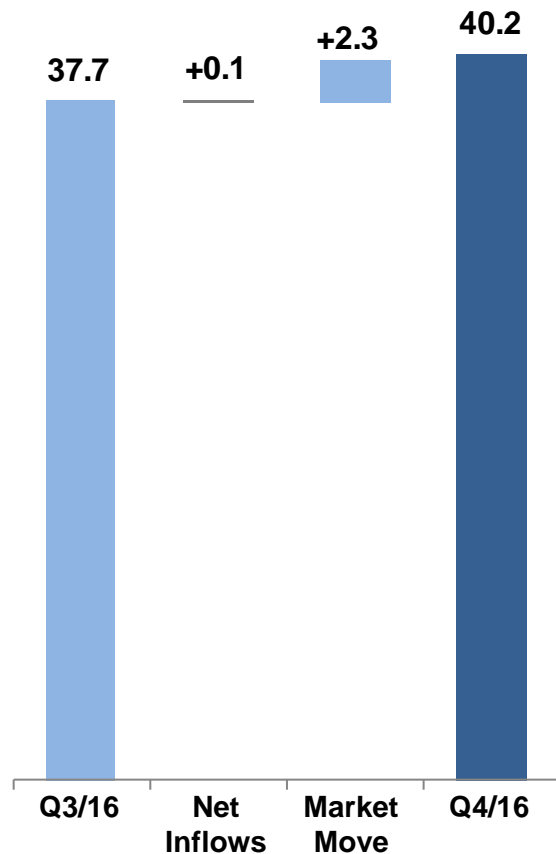
Q4 and 2016 Highlights

- **Record year for US equity franchise - \$1.9 billion of net flows**
- **Expanded product suite:**
 - 12 new ETFs in 2016
 - Industry's first smart-beta corporate bond suite
 - Dynamic currency hedged ETFs
 - S&P 500 Put/Write ETF
 - Most successful ETF launch of 2016 – DDWM - Dynamic Currency Hedged International Equity ETF
- **Further broadened distribution capabilities:**
 - Expanded institutional team – consultant relations and retirement solutions
 - Retirement solutions with collective investment trusts
 - Entered Private Wealth and Independent Broker Dealer channels
- **Investment in AdvisorEngine:**
 - Drive deeper relationships with advisors
 - Participate in digitization of wealth management industry
- **International expansion**
 - Completed acquisition in Europe
 - Local products and distribution in Canada

WETF flows inflect positively as DXJ/HEDJ drag lessens

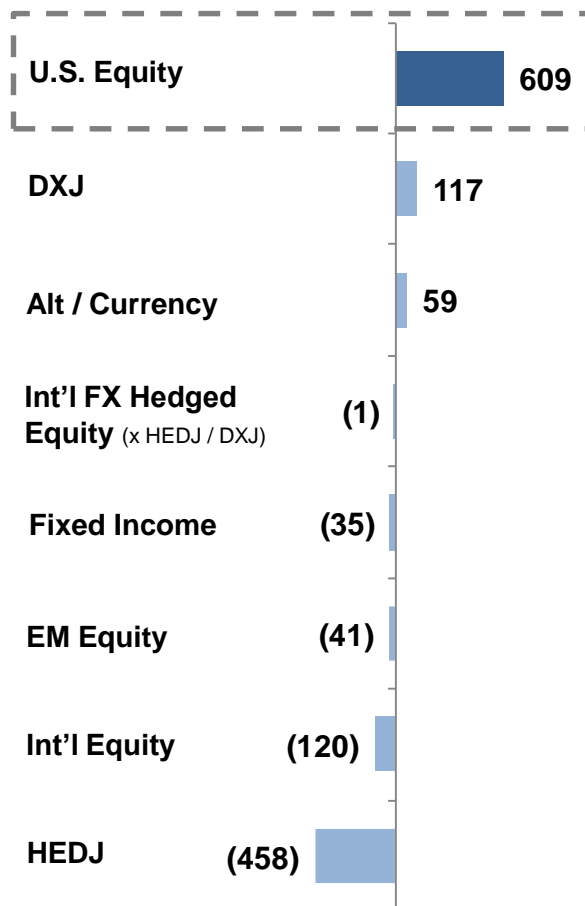
Quarterly U.S. ETF AUM Change

(\$ billions)



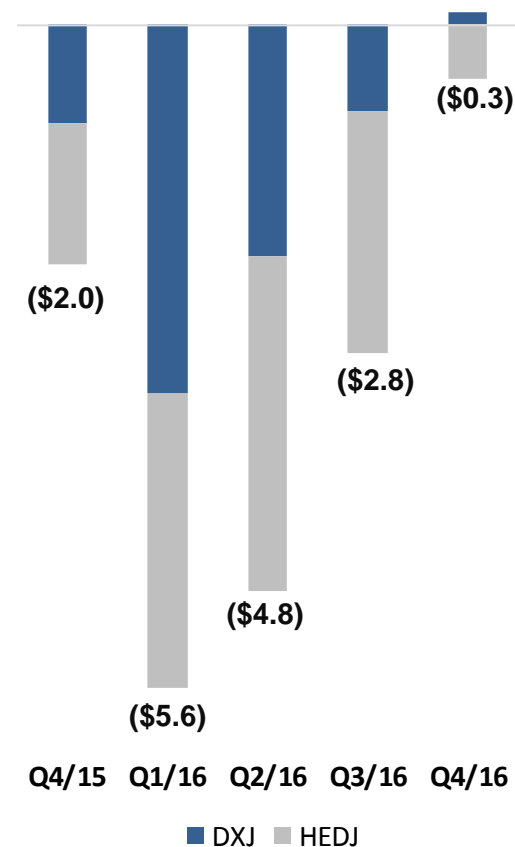
Q4/16 Net Inflows

(\$ millions)



DXJ/HEDJ Quarterly Flow Impact

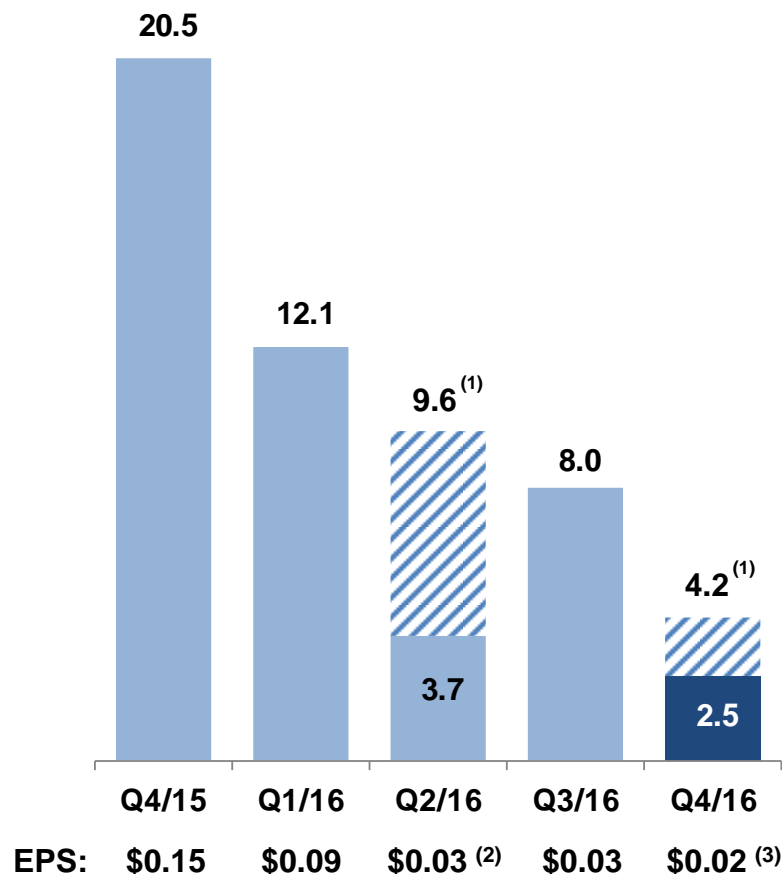
(\$ billions)



Net income impacted by unusual items

Net Income

(\$ millions)



Unusual Items

- \$1.7 million goodwill charge related to Boost acquisition
- Change in cash/stock mix of incentive compensation pool had \$3 million impact on 4Q results and a 2 point impact on the full-year compensation to revenue ratio
- Re-segmented the business moving Canada from the U.S. segment to the International segment

2016 cash decline driven by investment activities

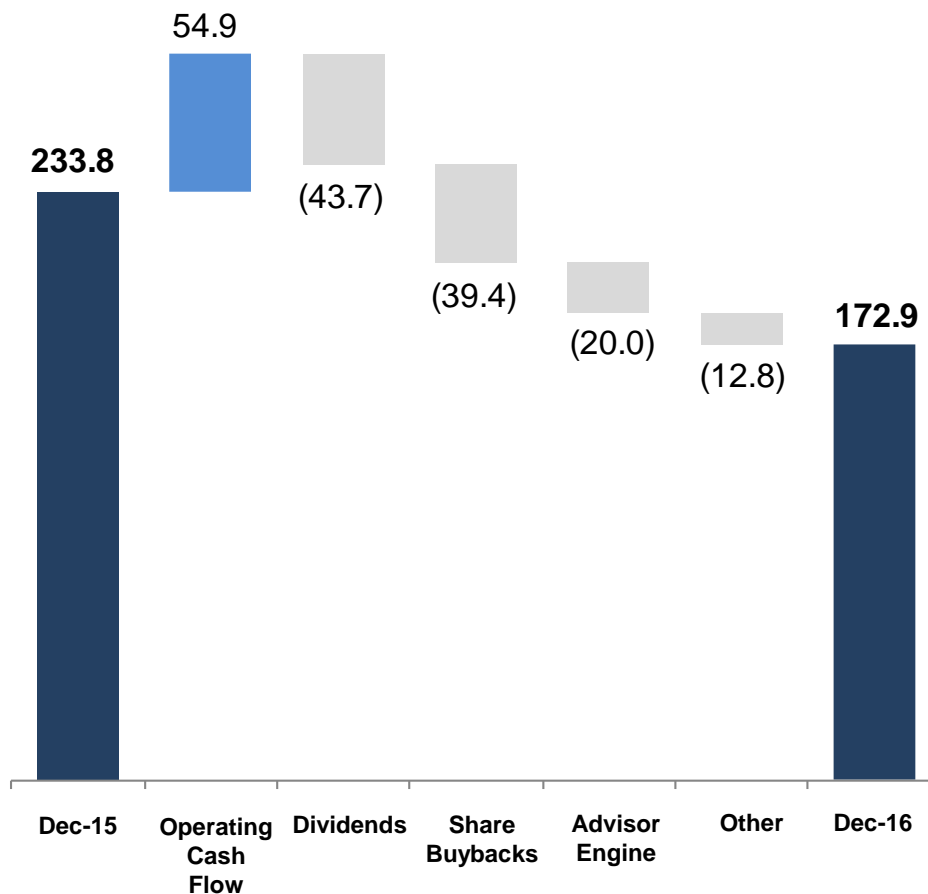
Balance Sheet

(\$ millions)

	Dec. 31, 2016	Dec. 31, 2015
Assets		
Cash and securities ⁽¹⁾	\$172.9	\$233.8
Investment	20.0	0.0
Accounts receivable	17.7	27.5
Deferred tax asset, net	9.8	14.1
Fixed assets, net	11.7	12.0
Goodwill and intangibles	11.8	1.7
Other assets	4.6	3.6
Total assets	\$249.8	\$292.7
Liabilities		
Fund management and administration	\$13.6	\$13.0
Compensation and benefits	14.7	28.1
Accounts payable and other liabilities	16.4	12.0
Deferred rent	4.9	5.1
Total liabilities	49.5	58.2
Stockholders' equity	200.3	234.5
Total liabilities and stockholders' equity	\$249.8	\$292.7

2016 Change in Cash and Securities

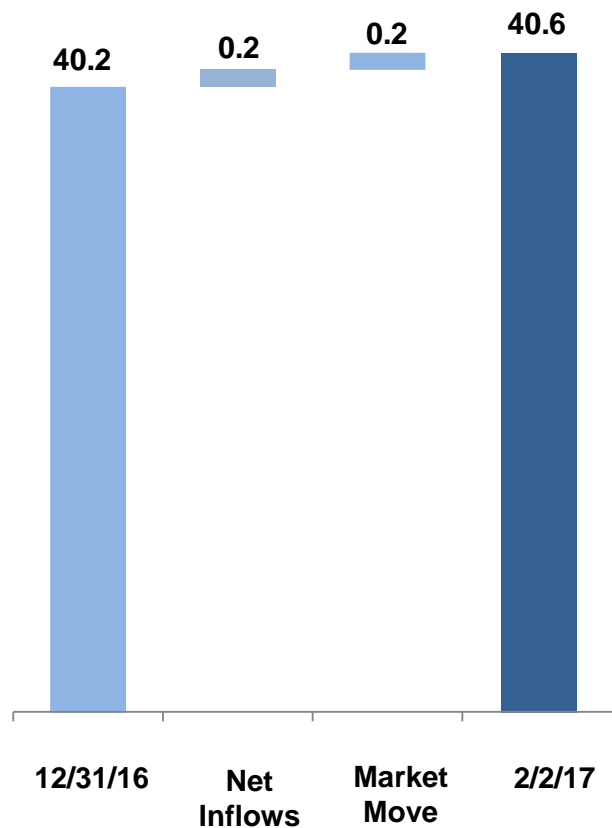
(\$ millions)



Q1 as of 2/2/17

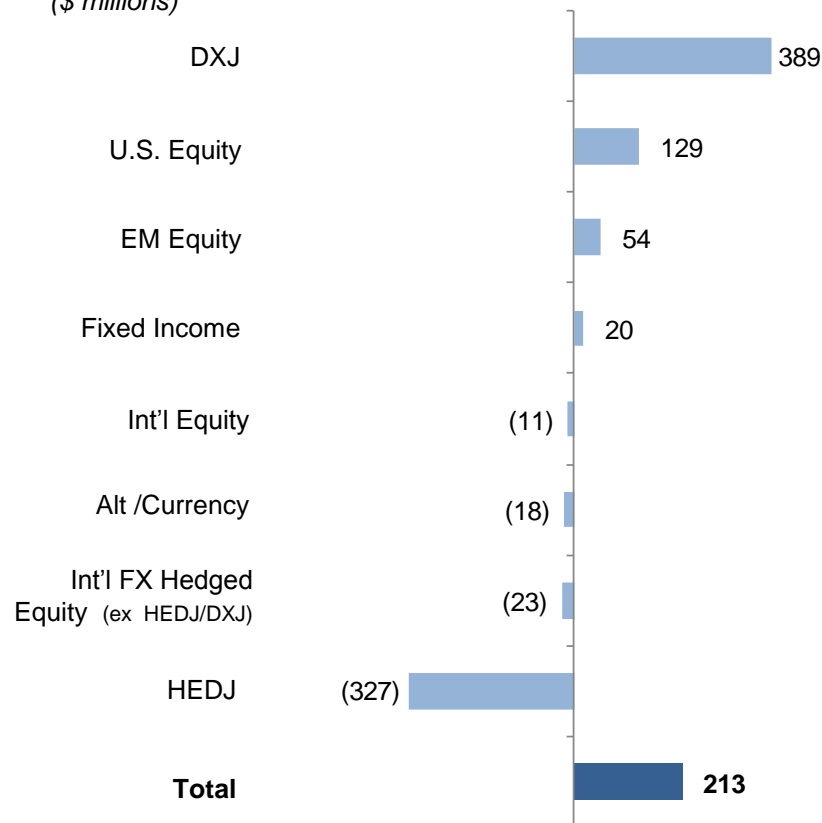
WisdomTree U.S. Listed AUM

(\$ billions)



U.S. Net Inflows

(\$ millions)



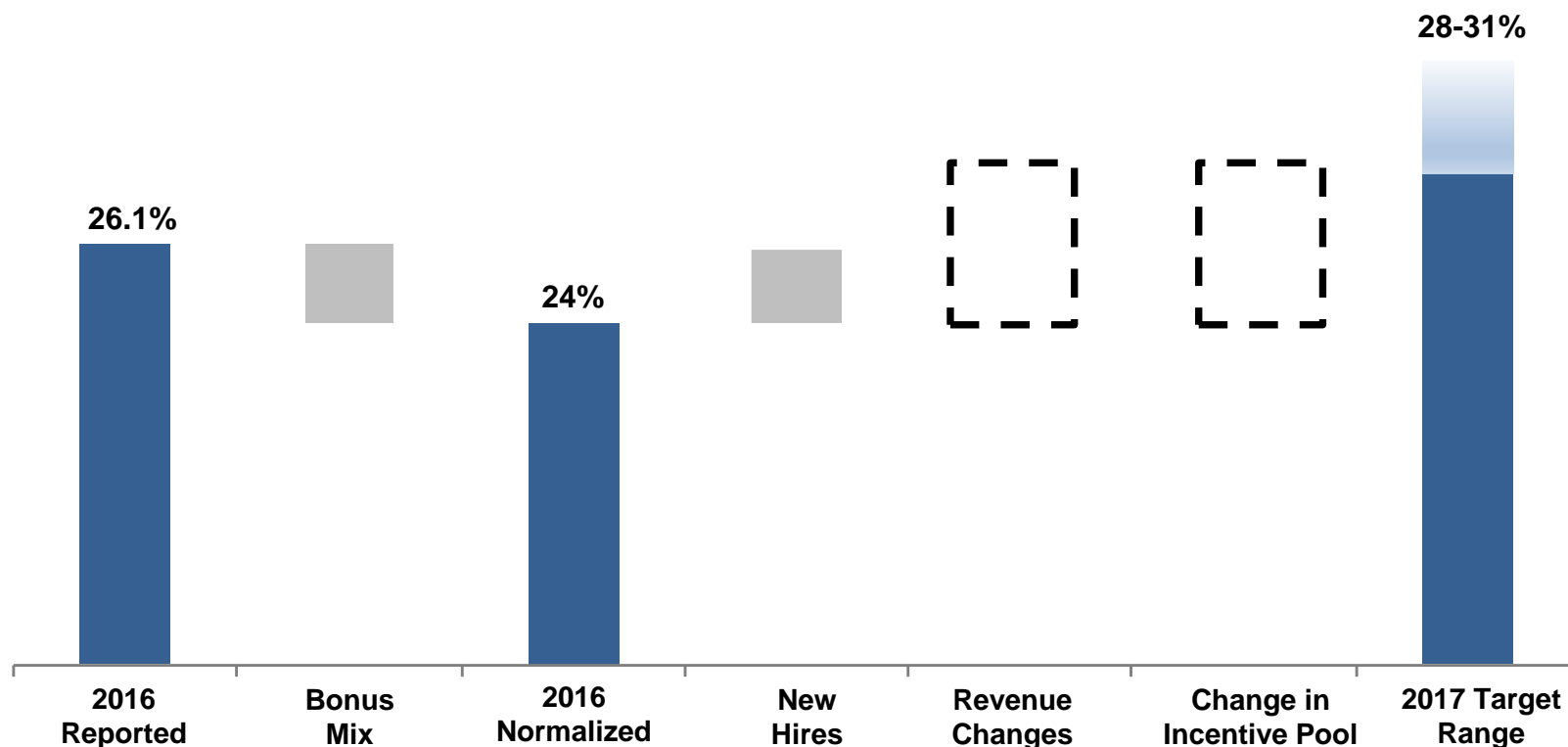
* Europe Q1/17 QTD inflows of \$158M (Boost \$89M, UCIT \$70M) through 1/31/17

International business update

- **Re-segmented the business**
 - Canada moved from the U.S. segment into the International segment
- **Projecting 2017 losses of \$9-13 million from the International segment**
- **Targeting Break-even in next 2-3 years**
 - Europe break-even AUM of \$4-5 billion assuming similar AUM mix / fee rate
 - Canada break-even AUM of \$1-2 billion assuming similar AUM mix / fee rate

U.S. compensation outlook

- Targeting 2017 U.S. compensation to revenue ratio of 28-31%
- Ultimate 2017 compensation will be impacted by the level of inflows, market share of inflows, pre-tax margins and shareholder returns



GAAP Accounting change to drive tax noise

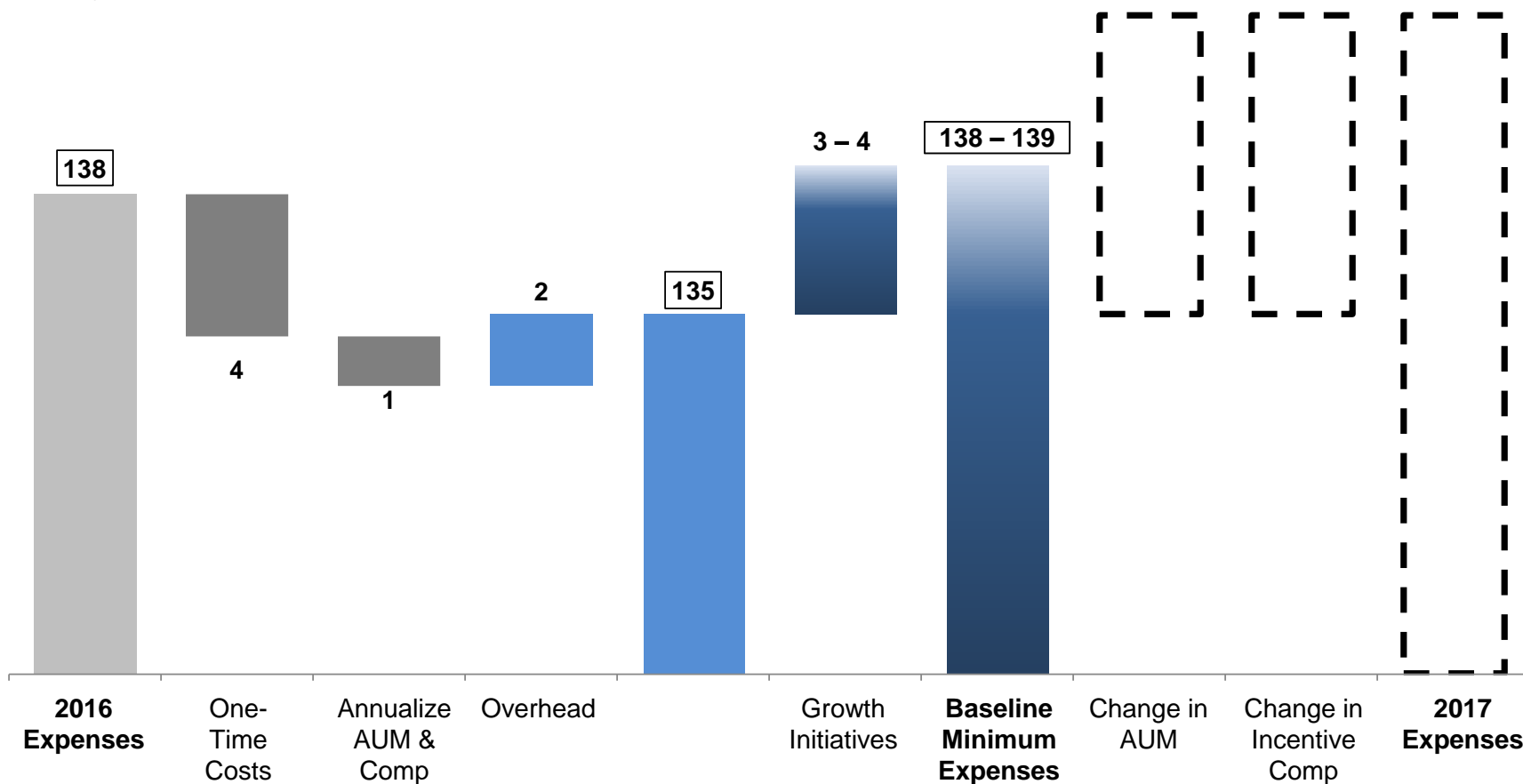
- International segment losses driving overall tax rate higher than the 40% U.S. tax rate
- Tax benefit from International segment losses will be recognized when segment becomes profitable
- 2017 GAAP accounting change requires tax effects of stock-based compensation to be recorded in income tax expense vs. prior rules which impacted equity
- Awards vesting or being exercised at stock prices below/above their grant date price will increase/decrease income tax expense
- New requirement will increase volatility in reported income tax expense. On a cash basis, tax windfalls will reduce cash taxes while tax short-falls are non-cash

(shares and dollars in '000s)

	A	B	C	D = (C-B) x A	E	-D x E
Vest Period	# of Shares	Weighted Average Grant Date Price	Vest Date Stock Price ⁽¹⁾	Tax Shortfall	U.S. Tax Rate	Increase to Tax Expense
Q1 2017	819	\$13.80	\$10.50	(\$2,703)	40%	\$1,081
Q2 2017	87	\$13.21	\$10.50	(\$236)	40%	\$94
Q3 2017	151	\$16.74	\$10.50	(\$942)	40%	\$377
Q4 2017	2	\$11.14	\$10.50	(\$1)	40%	\$1
2017	1,059			(\$3,882)		\$1,553
2018	801	\$13.93	\$10.50	(\$2,747)	40%	\$1,099

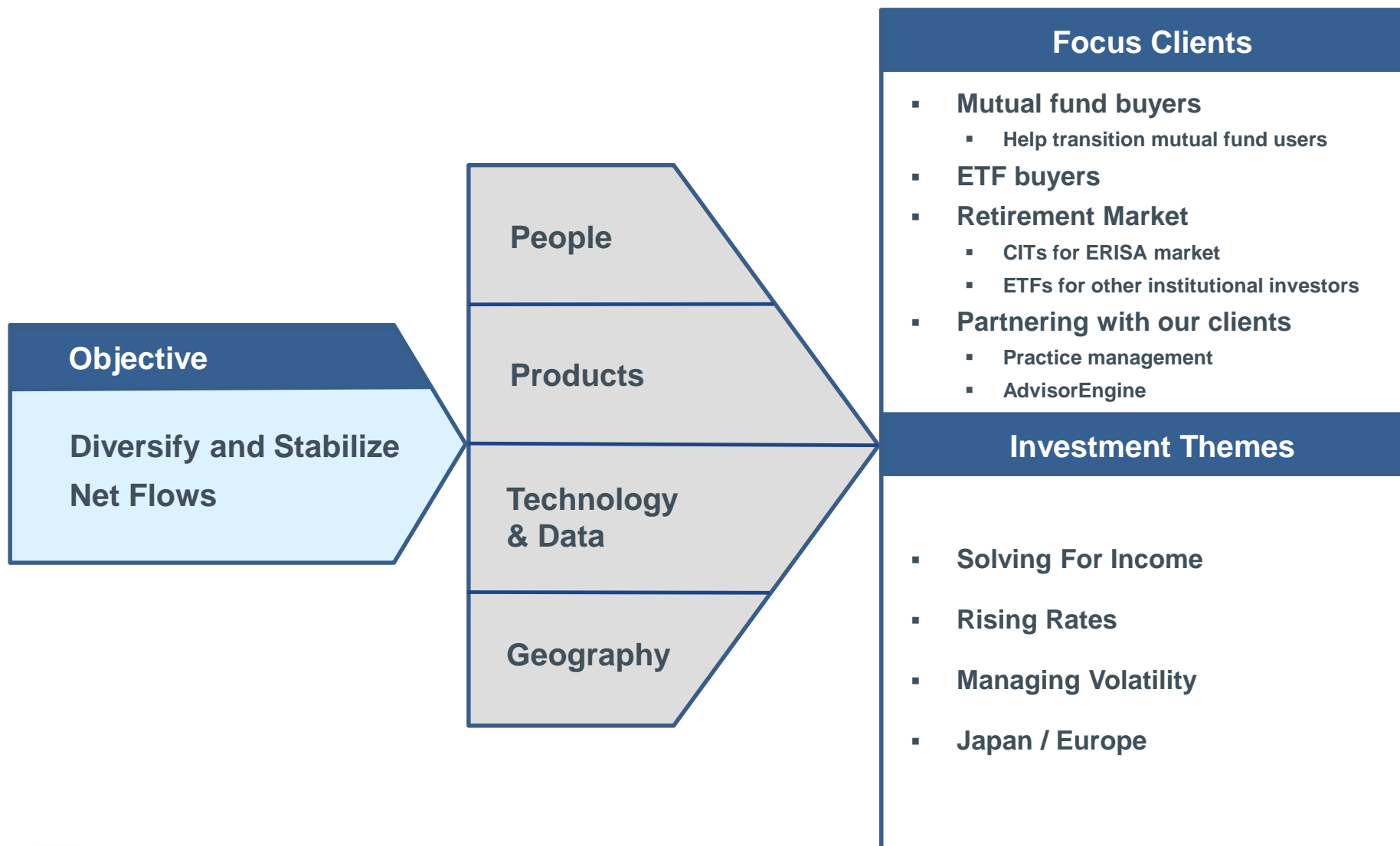
2017 U.S. Business segment total expense outlook

(\$ in millions)



- Near-term U.S. gross margin guidance: 80% - 81%
- U.S. compensation ratio of 28-31%
- International Business segment (Canada and Europe) anticipated \$9 to \$13 million pretax loss

Strategic objectives for 2017

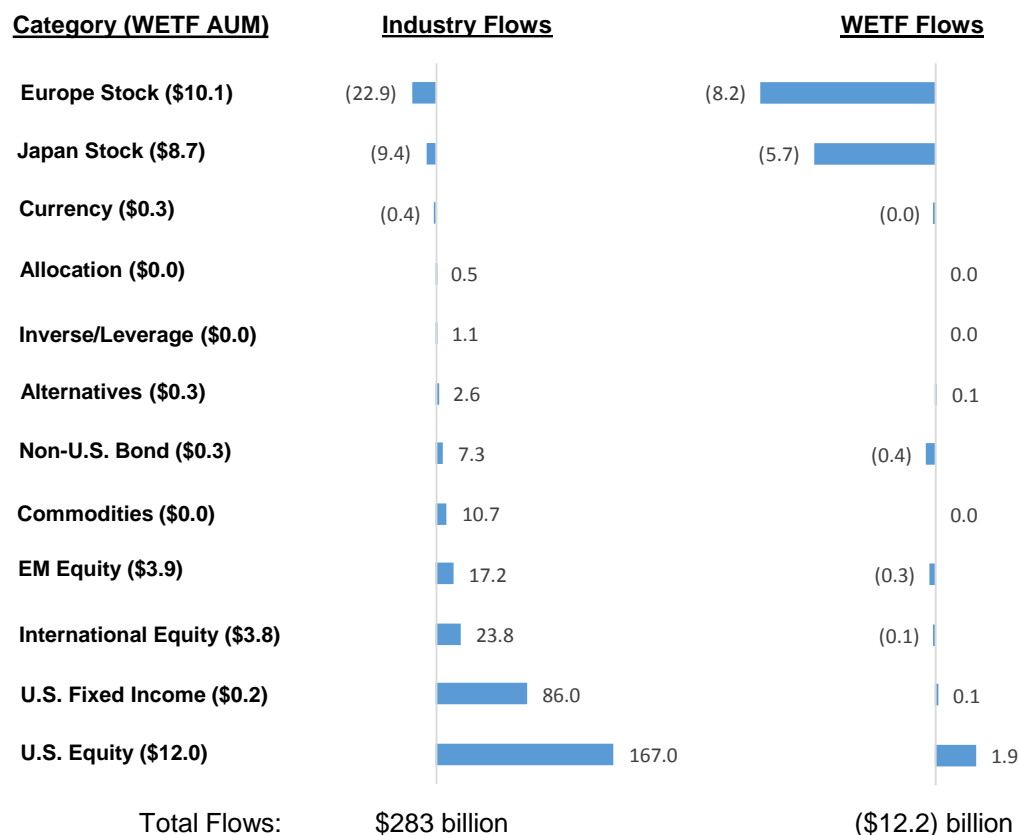


2016 Developments / Accomplishments

2016 Operating Environment ⁽¹⁾

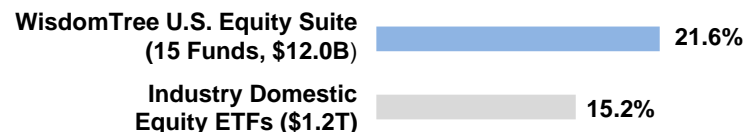
(\$ in billions)

Europe and Japan stock ranked #95 and #96 out of 96 Morningstar categories based on 2016 net flows

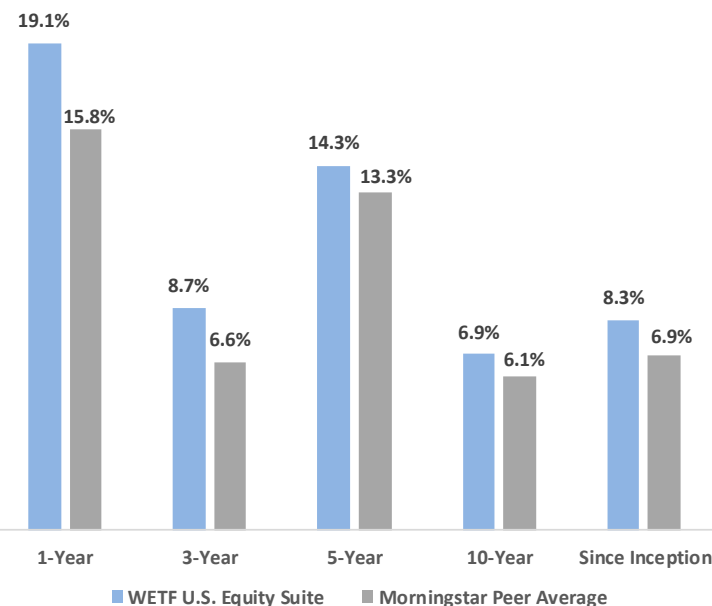


Record Year for U.S. Equity Franchise

2016 Organic Growth



Annualized Performance ⁽³⁾



(1) Categories other than Europe Stock and Japan Stock represent the combination of multiple Morningstar categories. WisdomTree AUM based on related Morningstar categories as of 12/31/16.

Expanding into new long-term growth channels

AdvisorEngine

- Deepens client relationships by providing solutions/tools
- Makes model portfolios actionable
- Helps drive stable diversified flows
- Introduces WisdomTree to new to firm clients

Collective Investment Trusts

- Retirement market is a massive target market of roughly \$12 trillion with an estimated \$4-5 trillion currently in CITs
- Leverages existing intellectual property which lines up well with retirement market appetites
- Leverages recent key hires
- Doesn't cannibalize existing ETF business or institutional efforts

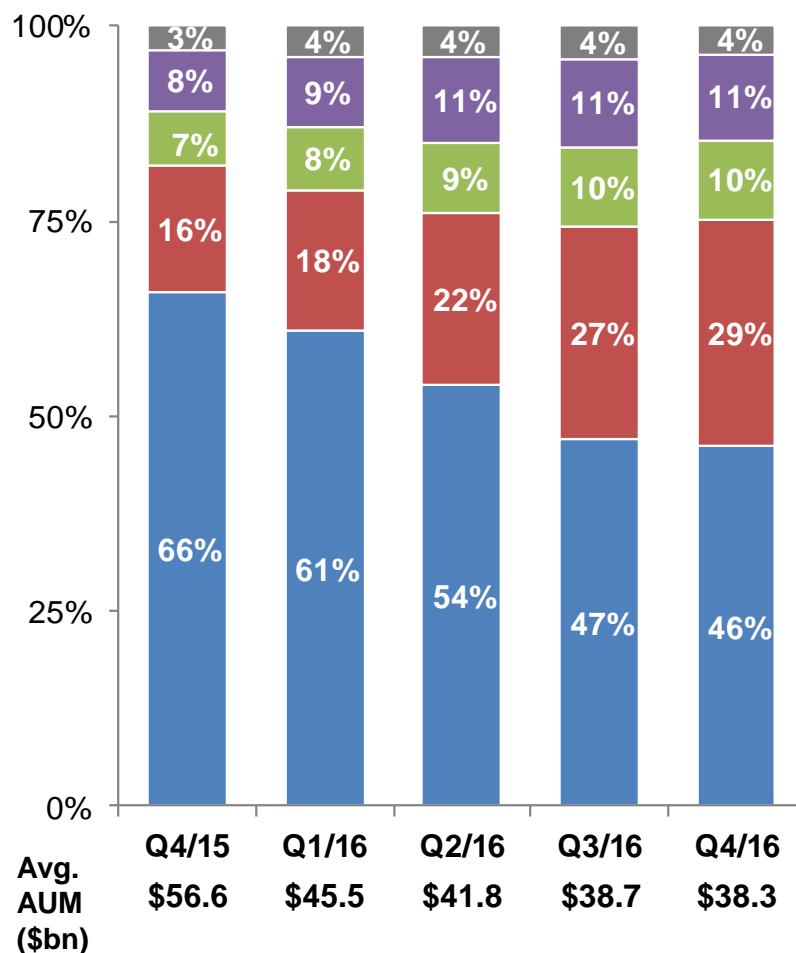
Key Takeaways

- Election appears to be an inflection point for markets, ETF industry, and WETF
- Industry continues to rapidly evolve
- Laid the foundation for growth with key strategic investments in people, products, technology, and geography

Appendix

U.S. equity AUM and revenue increasing

U.S. Average AUM



U.S. ETF Advisory Fees

(\$ millions)

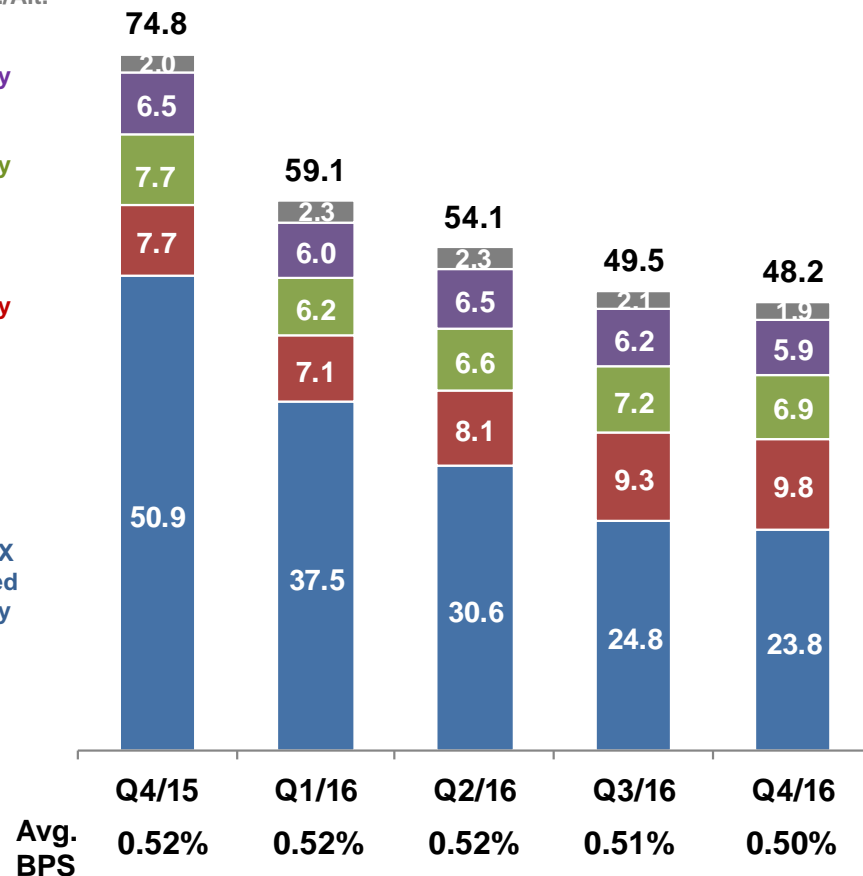
F.I./Curr./Alt.

Int'l Equity

EM Equity

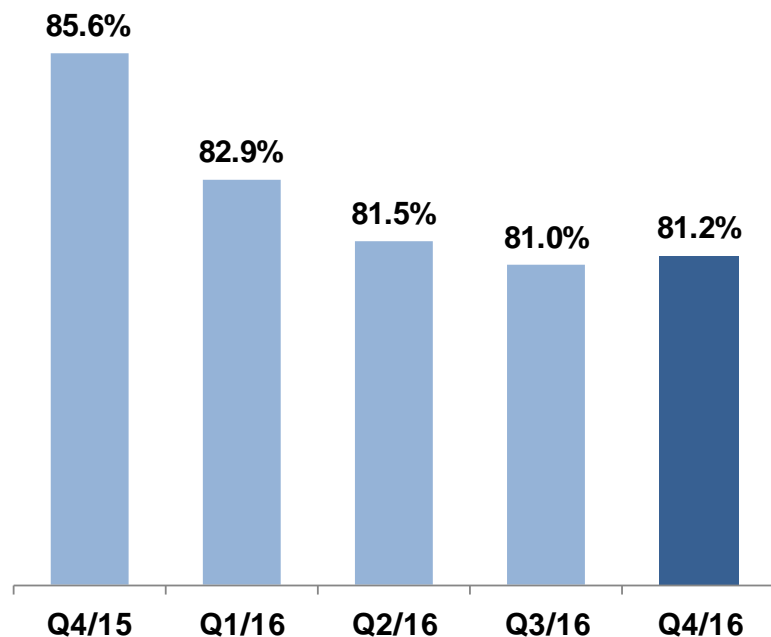
U.S. Equity

Int'l FX Hedged Equity

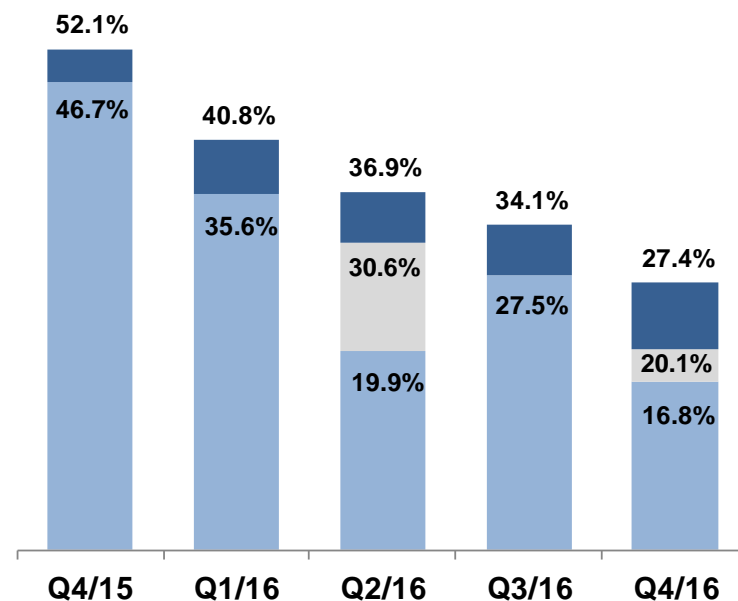


Pre-tax margin reflects continued growth spending

U.S. Business Gross Margin⁽¹⁾



Pre-tax Margin⁽¹⁾



■ U.S. ■ Consolidated ■ Non-GAAP Consolidated

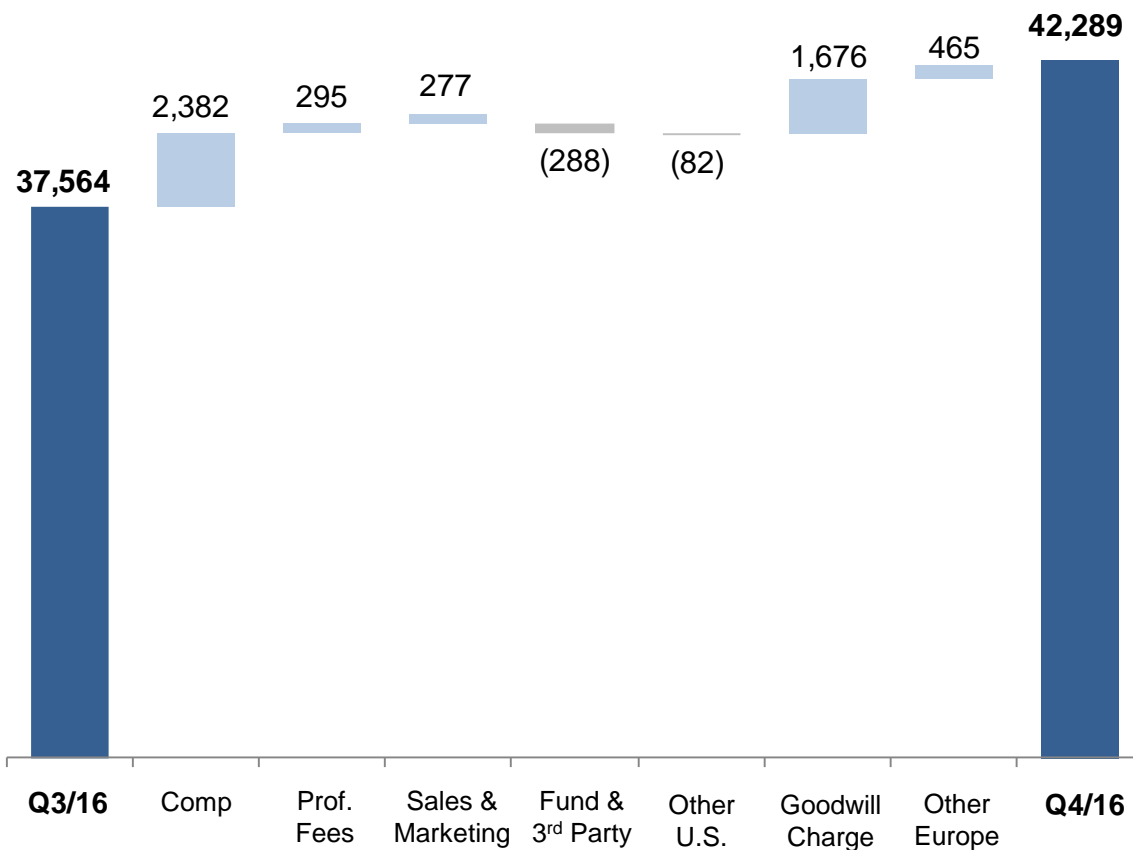
Avg. AUM (\$bn)

Quarter	Avg. AUM (\$bn)
Q4/15	\$56.6
Q1/16	\$45.5
Q2/16	\$41.8
Q3/16	\$38.7
Q4/16	\$38.3

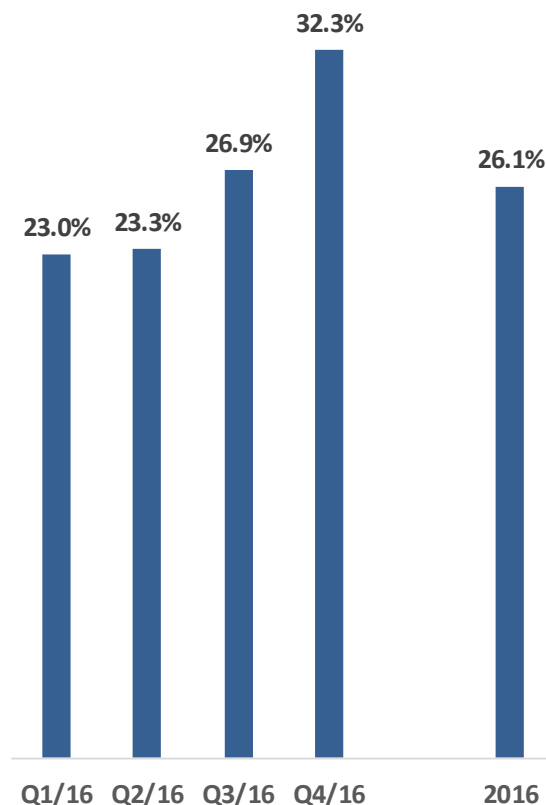
Q4 expenses reflect goodwill charge and year-end comp

Expense Base Change – Q3/16 to Q4/16

(\$ thousands)



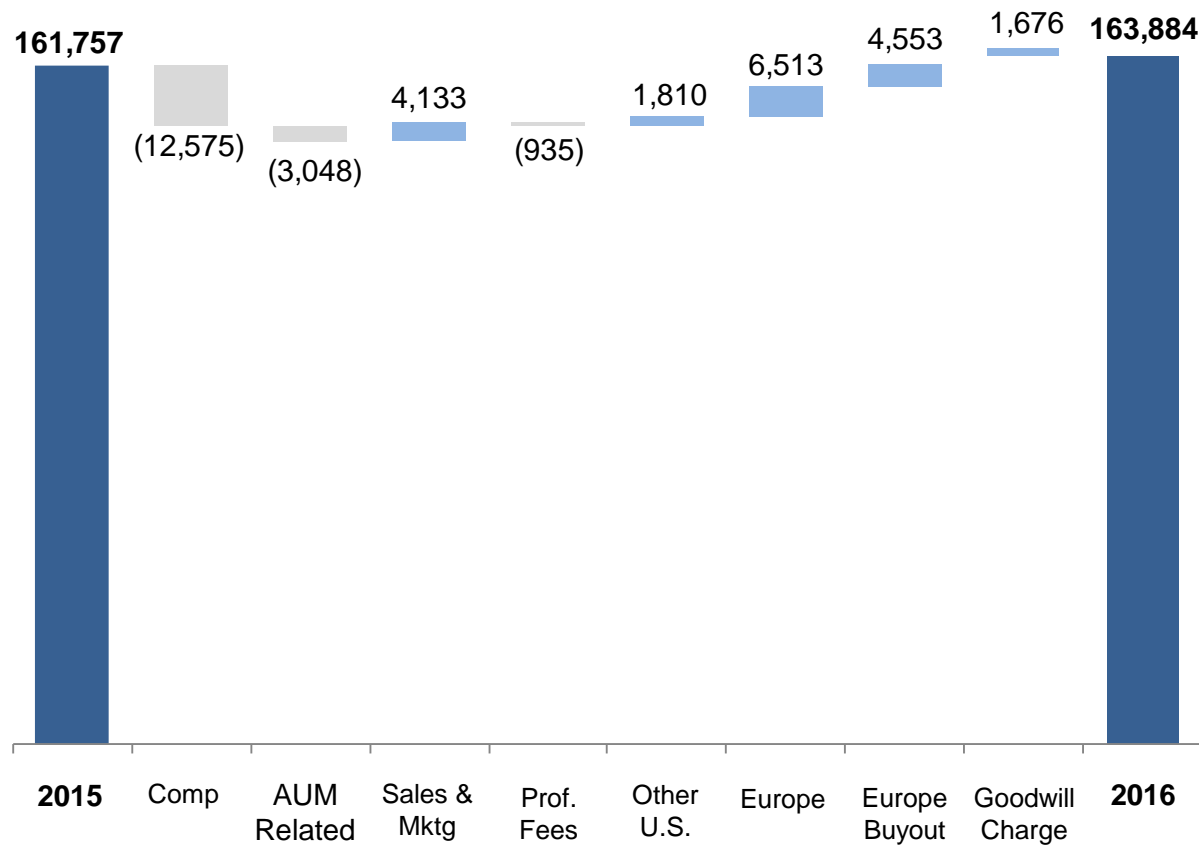
Comp as % of Revenue – U.S.



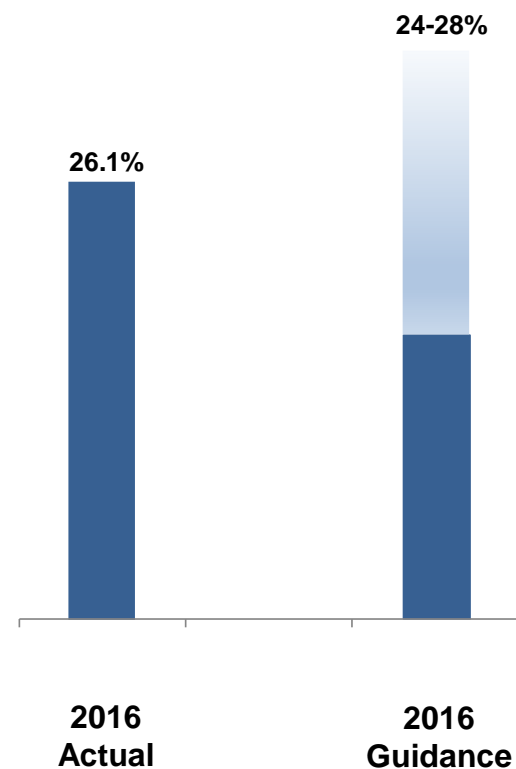
2016 expenses down excluding Europe charges

Expense Base Change – 2015 to 2016

(\$ thousands)



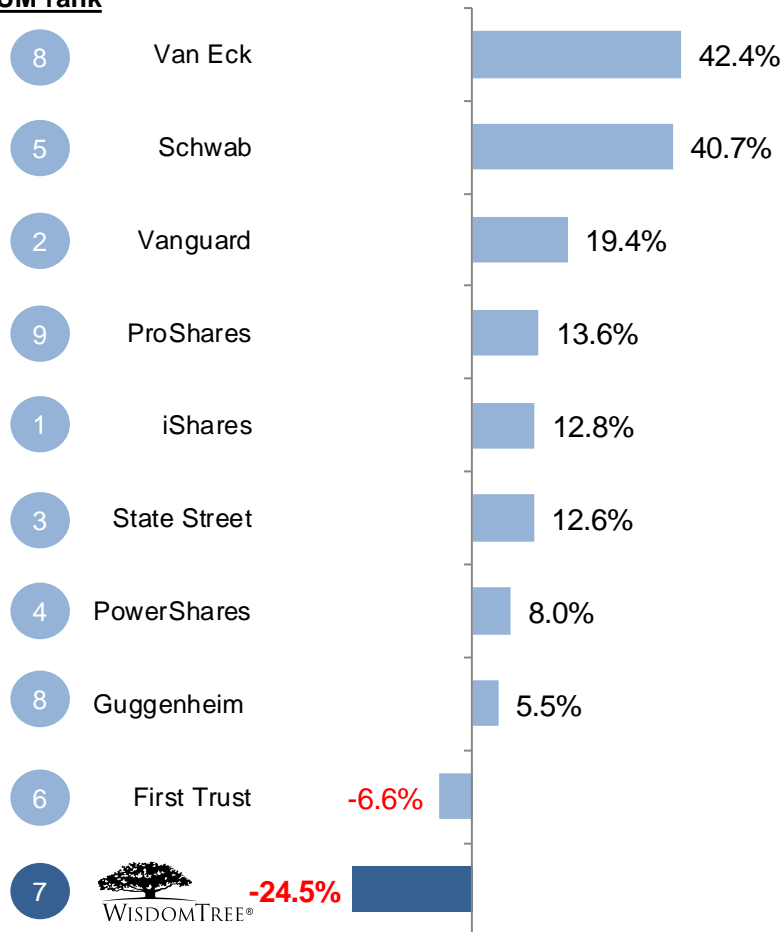
Comp as % of Revenue – U.S.



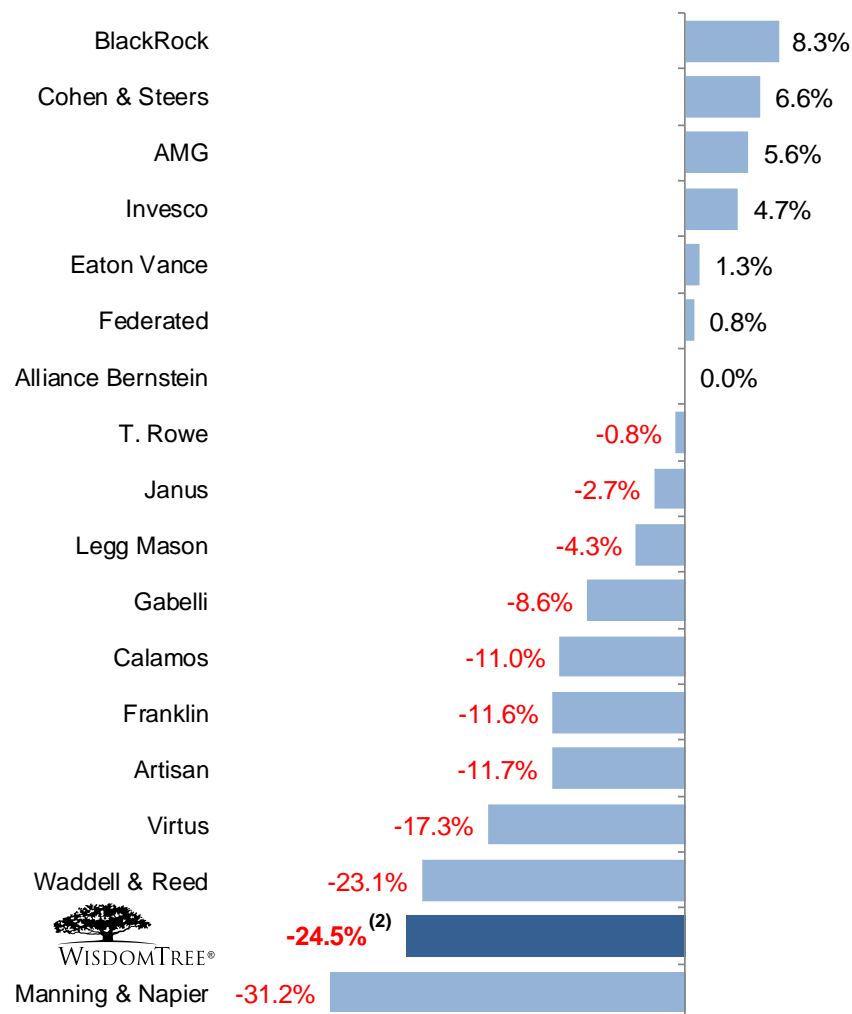
Organic growth lagged on Japan/Europe sentiment

Top 10 U.S. ETF Sponsors 2016 Org. Growth ⁽¹⁾

AUM rank



Public Asset Managers 2016 Org. Growth ⁽¹⁾



AdvisorEngine minority investment & strategic partnership

Deal Terms / Structure

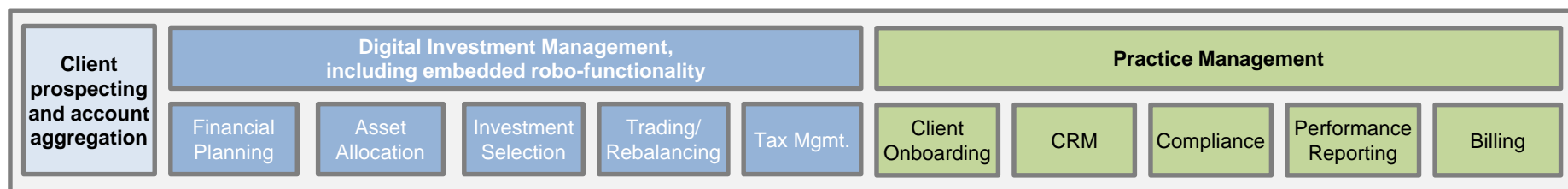
- \$20 million cash investment for 36% minority stake in AdvisorEngine (formerly Vanare)
- Entered into strategic agreement placing WisdomTree's asset allocation models as defaults on AdvisorEngine's open architecture platform
- Balance sheet investment with no recognition of AdvisorEngine revenues or expenses
- Impact to WisdomTree's income statement over time will be driven by advisory fees from WisdomTree ETFs on the platform and asset allocation fees

Strategic Rationale

- Deepens existing client relationships by providing solutions/tools to help advisors digitize and differentiate their businesses as well as offers opportunities to establish new relationships
- Makes WisdomTree's model portfolios actionable via a new distribution channel
- Helps drive diversified flows into WisdomTree ETFs and adds opportunity for asset allocation revenue
- Allows WisdomTree to stay top-of-mind with advisors and end-clients by delivering targeted relevant content and actionable product recommendations

Company Description / Platform Overview

- AdvisorEngine integrates online and traditional wealth management processes and workflows to help advisors build deeper relationships with their clients



CITs – Natural extension to leverage IP

Sizing the Opportunity

(\$ in billions)

Institutional Assets	
Defined Contribution (DC)	6,004
Defined Benefit (DB)	6,119
Insurance	5,375
Foundations	769
Endowments	446
Total	18,713

Given the nature of the structure there isn't perfect industry data sizing the CIT market. However, we estimate CIT assets of \$4-5 trillion.

P&I Survey of the 100 largest DC plans indicates 54% of assets allocated to CIT structure. Morningstar tracked over \$4 trillion of CIT AUM as of year-end '15.

Strategic Rationale

- **Massive target market:** The CIT structure allows WETF to target a \$12 trillion pool of DB/DC assets where industrywide ETF penetration has been limited (~1%). There is no cannibalization of existing ETF business
- **Leverages our existing IP:** CITs are merely a different structure to package our existing strategies which line up well with retirement market appetites. Initial focus will primarily be on small and midcap strategies, but have the ability to launch any existing or new strategies in the CIT format
- **Attractive assets:** CIT wins come with larger ticket sizes, longer holding periods, and often recurring deposits. Revenue capture is lower than ETFs and sales cycle is extended, but at scale margins are still attractive
- **Up and running:** Operationally up and running including GIPS compliance and certification
- **Leverages key hires:** Entrance into this market leverages the investments we have made in our institutional distribution team and complements the ongoing ETF distribution efforts in the channel

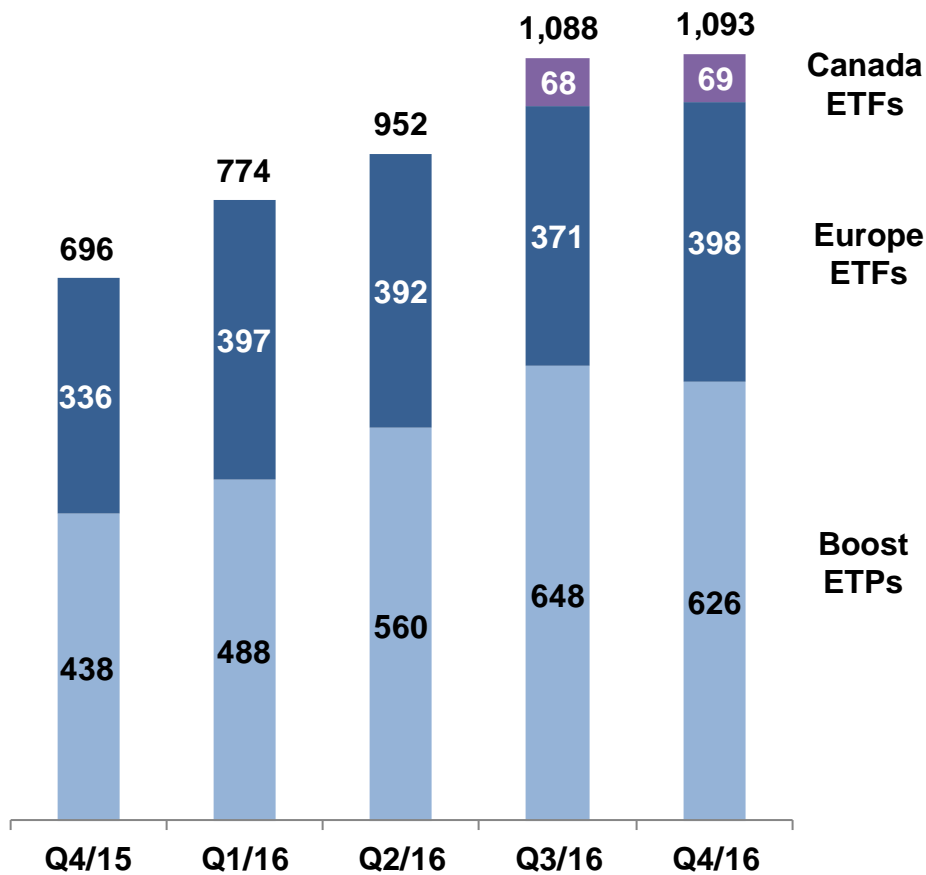
Non-U.S. operations positioned for growth

Highlights

- Surpassed \$1 billion in total International Business segment AUM in July
- Added functionality and flexibility to the Europe UCITS product range in 2016 through additional share class launches.
- Finalizing and instituting organizational changes in Europe following new management installation during 2H16.
- Launched S&P China 500 ETF in Europe with ICBC Credit Suisse in July.
- Launched Canada listed ETFs in July and built out an experienced distribution team with full coverage across major money centers, national accounts and institutional.
- Q1/17 QTD inflows of \$158 million reflecting Boost (\$89M) and UCIT (\$70M) organic growth.

AUM

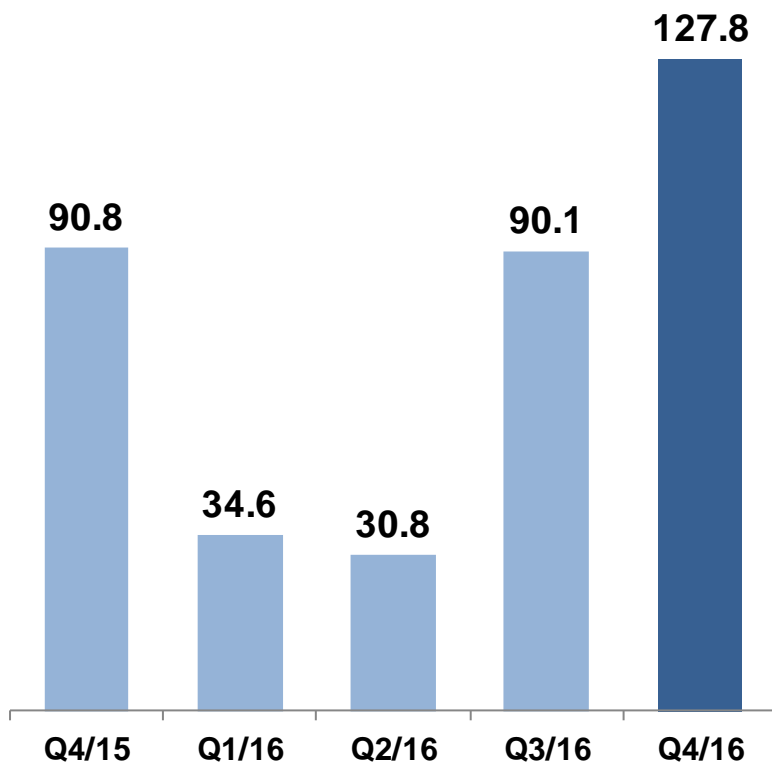
(\$ millions)



Election drove strong industry domestic equity flows

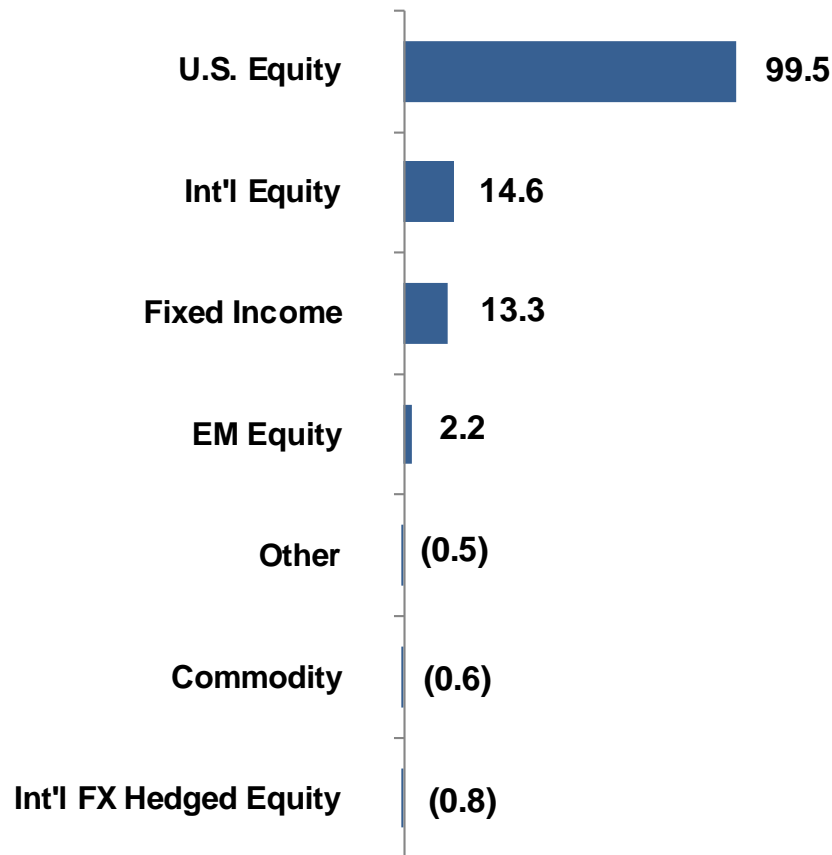
U.S. ETF Industry Net Inflows

(\$ billions)



Q4/16 Industry Net Inflows by Category

(\$ billions)



Consolidated Financial Results

(\$ thousands)

	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues												
Advisory fees	\$ 42,609	\$ 43,938	\$ 46,942	\$ 49,327	\$ 59,869	\$ 81,320	\$ 80,520	\$ 76,235	\$ 60,615	\$ 55,931	\$ 51,553	\$ 50,366
Other income	311	190	172	273	272	239	233	254	263	50	236	432
Total revenues	42,920	44,128	47,114	49,600	60,141	81,559	80,753	76,489	60,878	55,981	51,789	50,798
Expenses												
Compensation and benefits	9,355	7,551	9,990	14,099	19,601	18,669	19,407	15,551	15,226	14,343	15,328	18,366
Fund management and administration	9,168	7,818	8,465	8,932	10,168	11,208	10,519	10,887	10,044	10,621	10,372	10,046
Marketing and advertising	2,578	2,726	3,341	2,869	3,076	3,628	3,573	3,094	3,832	4,566	3,600	3,645
Sales and business development	1,301	1,727	1,279	1,914	1,900	2,076	2,438	2,775	2,447	3,834	3,075	3,181
Professional and consulting fees	1,795	1,840	1,383	2,560	1,463	1,604	1,570	2,430	2,835	1,365	1,035	1,457
Occupancy, communications and equipment	900	853	882	943	918	943	1,183	1,255	1,222	1,241	1,469	1,279
Depreciation and amortization	192	201	207	221	220	223	253	310	316	330	332	327
Third party sharing arrangements	10	115	187	282	283	497	485	1,178	907	709	622	589
Acquisition payment	--	--	--	--	257	264	172	1,492	745	5,993	--	--
Goodwill impairment	--	--	--	--	--	--	--	--	--	--	--	1,676
Other	1,142	1,164	1,123	1,101	1,235	1,509	1,620	1,823	1,632	1,823	1,731	1,723
Total expenses	26,441	23,995	26,857	32,921	39,121	40,621	41,220	40,795	39,206	44,825	37,564	42,289
Income before taxes	16,479	20,133	20,257	16,679	21,020	40,938	39,533	35,694	21,672	11,156	14,225	8,509
Income tax (benefit)/expense	(13,725)	9,531	9,634	7,057	8,958	16,766	16,245	15,164	9,600	7,505	6,270	6,032
Net Income	<u>\$ 30,204</u>	<u>\$ 10,602</u>	<u>\$ 10,623</u>	<u>\$ 9,622</u>	<u>\$ 12,062</u>	<u>\$ 24,172</u>	<u>\$ 23,288</u>	<u>\$ 20,530</u>	<u>\$ 12,072</u>	<u>\$ 3,651</u>	<u>\$ 7,955</u>	<u>\$ 2,477</u>
Note:												
Stock-based compensation included above	\$ 2,015	\$ 2,030	\$ 2,077	\$ 2,015	\$ 2,344	\$ 2,608	\$ 2,926	\$ 3,022	\$ 3,503	\$ 3,767	\$ 3,822	\$ 3,800

Restated U.S. Business Results ⁽¹⁾

(\$ thousands)

U.S. Listed Business

	2016			
	Q1	Q2	Q3	Q4
Revenues				
Advisory fees	\$ 59,092	\$ 54,061	\$ 49,568	\$ 48,345
Other income	221	387	323	493
Total revenues	59,313	54,448	49,891	48,838
Expenses				
Compensation and benefits	13,666	12,674	13,416	15,798
Fund management and administration	9,260	9,339	8,866	8,611
Marketing and advertising	3,510	3,943	3,036	3,148
Sales and business development	2,362	3,368	2,881	3,046
Professional and consulting fees	2,436	1,169	823	1,118
Occupancy, communications and equipment	1,116	1,126	1,272	1,161
Depreciation and amortization	311	325	327	320
Third party sharing arrangements	907	709	622	589
Other	1,535	1,711	1,616	1,652
Total expenses	35,103	34,364	32,859	35,443
Income before taxes	\$ 24,210	\$ 20,084	\$ 17,032	\$ 13,395
Pre-tax margin	40.8%	36.9%	34.1%	27.4%

Key Operating Statistics

(\$ millions)

	2014				2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>AUM (end of period)</u>												
International Hedged Equity	\$12,612	\$12,557	\$13,971	\$17,760	\$33,925	\$39,222	\$34,608	\$33,311	\$25,140	\$18,798	\$17,270	\$18,752
U.S. Equity	7,505	8,052	7,939	9,390	9,748	9,245	8,247	8,603	8,966	9,766	10,698	11,996
International Developed Equity	4,830	5,340	4,494	3,988	4,323	4,829	4,394	4,525	4,653	4,184	4,334	4,152
Emerging Markets Equity	6,753	7,606	7,495	6,187	6,068	6,244	4,288	3,825	3,803	3,683	4,020	3,881
Fixed Income	1,610	1,376	1,379	1,152	904	956	794	799	828	790	597	534
Alternative Strategy	152	163	183	205	225	230	211	208	440	452	445	510
Currency	422	406	362	599	565	573	505	368	426	373	340	339
	\$33,884	\$35,500	\$35,823	\$39,281	\$55,758	\$61,299	\$53,047	\$51,639	\$44,256	\$38,046	\$37,704	\$40,164
Average ETF AUM	\$33,859	\$34,141	\$35,554	\$37,680	\$46,391	\$61,153	\$59,572	\$56,603	\$45,475	\$41,830	\$38,710	\$38,253
<u>Net Inflows / (Outflows)</u>												
U.S. Equity	\$189	\$221	\$84	\$968	\$294	(\$320)	(\$259)	(\$14)	(\$8)	\$500	\$759	\$609
Emerging Markets Equity	(632)	388	270	(836)	(165)	250	(1,013)	(418)	(171)	(160)	93	(41)
Alternative Strategy	(4)	8	13	21	17	14	(13)	(4)	5	(10)	5	72
Currency	(549)	(21)	(35)	232	(44)	7	(63)	(121)	65	(54)	(29)	(13)
International Developed Equity	812	518	(452)	(305)	188	497	21	(56)	160	(251)	(139)	(120)
Fixed Income	(306)	(278)	69	(164)	(210)	67	(85)	9	(14)	(47)	(204)	(35)
International Hedged Equity	(12)	(502)	799	4,580	13,440	6,083	751	(1,997)	(5,396)	(4,927)	(2,865)	(341)
Total	(\$502)	\$334	\$748	\$4,496	\$13,520	\$6,598	(\$661)	(\$2,601)	(\$5,359)	(\$4,949)	(\$2,380)	\$132
Average ETF Advisory Fee	0.51%	0.51%	0.52%	0.52%	0.52%	0.53%	0.53%	0.52%	0.52%	0.52%	0.51%	0.50%
<u>Average Mix</u>												
International Hedged Equity	39%	36%	36%	42%	53%	63%	66%	66%	61%	54%	47%	46%
U.S. Equity	21%	23%	23%	23%	21%	16%	15%	16%	18%	22%	27%	29%
International Developed Equity	13%	15%	14%	11%	9%	8%	8%	8%	9%	11%	11%	11%
Emerging Markets Equity	20%	21%	22%	19%	14%	10%	9%	7%	8%	9%	11%	10%
Fixed Income	5%	4%	4%	3%	2%	2%	1%	2%	2%	2%	2%	2%
Currency	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Alternative Strategy	0%	0%	0%	1%	0%	0%	0%	0%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
# of ETFs	62	69	69	70	70	75	79	86	93	99	93	94
<u>European Listed ETPs: (in thousands)</u>												
AUM (end of period)	\$113,244	\$123,210	\$165,018		\$288,801	\$384,089	\$431,259	\$437,934	\$488,069	\$560,063	\$647,497	\$626,280
Net Inflows	\$17,685	\$19,224	\$82,175		\$145,381	\$50,331	\$191,044	\$153,023	\$123,461	\$20,578	\$92,045	(\$38,214)
Average Advisory Fee	0.82%	0.79%	0.78%		0.81%	0.82%	0.83%	0.85%	0.84%	0.84%	0.82%	0.80%
<u>Total UCITS ETFs: (in thousands)</u>												
AUM (end of period)			\$16,179		\$45,846	\$228,588	\$264,452	\$335,938	\$396,901	\$391,900	\$371,307	\$398,015
Net Inflows			\$16,036		\$28,851	\$144,234	\$62,217	\$52,271	\$71,440	\$26,931	(\$58,908)	\$12,442
Average Advisory Fee			0.38%		0.40%	0.44%	0.45%	0.45%	0.47%	0.46%	0.44%	0.42%
<u>Total Canada ETFs: (in thousands)</u>												
AUM (end of period)											68,427	68,618
Net Inflows											68,531	3
Average Advisory Fee											0.51%	0.52%
U.S. Headcount	90	92	97	101	109	117	128	137	146	149	151	155

Non-GAAP Financial Measurements

In an effort to provide additional information regarding our results as determined by GAAP, we also disclose certain non-GAAP information which we believe provides useful and meaningful information. Our management reviews these non-GAAP financial measurements when evaluating our financial performance and results of operations; therefore, we believe it is useful to provide information with respect to these non-GAAP measurements so as to share this perspective of management. Non-GAAP measurements do not have any standardized meaning, do not replace nor are superior to GAAP financial measurements and are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measurements should be considered in the context with our GAAP results. The non-GAAP financial measurements contained in this release include:

- *Gross margin and gross margin percentage (U.S. Business segment).* We disclose our gross margins and gross margin percentage for our U.S. Business segment separately from the start up stage of our international businesses (Europe and Canada) to allow investors to better understand and track the performance and operating efficiency of our core U.S. operations, which make up the vast majority of our operating and financial results. We disclose U.S. Business segment gross margin, which we define as U.S. total revenues less U.S. fund management and administration expenses and U.S. third-party sharing arrangements, and U.S. Business segment gross margin percentage as non-GAAP financial measurements because we believe they provide investors with a consistent way to analyze the amount we retain after paying third party service providers to operate our ETPs and third party marketing agents whose fees are associated with our AUM level. Management tracks gross margin and gross margin percentage to analyze the profitability of our products.
- *Operating results for the fourth quarter of 2016 excluding a \$1.7 million goodwill impairment charge.* We exclude this charge, which is not deductible for tax purposes, when analyzing our results as it is a one-time, non-recurring charge and not core to our operating business.
- *Operating results for the second quarter of 2016 excluding a \$6.0 million charge related to the accelerated buyout of the minority shareholder of our European business.* We exclude this charge, which is non-deductible for tax purposes, when analyzing our results as it is one-time, non-recurring charge and not core to our operating business.

WISDOMTREE INVESTMENTS, INC. AND SUBSIDIARIES GAAP to NON-GAAP RECONCILIATION (in thousands) (Unaudited)

	Three Months Ended				
	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31 2015
<u>Gross Margin and Gross Margin Percentage (U.S. Listed Business):</u>					
Total Revenues.....	\$ 48,838	\$ 49,891	\$ 54,061	\$ 59,313	\$ 75,020
Less: Fund management and administration.....	(8,611)	(8,866)	(9,339)	(9,260)	(9,647)
Less: Third-party sharing arrangements	(589)	(622)	(709)	(907)	(1,178)
U.S. Gross margin.....	<u>\$ 39,638</u>	<u>\$ 40,403</u>	<u>\$ 44,013</u>	<u>\$ 49,146</u>	<u>\$ 64,195</u>
U.S. Gross margin percentage.....	<u>81.2%</u>	<u>81.0%</u>	<u>81.4%</u>	<u>82.9%</u>	<u>85.6%</u>
<u>Adjusted net income and diluted earnings per share:</u>					
Net income, as reported.....	\$ 2,477		\$ 3,651		
Add back: Goodwill impairment.....	1,676				
Add back: Acquisition payment.....			5,993		
Adjusted net income.....	4,153		9,644		
Weighted average common share - diluted.....	135,373		135,132		
Adjusted net income per share - diluted.....	\$0.03		\$0.07		
<u>Adjusted pre-tax margin:</u>					
Income before income taxes.....	\$ 8,509		\$ 11,156		
Add back: Goodwill impairment.....	1,676				
Add back: Acquisition payment.....			5,993		
Adjusted income before income taxes.....	10,185		17,149		
Total revenues.....	50,798		55,981		
Adjusted pretax margin.....	20.1%		30.6%		

Historical statistics – U.S.

	U.S. Net Inflows		Market Share	Market Movement	AUM
	Industry (in billions)	WisdomTree (in millions)			
Q2 06	\$24.6	\$347	1.4%	\$18	\$365
Q3 06	\$5.3	212	4.0%	23	600
Q4 06	\$34.1	849	2.5%	75	1,523
Q1 07	\$14.3	1,475	10.3%	85	3,083
Q2 07	\$17.4	771	4.4%	146	4,001
Q3 07	\$48.1	405	0.8%	41	4,446
Q4 07	\$70.8	310	0.4%	(198)	4,559
Q1 08	\$8.8	136	1.5%	(399)	4,296
Q2 08	\$13.7	756	5.5%	(307)	4,746
Q3 08	\$81.5	(15)	n/a	(655)	4,075
Q4 08	\$73.2	30	0.0%	(925)	3,180
Q1 09	(\$2.5)	23	-0.9%	(428)	2,776
Q2 09	\$38.2	281	0.7%	606	3,663
Q3 09	\$27.1	559	2.1%	680	4,902
Q4 09	\$53.7	911	1.7%	166	5,979
Q1 10	\$7.0	582	8.3%	152	6,713
Q2 10	\$30.9	121	0.4%	(594)	6,240
Q3 10	\$33.4	1,161	3.5%	859	8,260
Q4 10	\$46.7	1,271	2.7%	360	9,891
Q1 11	\$23.6	1,264	5.4%	129	11,284
Q2 11	\$29.2	1,699	5.8%	(49)	12,934
Q3 11	\$20.9	179	0.9%	(1,929)	11,184
Q4 11	\$43.9	756	1.7%	242	12,182
Q1 12	\$53.2	2,299	4.3%	1,210	15,691
Q2 12	\$25.0	338	1.4%	(1,025)	15,004
Q3 12	\$51.8	1,036	2.0%	743	16,783
Q4 12	\$55.4	1,059	1.9%	444	18,286
Q1 13	\$52.2	5,893	11.3%	924	25,103
Q2 13	\$15.4	4,962	32.2%	(1,090)	28,975
Q3 13	\$53.7	1,160	2.2%	1,217	31,352
Q4 13	\$58.6	2,308	3.9%	1,224	34,884
Q1 14	\$14.5	(502)	n/a	(498)	33,884
Q2 14	\$57.7	334	0.6%	1,282	35,500
Q3 14	\$48.8	748	1.5%	(425)	35,823
Q4 14	\$119.7	4,496	3.8%	(1,038)	39,281
Q1 15	\$55.5	13,520	24.4%	2,957	55,758
Q2 15	\$41.4	6,598	15.9%	(1,057)	61,299
Q3 15	\$43.2	(661)	n/a	(7,591)	53,047
Q4 15	\$90.8	(2,601)	n/a	1,418	51,864
Q1 16	\$34.6	(5,359)	n/a	(2,249)	44,256
Q2 16	\$30.8	(4,949)	n/a	(1,261)	38,046
Q3 16	\$90.1	(2,380)	n/a	2,038	37,704
Q4 16	\$127.8	132	0.1%	2,328	40,164
Total	\$1,864.1	\$42,514	2.3%	(\$2,349)	

	U.S. Net Inflows		Market Share	Market Movement	AUM
	Industry (in billions)	WisdomTree (in millions)			
2006	\$74.0	\$1,408	1.9%	\$116	1,523
2007	\$150.6	2,961	2.0%	74	4,559
2008	\$177.2	907	0.5%	(2,286)	3,180
2009	\$116.5	1,774	1.5%	1,025	5,979
2010	\$118.0	3,135	2.7%	777	9,891
2011	\$117.6	3,898	3.3%	(1,607)	12,182
2012	\$185.4	4,732	2.6%	1,372	18,286
2013	\$179.9	14,323	8.0%	2,275	34,884
2014	\$240.7	5,076	2.1%	(679)	39,281
2015	\$230.9	16,856	7.3%	(4,273)	51,864
2016	\$283.3	(12,556)	n/a	856	40,164
Total	\$1,874.1	\$42,514	2.3%	(\$2,349)	



WISDOMTREE®